COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

CANDY H. DACANAY-DATUON

(02) 8522-8801 to 04

(Company Telephone Number)

1 2	3 1	**SEC FORM 17-A**	0 6	2 5
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.

SEC FORM 17-A, *AS AMENDED*
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2020**

2. SEC Identification Number **147669** 3. BIR Tax Identification No. **000-432-378**

4. Exact name of issuer as specified in its charter **COSCO CAPITAL, INC.**

5. **MANILA, PHILIPPINES** 6. [ ] (SEC Use Only)
Province, country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **No. 900 ROMUALDEZ ST., PACO, MANILA** **1007**
Address of principal office Postal Code

8. **632-8523-3055**
Issuer's telephone number, including area code

9. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stocks as of December 31, 2019	**7,238,553,564**
Common stocks as of March 31, 2020	**7,203,253,664**

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

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

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

Yes [x] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

DOCUMENTS INCORPORATED BY REFERENCE

Shares held by Non-affiliates as of March 31, 2021	Market Value per Share as of March 31, 2021	Total Market Value
1,653,315,566	PhP5.15	PhP37,064,702,254.60

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;
(b) Any information statement filed pursuant to SRC Rule 20;
(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART 1: BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

(1) Business Development

Cosco Capital, Inc. ("Cosco", "Group" or the "Company") was incorporated on January 18, 1988 as Alcorn Gold Resources Corporation with the primary purpose of engaging in exploration, development and production of oil, gas, metallic and non-metallic reserves in partnership with other companies.

On April 12, 2013, the Lucio Co Group and Alcorn Gold Resources Corporation executed a Deed of Assignment wherein the Lucio Co Group shall subscribe from the increase of Alcorn's authorized capital stock at a subscription price of Php15 per share for a total of 4,987,406,421 new shares in exchange of an aggregate price of Php74,811,096,315.00 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co. Incorporada., SVF Subsidiaries, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine & Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc. and Pure Petroleum Corp.

On May 30, 2013, the aforesaid share–swap between the Company and the Lucio Co Group became effective as the new shares issued to the Lucio Co Group were listed in the Philippine Stock Exchange. Alcorn Gold Resources Corporation's change of name to Cosco Capital, Inc. was approved by the Securities and Exchange Commission ("SEC") on April 22, 2013 and it became a conglomerate of 12 acquired companies effective June 1, 2013.

On July 5, 2013, SEC approved the registration of Alcorn Petroleum Minerals Corporation ("APMC"), a wholly-owned subsidiary of Cosco Capital, Inc. APMC was organized to pursue the exploration and development of Cosco's interests in oil and mining business activities. On June 11, 2014, a Deed of Assignment was executed between Cosco Capital, Inc. and APMC formalizing the transfer of Cosco's oil and mining interests to APMC subject to the approval of the Department of Energy which was subsequently granted on July 2, 2015.

(2) Business of the Issuer

Cosco Capital, Inc. is currently an investment holding company. It has a diversified portfolio of business interests in various industries and business segments as shown below:

Retail	Real Estate	Wine and Liquor	Mining and Minerals
Puregold Price Club, Inc.	Ellimac Prime Holdings, Inc.	Meritus Prime Distributions, Inc.	Alcorn Petroleum and Minerals Corporation
Office Warehouse, Inc.	Fertuna Holdings Corp.	Montosco, Inc.	
	NE Pacific Shopping Centers Corporation	Premier Wine and Spirits, Inc.	
	Patagonia Holdings Corp.		
	Pure Petroleum Corp.		
	Canaria Holdings Corporation		
	Nation Realty, Inc.		

1. Principal Products and Services

Brief business discussion of each companies under the Cosco Group:

Puregold Price Club, Inc.

As of December 31, 2020, Puregold Price Club, Inc. ("Puregold") operates a supermarket chain of 403 stores all over the Philippines. The stores are classified as hypermarkets, supermarkets, extras and mini-marts depending on the size of the selling area and location of the store. In the past three (3) years, the total number of stores increased from 354 in 2018 to 403 in 2020. Further details are as follows:

By Format:

Year	Hypermarket	Supermarket	Extras	Mini-Mart	Total
2018	208	104	29	13	354
2019	230	103	28	19	380
2020	244	100	28	31	403

By Location:

Year	Metro Manila	Luzon	South Luzon	Visayas	Mindanao	Total
2018	125	93	101	25	10	354
2019	130	100	106	33	11	380
2020	137	107	113	35	11	403

Puregold wholly owns the following subsidiaries:

a. ***Kareila Management Corporation*** *(operating under the tradename, S&R Membership Shopping)* operates 20 membership warehouse clubs and 46 quick-service restaurants ("QSR") as of December 31, 2020. S&R started with only four (4) warehouses before Mr. Lucio Co acquired it sometime in 2004. As of December 2020, Kareila is operating 20 warehouses and 46 QSR.

b. ***Entenso Equities, Inc.*** has equity interests in Ayagold Retailers, Inc. and San Roque Supermarkets. Ayagold Retailers, Inc. is a 50/50 joint venture with Ayala Land. It opened a mall-based supermarket called "Merkado" at UP Town Center, Quezon City, in July 2015 and at Vertis North Mall, Quezon City, in December 2017. San Roque Supermarkets is also a joint venture with the original family owners of San Roque Supermarkets. It currently operates 30 supermarkets located mainly in Metro Manila.

c. ***Purepadala, Inc.*** was incorporated in 2018 with P50 million capital stock. It will operate the remittance service within the network and platform of Puregold.

The total store network of Puregold and subsidiaries per year is in the table below:

Year	Puregold	S&R Membership	QSR	Merkado	San Roque	Total
2018	354	16	39	2	23	434
2019	380	18	38	2	25	463
2020	403	20	46	2	30	501

The total store network of Puregold and subsidiaries per location is in the table below:

	Metro Manila	Luzon	South Luzon	Visayas	Mindanao
Puregold	137	107	113	35	11
S&R Membership	10	3	3	2	2
QSR	26	5	8	7	0
Merkado	2	0	0	0	0
San Roque	16	5	9	0	0

Office Warehouse

Office Warehouse was incorporated on August 20, 1997. In 2014, the Company bought Office Warehouse with 46 stores. At present, Office Warehouse has 89 stores, mostly in Metro Manila and South Luzon. Under the new management, Office Warehouse has

been a provider and a partner consultant to small and medium enterprises when it comes to quality, cost-efficient, and value-adding office solutions.

For the past three years, Office Warehouse consistently surpassed annual historical sales and recorded compounded growth of at least 16.5%. This robust performance is a result of its dedication and persistence in addressing market demands and resiliency to the changing retail landscape. Office Warehouse keeps itself abreast of technological trends and capitalizes on its impact on the macro-economic behavior of businesses.

In 2019, Office Warehouse grew by 17% and ended the year with 89 retail doors, 67 of which are in Metro Manila and 22 in nearby provinces. It operated on a total of brick and mortar space of about 16,300 square meters.

Office Warehouse is likewise present online and does e-commerce using its website. It believes in the power of social media; thus, Office Warehouse also uses this forum for its marketing and advertising initiatives. Conversely, Office Warehouse also strengthens its brand by conducting caravans in various offices and universities. Office Warehouse serves as the physical touch points with the market it serves in their place of engagement.

Office Warehouse continues to offer a relevant and up-to-date product mix and assortment at best possible price. It continues to improve its supply chain capability by automating orders for product replenishment and streamlining its cross-docking services. It is still maintaining its transportation fleet for deliveries to store and customers, and at the same time, engaging with third-party logistical services to ensure prompt order fulfillment.

To maximize its online presence, Office Warehouse is now partnering with several marketplaces for e-commerce. It has also introduced e-payment platforms and other technology-driven tenders for its general business.

The COVID-19 pandemic had taken its toll in the industry, as sporadic business closures were imposed, both with nationwide and localized lockdowns. Supply shortage of several high-demand business tech items is a challenge up to this day. The imposition of work-from-home arrangement in several business sectors and the suspension of face-to-face classes in schools and universities have also critically affected the demand for school and office supplies. These adverse effects resulted to business shrinkage and saw the permanent closure of two stores. The Company is coping with these conditions by strengthening its online presence thru the Office Warehouse website and e-aggregators. In-store purchases via phone-in and email with pickup and 3rd party courier options were also made available to augment the limitations on mobility. It has also introduced health-pandemic products like PPEs and sanitizing equipment now popularly and mandatorily used in places of business and home-offices. Office Warehouse is committed to thrive amid one of the most arduous situations the economic world has faced.

Real Estate Segment

For the past three years, the Company consistently maintained its growth in rental revenues. Aside from the annual increment on rental rates, the company was able to develop six new community malls which are strategically located in the following areas: (1) Marikina Heights, Marikina City, (2) General Trias, Cavite, (3) Subic, Zambales, (4) Putatan, Muntinlupa, (5) Maria Aurora, Aurora Province and lastly the recently opened community center in (6) Bayawan City, Negros Oriental. With the most recent development in Bayawan comes two modern movie theatre auditoriums with one hundred two seating capacities each as added amenities for our mall-goers.

The Company partnered with a Malaysian-brand "Mr. DIY" to cater more consumers for the coming years. The real estate segment also got to associate itself with Robinson's brands like Handyman, Daiso, and Saver's Appliances. Sy-led businesses like Ace Hardware and Watson's are also aggressive in their partnership with the group. The company also ventured with Eat-All-You-Can brand Meatsumo, which offers a mix of Japanese and Korean cuisine in one. Adding to the company's portfolio is the first-ever Shakey's group's multi-brand concept in one: Shakey's Pizza, Peri-Peri and R&B Tea. Aside from the newest additions to the food concept, the company was also able to augment in its courier concepts, the Indonesian brand J&T Express, Inc. with over 400 branches and warehouses in the Philippines and a logistics partner of the e-commerce giant: Shopee

As of year ended 2020, the Group has at least 3,500 leasable spaces across NCR, Luzon, and the Visayas, which is growing over the years as the company expands.

The Company acquired four parcels of land held for future development located at Laoag, Cabatuan, Iloilo, and Barotac-Nuevo, Iloilo. These additions contributed a total of 32,940 square meters of land owned by the group.

The Company also started its development of a commercial center in its property in the developing communities of Biñan, Laguna and Antipolo, Rizal. The group has yet to measure its add-in contribution to the company's leasable spaces.

Ellimac Prime Holdings, Inc. is the flagship of the real estate companies of the company. The commercial retail buildings of Ellimac are being leased out mostly by prominent retail tenants that support the retail customers of Puregold Price Club, Inc. One of which is the 'Fairview Terraces.' The Fairview Terraces is the second commercial shopping complex that was co-developed with Ayala Land, Inc., and it is located in the prime commercial area of Quezon City. The Fairview Terraces houses an extensive mix of foreign and local brands, offering an array of dining and shopping experiences for families and professionals.

Fertuna Holdings Corporation is considered to be the stronghold of the company in Central Luzon. Fertuna, together with Ayala Land Inc., co-developed a commercial retail complex called "Harbor Point." It is situated in Subic Bay Freeport Zone. Harbor Point opened in September 2012, where Puregold Supermarket became its anchor tenant.

Fertuna's Harbor Point Mall lies within the eco-friendly environment of Subic Bay. The 6.5-hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Fertuna is governed by the rules and regulations of the Subic Bay Metropolitan Authority (SBMA) under Republic Act 7277, making it entitled to tax and duty-free importation of certain items.

Patagonia Holdings Corp. is the company's rising force in the Bonifacio Global City acquired parcels of land, summing a total land area of 1.3 hectares. The strategic location of the property in the growing business district is a promising investment venture for the company. Patagonia provided the opportunity to have S&R Membership Shopping operate a retail outlet in its property since 2000. The viable location of the land worked to their advantage. It became accessible to patrons and consumers. It became a steady market for S&R's retail outlet.

Nation Realty, Inc. operates "999 Shopping Mall" located in Binondo, Manila. It is a specialty mall, a modern approach to a flea market, or 'tiangge.' The 999-shopping mall is the shopping hub for Filipino shoppers and resellers who want to purchase useful quality items at low prices.

The 999-shopping mall has two developments. The first development is a four-story building with 31,931 square meters gross floor area, and the second is a seven-story building with a total floor area of 84,292 square meters.

The Company acquired ***NE Pacific Mall*** in March 2014. It is considered to be the ultimate shopping and family entertainment destination in the province of Nueva Ecija. It is located at km. 111 Maharlika Highway, Cabanatuan City, Nueva Ecija. The 10-hectare parcel of land where the shopping center is built has a total gross floor area of more than 35,000 square meters. The mall has leasable spaces for different brands and establishments and houses a line of tenants such as the supermarket, department store, hardware and appliance centers, restaurants, and many others. One of the key tenants of the mall is Puregold Price Club, Inc. and government satellite offices of Social Security System, Philippine Statistics Authority, and Philippine Health Insurance. This one-stop shopping haven not only provides a unique shopping experience for the family but also brings great value for their money.

Pure Petroleum, Inc. constructed a fuel terminal facility inside the Subic Bay Freeport Zone in 2009, which became operational in December 2012. It currently operates a tank farm of 9 fuel storage tanks with a total capacity of 88.5 Million liters combined Diesel and Gasoline products, 7 Ethanol tanks of various sizes (350KL,100KL, and 50KL) with a total capacity of 700KL and 5 CME storage tank 50KL size with a full capacity of 250KL. The terminal also operates jetty facilities for bulk loading and unloading, two units mooring buoy, water storage tank for fire protection and maintenance as well as truck loading rack. It has adopted the best practices of the oil industry, applicable policies and procedures to ensure safe and efficient operation.

Mall industry was one of those badly hit sectors of COVID-19. In the face of this global crisis, the Group remains composed as it operates and maintains mitigation efforts to help safeguard the health and welfare of its employees and customers. During these trying times, the Company gets to see the advantage of having major traffic pullers like

Social Security Services, Philippine Health Insurance Corporation, Home Development Mutual Fund (PAG-IBIG) and Philippine Statistics Authority. The Group generated traffic by simply having them within the malls' premises. The Group also maintained its occupancy at 95% with an average of 80% operating capacity as of closing year 2020 since most of its client portfolio offers provision of essential goods or services.

To mitigate the heavy impact of COVID 19, the Company provided rental discounts and abatements to its tenants. The Company prioritized less on income growth to focus on its customer retention. The Company believes that this concession may prove beneficial to both the Company and its customers, that the latter may consider this generous offer and use it as a key deciding factor to stay. The rent concessions may have its pros and cons, but in due course, the Group expects to realize economic viability for all the parties post pandemic.

As of December 31, 2020, the Company has stores or branches located in the following areas:

	Puregold	S&R	QSR	Office Warehouse	Real Estate
Metro Manila	137	10	26	69	23
North Luzon	107	3	5	7	16
South Luzon	113	3	8	13	12
Visayas	35	2	7	0	4
Mindanao	11	2	0	0	0
Total	**403**	**20**	**46**	**89**	**55**

Wine and Liquor Segment

The three companies within the Cosco umbrella that work closely with brand owners, to build and grow these brands are Montosco Inc., Meritus Prime Distributions, Inc. and Premier Wines and Spirits, Inc.

Montosco, Inc. is the lead company, having in its portfolio "Alfonso" the number one imported brand in the country by volume and value. It drives the liquor segment's revenue and bottomline. Completing Montosco' s portfolio is Diageo- the leading spirits company in the world - having Johnnie Walker as its leading brand. A unique trading relationship with Diageo has been established, including exclusively on key brands.

Meritus Prime Distributions, Inc. prides itself by carrying the number one bourbon whisky brand in the world, "Jim Beam" and its strong relationship with Beam Suntory group - the third-largest spirits producer in the world. It also represents the portfolio of W. Grants where Glenfiddich, the leading single malt whisky in the world, is among its key brands. Rounding the list for Meritus are Roku and Hendricks- the hottest craft gin brands in the market.

The depth and breadth of ***Premier Wines and Spirits, Inc.***'s portfolio are difficult to match, having the right balance in its collection of spirits, wines, and premium energy drinks and sparkling water lines. Strengthening relationships, Premier and Pernod Ricard, the second-largest spirits company in the world, formed a joint venture

partnership, establishing Pernod Ricard Philippines, Inc., to be the marketing and distribution arm of Pernod brands in this market. Amongst Premier's key brands is Jose Cuervo, the worlds leading tequila, "Jinro", the top spirits brand in the world, "Penfolds", world's most admired wine brand, "RedBull", world's number 1 energy drink and "Perrier", the leading sparkling water in the world.

The Covid 19 pandemic caused a temporary slide in the topline revenue of the premium imported liquor segment. The liquor bans throughout major cities constricted distribution. Curfew hours and shutdown of on premise outlets namely, hotels, restaurants, bars and resorts, cut opportunities for consumption. Travel bans, domestic and foreign, caused a decimated travel retail. Socials, meetings and conferences were held to a grinding halt. All of these resulted to a temporary decline in the top line revenue of the group.

Nonetheless, impact on the bottomline was kept at very low single digits, through the agile management and efficient operations of the business units. It needs to be pointed out also, that in a crisis of this magnitude, it was because of our strong fundamentals that we were to get through: (1) Balanced portfolio of leading brands (2) Solid distribution network (3) Wide supply base (4) Seamless relationship with brand owners (5) Agile and efficient distribution business units.

Pace of recovery will be more aligned with the gradual reopening of the on-trade and dependent on the degree of restrictions imposed. This sector will bounce back and will make its way toward its growth trajectory driven by its portfolio and premiumization.

The liquor industry is a growth industry, and in it our group of companies play a key role in the imported segment. With the brands it carries, the relationships it has established, and the organization it has built, the company's liquor segment fundamentals are solid. It is poised to steadily grow and take on the challenges ahead.

Oil & Mining Segment

Alcorn Petroleum and Minerals Corporation was incorporated on July 5, 2013, as a wholly-owned subsidiary of Cosco to pursue the exploration and development of the company's interests in oil and mining business activities. The oil and mining interests include a portfolio of participating investments in petroleum exploration and extraction activities in the Palawan area and Eastern Visayas region.

2. Percentage of Sales or Revenues from Foreign Sales

The Company or any of its subsidiaries has no branch or sale outside the Philippines.

3. Distribution Methods

Puregold replenishes and distributes its merchandise to various stores by (a) Direct-to-Store delivery (b) cross-sock facilities (c) store-to store transfer. A substantial portion of Puregold's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. About 32% of the suppliers who are unable to deliver to Puregold's stores directly deliver their products to the Puregold's out-sourced cross-

dock facilities for onward distribution to Puregold stores. All of the company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, there are stores with large warehouses that can accommodate goods intended for nearby small-format stores. As needed, products are transferred from a large store to a small store

Kareila Management Corporation ("S&R"), a wholly-owned subsidiary of Puregold, sends out buyers all over the world to source for its best products. S&R imports 45% - 55% of its merchandise. It currently operates its three (3) distribution centers.

Office Warehouse's suppliers directly deliver to stores or cross-dock the items through its warehouse facility. Office Warehouse sells to customers through in-store purchases, phone-in-service for delivery and pick-up, or by an e-commerce shopping site.

The Liquor Group has nationwide sales coverage through sub-distributors, but the bulk of business is mainly in urbanized areas. It sells to all channels of the segment like supermarkets, wholesalers, on-premise outlets (hotels, restaurants, and bars).

4. New Products and Services

There are no new products or services launched in 2020.

5. Competition

Puregold competes with SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart. But smaller formats like Alfamart of S.M. group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart.

S&R competes with Landers. The latter also has membership shopping format and offers imported products as well and caters to the "A" and "B" class segment of our population.

Office Warehouse competes with National Bookstore for the school and office supplies category, and Pandacan Bookshop, operating mainly in the provinces of Luzon attracting students and homemakers by its various type of merchandise at very low pricing. For business technology, Office Warehouse competes with Octagon and Silicon Valley stores.

The depth, breadth, and leadership position of the brands in the portfolio of the Liquor Group are difficult to match. Major competitors include but not limited to Future Trade Inc., Phil Wine Merchant, Wine Warehouse, among others. They offer different brands that the group carries. The Liquor group believes that they have the brands, the scale, the resources, organization, and infrastructure to compete, succeed, lead, and sustain.

6. Suppliers

With over 2,000 regular suppliers, Puregold's supplier base is diversified between local suppliers such as Universal Robina Corporation, Monde Nissin, Century Pacific Food,

Inc., and multi-national corporations such as Nestle, Unilever, and Procter & Gamble. Puregold selects its suppliers using several criteria, including product assortment and quality, market share of the company in a particular supplier's location, brand reputation, supplier's capacity, business plans and budgets, logistic possibilities, and compliance with Puregold's economic principles.

S&R sources the majority of its merchandise from global vendors who have been supplying to membership clubs worldwide for an extended time.

Office Warehouse imports 95% of office furniture, 95% of its technology products and about 75% of its office and school supplies are from local suppliers. It has imported products exclusively distributed by several suppliers like Fellowes for a shredder, binding and laminating machines, Schneider for writing instruments, and Eagle for desk accessories and filing supplies. Other significant suppliers are Brother, Epson, Hewlett-Packard, Canon for printing machines, and Mongol for writing tools.

The Liquor Group has trading relationships with the world's biggest spirits and wine producers, carrying either the top or number-two brands in their respective categories in its portfolio. It also markets key brands in wine, energy drinks, and premium water categories. The Liquor Group brings in finished products from principal suppliers, namely Bodegas Williams & Humbert, Diageo Philippines, Inc., DBBV, William Grants, Brown Forman Brands, Suntory Beam, Treasury Wine Estate, Proximo. Existing supply contracts are on an exclusive and continuing basis, terms reviewed on an annual basis.

7. Dependence upon single or few supplier or customer

None of the companies under the Group depend on a single or few supplier or customer.

Puregold has more than 2,000 regular suppliers and offers its various merchandise to the buying public in general. The company's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. The company's three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Globe Telecom Inc. It is operating more than 400 stores all over the Philippines.

Likewise, S&R is not dependent on a single or few customers but to the buying public in general who become members.

Office Warehouse is not dependent upon a single customer or a few customers, but to various customers ranging from students, employees, entrepreneurs, and all types of businesses.

8. Transactions with Related Parties

For a more detailed discussion of the Group's Related Party Transactions, please refer to Anne***x "A" Consolidated Audited Financial Statements 2020.***

9. Trademarks

The Group has a total of 77 trademarks and tradenames duly registered with the Intellectual Property Office of the Philippines. For the complete list of trademarks and tradenames of the Company, please refer to ***Annex "E" List of Trademarks and Tradenames.***

10. Government Approvals

The Group secures all permits, licenses, and approvals from the various government agencies before operating its business activities or opening a store.

11. Research and Development

None in 2020.

12. Effect of Existing Governmental Regulations

Due to COVID 19 restrictions implemented by the National and Local Governments in 2020, most of the stores and offices of the Group experienced shortened store hours and a limited number of customers' admission. The Company was likewise prohibited from selling liquor products in the stores and restricted the sale of cleansing materials such as alcohol, tissue for a certain period of time.

13. Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing the Environmental Compliance Certificates and other environmental permits for all its existing stores to be about P63 million.

14. Employees

The Company has a total of 11,373 employees as of December 31, 2020.

Department	Puregold and S&R	Real Estate	Office Warehouse	Wine Alcohol Distribution	TOTAL
Operations	8,980	100	103	67	9,250
Head Office	1,821	73	71	158	2,123
TOTAL	**10,801**	**173**	**174**	**225**	**11,373**
Rank					
Executive	12	2	1	4	19
Senior Manager	35	2	12	8	57
Manager	434	26	29	28	517

Officer	845	13	7	2	867
Supervisory	4,074	36	83	52	4,245
Rank & File	5,398	94	42	131	5,665
Consultant	3	0	0	0	3
TOTAL	**10,801**	**173**	**174**	**225**	**11,373**
Employment Status					
Regular	9,268	162	168	194	9,792
Probationary	895	10	6	14	925
Contractual	638	1	0	17	656
TOTAL	**10,801**	**173**	**174**	**225**	**11,373**

Puregold anticipates that it will employ approximately 1,600 employees within the next 12 months for the planned 25 Puregold store openings and two (2) S&R warehouse and six (6) QSRs in 2021.

The Group does not expect to encounter any difficulty in sourcing the workforce for these additional positions. It believes that its relations with its employees are generally good and that it has not experienced work stoppages or strikes in 2020 and the past five years due to any employees' strife. The Company currently has no labor union nor any collective bargaining agreement with any group of employees.

15. Major Risks

The Company considers the following significant risks that may have a potentially adverse effect on its financial condition and operation:

(a) Market risk –

Competition - The Company's grocery retailing businesses are highly competitive. The intensity of the competition in the Philippine modern retail industry varies from region to region. Some of the significant competitors considered by the company are the S.M. malls, supermarkets and hypermarkets, Robinson's Supermarkets, Metro Gaisano, All Home, and Rustan's Supercenters. The competition includes product selection, product quality, and customer service, and store locations.

Puregold performs market research to locate areas that will maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

For its specialty mall-999 Shopping Mall, competition is reasonably manageable. The mall is strategically located in Divisoria and very accessible. The risk of low occupancy

is remote. The company maintains a group that specializes in marketing, handling, and communicating with the tenants, which are mostly those retailers from Mainland China.

As our liquor distribution business caters to the imported and premium segment of liquor and wines market, we see no significant risk. It has its market niche and does not directly compete with the local brands.

Supply - A supply shortage and disruption and the price volatility may adversely affect the operations and financial performance of the company. The Company addresses this risk by regularly monitoring its inventories and ensuring that the inventory is always at its optimum level. The Company continuously deals with a wide range of suppliers to ascertain that its merchandising requirements are filled through the year.

Credit - The Company's fast-paced operation requires sufficient liquidity throughout the year. Failure of the Company to collect their trade receivables on time could potentially affect its ability to pay its suppliers on time or increase financing cost should working capital financing be resorted to bridge temporary liquidity gaps. The Company maintains a credit and collection policy, ensuring that receivables are collected on time.

Pricing - The country's economic condition and market competition are the main drivers of this risk. Any adverse change in the economic environment of the Philippines may affect the purchasing power of consumers and unfavorably affect the company's operating results. Low-growth consumer market means a low-demand growth and low turnover for the company. The entry of new competitors may trigger a more aggressive price competition among industry players as they try to dominate the market. The C Company's continuous expansion and revenue growth help mitigate this risk and allow the company to develop better competitive pricing strategies. Pricing strategies are constantly reviewed to remain competitive and to attract or retain customers. Also, unnecessary costs or expenses are to be avoided by reviewing the supply chain management and eliminating non-value adding activities, which will allow the company to offer lower prices.

(b) Regulation and compliance risk –

The Company monitors and oversees issuances or protocols from regulating bodies and ensures the Company's compliance with these regulations.

As liquor is considered as a health hazard when taken in excess, the possible risk would be the issuance of regulation like the ban to alcohol drinking for some age groups, and curfew either or both from the national or local government. We consider this risk, however, as remote.

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the Company's operation and may increase the cost of doing business.

Upon the lapse of approval from regulatory authorities, there is no guarantee that these will be renewed or renewed under the terms acceptable to the company. The Company ensures that the approvals and permits are valid by monitoring very well its validity period, compliance with the governmental regulations, constant communication with the authorities, and updating itself with the new laws and regulations.

(c) Environmental risk –

Environment risk for the real estate business includes the effect of climate change like flooding, erosion, and other unforeseen calamities that might affect the real estate properties. The Company mitigates this risk by carefully selecting the sites. There is a group within the Company that conducts research and study in site selection, including the environmental factors.
The business of oil exploration and development carry environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions as well as existing Philippine laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on oil spills, releases or emissions of various substances produced in association with oil operations.

The Company's compliance with such legislation, including health and safety laws, can involve high costs and expenses and any breach in these laws may result in the imposition of fines and penalties, the amounts of which could be material. There can be no assurance that environmental regulations will not increase exploration and development costs or the curtailment of operations, which could adversely affect the results of operations and financial condition as well as its prospects.

ITEM 2. PROPERTIES

As of December 31, 2020, the Group owns the following properties:

Puregold Price Club, Inc.

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	24	26	95
South Luzon	8	30	33	90
Metro Manila	2	32	40	114
Visayas	2	0	0	38
Mindanao	0	3	3	11
Total Number	14	89	102	348
Total Square Meters	37,328.57	333,785.27	322,621.52	707,016.22

Kareila Management Corporation

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	0	3	3	0
South Luzon	0	3	3	0

Metro Manila	0	10	10	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	18	20	0
Total Square Meters	0	234,943.83	355,525.06	0

Office Warehouse, Inc.

Office Warehouse leases all its store spaces from various lessors. Most of them are major mall operators and affiliate companies. The average area per store is 180 square meters, with varying rental rates depending on the location and lease terms of three to five years.

Real Estate

The Group closed 2020 with 34 commercial buildings with at least 277,000 square meters of gross leasable spaces, 96% or 266,000 square meters of which is occupied and leased out.

Alcorn Petroleum and Minerals Corporation

It has participating interests in the following petroleum and mineral exploration properties in the Philippines:

1. *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 2019, additional deferred charges amounting to P0.1 million were capitalized.

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

2. 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.

3. SC 6B (Bonita) - Offshore Northwest Palawan, Philippines –In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

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

4. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte –The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

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

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

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

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

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

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

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

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

For the years ended December 31, 2020 and 2019, the Group paid occupation fee amounting to P0.17 million and P0.13 million respectively.

Use of Property

Except for the oil and mining participating interest, the Company uses its properties mostly for retail operations. There is no mortgage, lien, or encumbrance over any of the properties owned by the Company that may limit or restrict its ownership or usage.

Lease provisions are mutually agreed upon by the parties and based on general standards set by the company in terms of rental, period, and other stipulations.

General Lease Provisions

Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters that were submitted to stockholders' vote during the last stockholders' meeting, there were no other matters submitted during the fiscal year covered by this report to a majority vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. (A) MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

Period	2019		2020		2021	
	High	Low	High	Low	High	Low
1st Quarter	7.87	6.70	6.80	4.29	5.65	5.10
2nd Quarter	7.70	6.56	5.61	4.78	-	-
3rd Quarter	7.18	6.53	5.50	4.81	-	-
4th Quarter	7.08	6.39	5.80	5.05	-	-

(B) Stockholders

As of March 31, 2021, there are 990 stockholders on record, 7,405,263,564 issued shares, 7,197,029,564 outstanding capital stock, and 208,234,000 treasury shares.

The Company's top 20 stockholders as of March 31, 2021 are as follows:

1	CO, LUCIO L.	2,380,741,492.00	33.08%
2	CO, SUSAN P.	1,780,182,230.00	24.73%
3	CITIBANK N.A	339,504,141.00	4.72%
4	THE HSBC	256,640,427.00	3.57%
5	DEUTSCHE BANK MANILA-CLIENTS A/C	248,252,107.00	3.45%
6	ELLIMAC PRIME HOLDINGS, INC.	244,228,990.00	3.39%
7	CO, FERDINAND VINCENT P.	225,141,822.00	3.13%
8	CO, PAMELA JUSTINE P.	225,120,671.00	3.13%
9	STANDARD CHARTERED BANK	221,443,676.00	3.08%
10	VFC LAND RESOURCES, INC.	220,066,929.00	3.06%
11	KMC REALTY COPORATION	150,832,231.00	2.10%
12	CO, CAMILLE CLARISSE P.	106,838,231.00	1.48%
13	ANSALDO GODINEZ & CO., INC.	92,911,736.00	1.29%
14	KATRINA MARIE P. CO	58,884,384.00	0.82%

15	SPC RESOURCES, INC.	58,500,000.00	0.81%
16	COL FINANCIAL GROUP, INC.	48,508,968.00	0.67%
17	BDO SECURITIES CORPORATION	39,477,371.00	0.55%
18	ABACUS SECURITIES CORPORATION	30,198,766.00	0.42%
19	FIRST METRO SECURITIES BROKERAGE CORP.	28,425,277.00	0.39%
20	SB EQUITIES, INC.	28,372,535.00	0.39%

(C) Dividends

The Company's cash dividend declarations from 2014 to 2020 are as follows:

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

**In Philippine Peso*

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

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

(D) Recent Sales of Securities

On January 16, 2019, Puregold conducted a top-up placement of around 104 million common shares at P45.00 per share. The placement price was equivalent to a 6.8% discount from its last close of P48.30 as of January 16, 2019.

The shares sold represented 3.8% of Puregold's outstanding stocks at the time of the sale. The proceeds of around P4.7 billion were used for general corporate purposes and other capital expenditures.

On January 25, 2019, Puregold filed to the Securities and Exchange Commission a 'Notice of Exempt Transaction' based on Section 10.1 (e) of the Securities and

Regulation Code. Mr. Co signed a Subscription Agreement for the same number of shares and price per share.

The deal was done via an overnight book-built offering with Mr. Lucio L. Co as the sole selling shareholder. Deutsche Bank AG acted as the placing agent for the transaction.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

Please refer to ***Annex "B"*** for the Management's Discussion and Analysis of Financial Position and Results of Operation of the Company.

ITEM 7. FINANCIAL STATEMENTS

The board of directors approved the Company's 2020 Consolidated Audited Financial Statement on April 6, 2021, a copy of which is hereto attached as ***Annex "A".***

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

(a) Audit Fees

Cosco Group	2017	2018	2019	2020
	Php7,830,500	Php8,780,500	Php8,360,500	Php8,010,500

The Company did not engage the services of R.G. Manabat (KPMG) for non-audit services.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(A) Directors

The board of directors of the Company is composed of nine members–eight males and one female. No director of the Company concurrently serves as a director in five or more listed companies. The business experience of the directors are as follows:

***LUCIO L. CO**, Filipino, 66 years old,*
Chairman of the Board of Directors since 2012

Mr. Co is also the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc.

He is the Chairman of the Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

He is one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, 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 and VS Gripal Power Corporation.

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

He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

***SUSAN P. CO**, Filipino, 63 years old,*
Vice-Chairman of the Board since 2013

Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Tower 6789 Corporation and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corporation, KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold

Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation and Union Equities, Inc.

Mrs. Co is holding the following positions in other Philippine listed companies: Vice-Chairman of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

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

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

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

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

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

Mr. Labra also serves as Director of Hope Philippines, Inc. He is holding the following positions in other Philippine listed companies: Board Consultant of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

Before joining the company, Mr. Labra worked in Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee for 20 years. He was Regional Sales Manager for three years building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand.

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

***ROBERTO JUANCHITO T. DISPO**, Filipino, 57 years old,*
Regular Director since 2017

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

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

Mr. Dispo graduated with a degree of Bachelor of Science in Economics from the San Sebastián College, Manila in 1984. He took Bachelor of Science major in management from the Pamantasan ng Lungsod ng Maynila in 1990 and Masters in Business Administration from the same school in 1991. He completed a Diploma Program from the International Banking and Finance, Economic Institute, University of Colorado in 1994 and Masters in Business Economics from the University of Asia and the Pacific in 2014.

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

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

***JAIME J. BAUTISTA,** Filipino, 64 years old,*
Regular Director since 2020

Mr. Bautista is currently a member of the Board of Trustees of the University of the East, UE Ramon Magsaysay Memorial Medical Center, International School of Sustainable Tourism, Philippine Eagle Foundation Inc. and member of the Board of Directors of Airspeed International Corp., Alphaland Corp., Gothong Southern Shipping Lines, Inc., Sabre Travel Network Phils. Inc.
He used to be the President of the Philippine Airlines, Inc. (PAL) from 2014 to 2019 and from 2004 to 2012. He was the Executive Vice-President of PAL from 1999 to 2004 and Senior Vice President – Chief Finance Officer from 1994 to 1998.

Mr. Bautista is a graduate of Colegio de San Juan de Letran, Intramuros, Manila, with a degree of Bachelor of Science in Commerce, Major in Accounting, 1977.

He completed a post-graduate course of Doctor of Philosophy in Humanities (Honoris Causa) from the Central Luzon State University, Muñoz, Nueva Ecija in 2018, and a Canada International Entrepreneurial Program from Capilano College, North Vancouver, British Columbia in 1990.

***ROBERT Y. COKENG**, Filipino, 70 years old,*
Lead Independent Director since 2017

Mr. Cokeng is the Chairman of the Audit Committee of the Company.

Mr. Cokeng is currently the Chairman and President, F&J Prince Holdings Corporation (PSE-Listed), Magellan Capital Holdings Corporation, Center Industrial and Investment, Inc., and Consolidated Tobacco Industries of the Philippines. He is also the Chairman of Pointwest Technologies Corp., Ipads Developers Corp., Chairman of the Executive Committee of BPO International.

Mr. Cokeng started as Senior Investment Officer and Philippine Country Officer in International Finance Corp. (world bank group), Washington, D.C. from 1976 to 1986 and Planning Associate in Mobil Oil Philippines from 1971 to 1972.

Mr. Cokeng is a member of Wack - Wack Golf & Country Club, Tagaytay Midlands Golf & Country Club, Balesin Island Club, Management Association of the Philippines, and an Advisory Board Member of Harvard Business School Club of the Philippines.

Mr. Cokeng graduated with honors from the Ateneo University with a degree of Bachelor of Arts in Economics Honors Program in 1971, *magna cum laude*. He took a Masters in Business Administration program from Harvard University in 1976 and completed it with high distinction.

***OSCAR S. REYES**, Filipino, 75 years old,*
Independent Director since 2013

Mr. Reyes is currently the Chairman of Link Edge, Inc. from 2002 up to the present. He was the former President & CEO of Manila Electric Company from 2012 to 2019, Senior Executive Vice–President & Chief Operating Officer of Manila Electric Company from 2010 to 2012. He was the Country Chairman of Shell Companies in the Philippines from 1997 to 2001 and held various executive positions in Pilipinas Shell Petroleum Corporation from 1971 to 2001.

Mr. Reyes completed Commercial Management Study Program, Shell International, United Kingdom in 1986, Program for Management Development at Harvard Business School in 1976, and with academic units completed in MBA at the Ateneo Graduate School of Business in 1971.

He is a member of the Management Association of the Philippines, FINEX, Asia Society of the Philippines, and the Employers Confederation of the Philippines.

Mr. Reyes is a graduate of the Ateneo de Manila University with a degree of Bachelor of Arts major in Economics in 1965 with a distinction of *cum laude*.

***BIENVENIDO E. LAGUESMA**, Filipino, 70 years old,*
Independent Director since 2017

Mr. Laguesma is a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of Philippine Bank of Communications (PSE-Listed), and Director of Rural Bank of Angeles, Cavite United Rural Bank, Asia United Leasing & Finance Corp., and Asia United Fleet Management Services, Inc.

He served as Secretary of the Department of Labor and Employment from 1998 to 2001, Commissioner of Social Security System from 2011 to 2016. He also became Presidential Assistant of the Office of the President of the Republic of the Philippines from 1996 to 1998, Undersecretary of the Department of Labor and Employment from 1990 to 1996, Administrator in the National Conciliation and Mediation Board from 1987 to 1990, Regional Director of the Department of Labor and Employment from 1982 to 1986, Assistant Regional Director from 1981-1982, and Executive Labor Arbiter, National Labor Relations Commission from 1979 to 1981. Mr. Laguesma started his public service as Labor Arbiter of the National Labor Relations Commission in 1979 and Provincial Director of Bataan Provincial Labor Office 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course from the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, United Kingdom in 1985. Lyceum of the Philippines awarded Atty. Laguesma, with an Outstanding Alumnus award in 1971, Doctor of Humanities, Honoris Causa, by the Adamson University in 1999, and Doctor of Humanities, Honoris Causa, by the Central Colleges of the Philippines in 2016.

He is a member of the Integrated Bar of the Philippines since 1976, the Philippine Bar Association since 2004, and the Rotary Club of Manila since 2002.

Atty. Laguesma graduated from the Lyceum of the Philippines with a degree of Bachelor of Arts major in Political Science in 1971 and Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

(B) Executive Officers

Every after the annual stockholders' meeting, the board convenes for an organizational meeting and appoint officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and the members of the committee. For the year 2020, the organizational meeting took place on August 18, 2020. The board renewed the appointment of the following officers:

TEODORO A. POLINGA, *Filipino, 62 years old,*
Group Comptroller since 2015

Mr. Polinga was the Senior Accounting Manager of the Company in 2013 and became Comptroller in 2015.

He was the founding President and Director of MTM Ship Management (Philippines), Inc., 2013 to 2014, and Executive Director and Chief Finance Officer of Alchem Energy Limited from 2010 to 2012.

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 completed a Management Development Program from the Asian Institute of Management in 1990.

JOSE S. SANTOS, JR*., Filipino, 80 years old,*
Corporate Secretary since 2013

Atty. Santos is a practicing lawyer. He is a graduate of Lyceum of the Philippines with a degree of Bachelor of Laws in 1961. He became a member of the Philippine bar in 1961.

CANDY H. DACANAY–DATUON*, Filipino, 42 years old,*
Assistant Corporate Secretary and Compliance Officer since 2013

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

She started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Puregold Price Club, Inc. (a listed company) and Corporate Secretary of Da Vinci Capital Holdings, Inc. (a listed company), Kareila Management Corporation (S&R warehouse) and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy".

***EMERLINDA D. LLAMADO**, Filipino, 59 years old,*
Internal Auditor since 2012

Ms. Llamado joined the company in 2012. Before joining the company, she worked as System Assistant and Audit Manager from 1984 to 2012 with the Ever Gotesco group of companies. She graduated from the Far Eastern University with a degree of Bachelor of Science in Accountancy in 1984. Ms. Llamado is a Certified Public Accountant.

(C) Key Officers in Subsidiaries

***FERDINAND VINCENT P. CO**, Filipino, 39 years old,*
President of Puregold Price Club, Inc. since 2015

He concurrently holds the following positions: (1) Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc.; (2) President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; (3) Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation and Union Energy Corporation.

Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

***ANTHONY SY,** Filipino, 60 years old,*
S&R President since 2006

Mr. Sy joined the company in 2006. Before joining the company, Mr. Sy worked as President of Visual Merchandising Center from 1986 to 2006. He graduated from the Ateneo De Manila University with a degree of Bachelor of Science in Management Engineering in 1982.

***JOSEPH U. SY**, Filipino, 58 years old,*
Operations Manager of Ayagold since 2017

Mr. Sy is one of the pioneer employees of Puregold. He was the first store manager in the first branch of the company in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big stores of Puregold in Metro Manila, and he is also heading the operation of 2 branches of Merkado, a joint venture project with Ayala Land, Inc.

He graduated from the Philippine School of Business Administration major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

***IRAIDA B. DE GUZMAN**, Filipino, 61 years old,*
President of Office Warehouse since 2014

Before joining Office Warehouse in 2014, Ms. De Guzman worked as Senior Vice-President of Puregold from 1999 to 2014. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Commerce major in Economics.

***GIRLIE M. SY**, Filipino, 58 years old,*
President of Nation Realty, Inc. since 2015

Ms. Sy started her career in Puregold Finance, Inc. as Finance and Administration Manager in 1995 up to the present and Finance and Admin Manager for Bellagio Holdings, Inc. in 2005 up to the present.

Ms. Sy is a graduate of Far Eastern University with a degree of Bachelor of Science in Psychology in 1983.

***URBANO LUCERO**, Filipino, 52 years old*
Operating Manager of NE Shopping Centers Corporation since 2003

Mr. Lucero started with NE Pacific Shopping as Bakeshop and Restaurant Manager in 1990 and NE Central Theater Manager in 1993 until he became NE's Operating Manager in 2003. He is a graduate of Araullo University, Cabanatuan City with a degree of Bachelor of Science in Criminology.

***JOAN C. JUSTO**, Filipino, 45 years old,*
Senior Leasing Manager of NE Pacific Shopping Centers Corporation

Ms. Justo has been with NE Pacific since 1997 under its previous and founding owners. She is a graduate of Lyceum of the Philippines with a degree of Bachelor of Science in Foreign Service in 1995.

***CAMILLE CLARISSE P. CO,** Filipino, 32 years old,*
Chairman and President of Meritus Prime Distributions, Inc. since 2017

Ms. Camille Co is a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc.

Ms. Co is a graduate of Dela Salle University with a degree of Bachelor of Arts in Psychology in 2009.

***JANELLE O. UY**, Filipino, 32 years old,*
Chairman and President of Montosco, Inc. since 2017

Prior to joining the company, Ms. Uy worked as a Key Account Manager in Unilever Philippines from 2009 to 2013. She graduated from the Dela Salle University with a degree in Applied Corporate Management in 2009.

***ROBIN DERRICK C. CHUA**, Filipino, 31 years old,*
Managing Director of Premier Wine and Spirits, Inc. since 2018

Before joining the company, Mr. Chua worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018. He is a graduate of Ateneo de Manila University with a degree of Bachelor in Management and a Minor in Entrepreneurship in 2012.

***JOSE PAULINO L. SANTAMARINA**, Filipino, 57 years old,*
President of Premier Wines and Spirits, Inc. since 1996

JP is currently the 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.

Prior to Premier, JP was the Chief Financial Officer (1988 - 96) of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG was a pioneer in the imported wine and spirits industry, established during the early stages of market liberalization in 1986.

Before CMG, he was an auditor of the professional firm SGV from 1984 to 1988, right after college.

He holds directorship and/or officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation.

JP graduated at Ateneo de Davao University, Bachelor Of Science in Accountancy. He is a Certified Public Accountant.

(D) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business. The business of the company is not highly dependent on the services of certain key personnel.

(E) 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.

(F) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the company has no director, executive officer or principal officer who is involved in 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.

ITEM 10. EXECUTIVE COMPENSATION

The Company pays a fixed monthly compensation to its employees. The members of the board receive per diem allowances of P50,000.00 per attendance in board meetings and P20,000 per attendance in committee meetings.

The total annual compensation of the President and the four most highly compensated officers amounted to P6,406,199.02 in 2018 and P7,200,000.00 in 2019 and P7,005,415.34 in 2020, their projected total annual compensation for the year 2021 is P7,200,000.00, please see table below:

(A) Summary Compensation Table

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	2017	P6,412,772.70	-	-
	2018	P6,406,199.02	-	-
	2019	P7,200,000.00	-	-
	2020	P7,005,415.34	-	-
	2021 Projected	P7,005,415.34	-	-
Aggregate compensation paid to all other officers and managers	2017	P2,512,772.70	-	-
	2018	P2,506,199.02	-	-
	2019	P3,960,000.00	-	-
	2020	P3,139,196.00	-	-
	2021 Projected	P2,952,000.00	-	-

(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.

(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.

(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 following the existing labor laws of the country. The Company has a retirement plan for its employees that is also in concordance with current labor laws.

(E) Warrants and Options

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. Security ownership of more than 5% of the stock of the company as of March 31, 2021:

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	Lucio L. Co, No. 2 Pili Avenue, South Forbes Park, Makati City	Chairman	Direct	Filipino	2,380,741,492	33.08%
Common	Susan P. Co, No. 2, Pili Avenue, South Forbes Park, Makati City	Vice-Chairman	Direct	Filipino	1,780,182,230	24.73%

B. Security Ownership of Directors and Executive Officers of the company as of March 31, 2021:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Direct	Filipino	2,380,741,492	33.08%
Common	Susan P. Co	Direct	Filipino	1,780,182,230	24.73%
Common	Leonardo B. Dayao	Direct	Filipino	750,982	0.01%
Common	Levi B. Labra	Direct	Filipino	100	0.00%
Common	Roberto Juanchito T. Dispo	Direct	Filipino	100	0.00%
Common	Robert Y. Cokeng	Direct	Filipino	8,155,000	0.11%
Common	Oscar S. Reyes	Direct	Filipino	54,264	0.00%
Common	Bienvenido E. Laguesma	Direct	Filipino	100	0.00%

Mr. and Mrs. Lucio and Susan Co do not have any voting trust agreement for their ownership of more than 5% of the stock of the company.

There has been no change in control of the company in the last fiscal period.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For discussion of related party transactions, please refer to 2020 Consolidated Audited Financial Statements of the Company hereto attached as ***Annex "A".***

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

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

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

(d) Prior to the pandemic, the Company conducted an 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 from them by law and taking into consideration all the stakeholders. The board regularly approves Company objectives and plans and monitors its implementation. It is headed by a competent and qualified Chairman who has 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 2020, the board held meetings on February 3, June 9, August 11, August 18, November 6 and December 18.

Please see below record of attendance of directors in 2020 board meetings:

	February 3, 2020 (BOD)	June 9, 2020 (BOD)	August 11, 2020 (BOD)	August 18, 2020 (ASM)	Nov. 6, 2020 (BOD)	Dec. 18, 2020 (BOD)	Total
Lucio L. Co	√	√	√	√	√	√	100%
Susan P. Co	X	√	√	√	√	√	83%
Leonardo B. Dayao	√	√	√	√	√	√	100%
Levi B. Labra	√	√	√	√	√	√	83%
Roberto Juanchito T. Dispo	X	√	√	√	√	√	100%
Robert Y. Cokeng	√	√	√	√	√	√	100%
Oscar S. Reyes	√	√	√	√	√	√	100%
Bienvenido E. Laguesma	√	√	√	√	√	√	100%
Jaime J. Bautista	√	√	√	√	√	√	50%

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

The Company adheres to the nine cumulative years fixed term for directors and has not requested the stockholders for any exemption thereof in the past. However, on April 6, 2021, the board of directors of the Company endorsed for stockholders' approval the extension of term of Mr. Robert Cokeng and Mr. Oscar Reyes to serve as independent directors for another two years. Mr. Cokeng and Mr. Reyes' 9-year term as independent directors would have ended this year, 2021. The justification for the extension is as follows:

> "Similar to Puregold's stance on the matter, COVID 19 pandemic brought a lot of uncertainties to the various operating businesses of Cosco Capital and the country's economy as a whole. We were forced to deal with challenges that we have never seen before, which prompted all of us to adopt and respond as fast as possible. This is one of those crucial times when we are most in need of a group of directors who can quickly and competently respond to these challenges. And such fast and proficient response would only come from directors who are very experienced in managing a conglomerate like Cosco Capital, accustomed to the Company's core values and culture, and who hold the organization's trust to be competent in helping us navigate through these extraordinary times."

Directors do not participate in the discussion fixing his/her remuneration.

(e) Committee Membership

The Company has three (3) board committees, Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed their members during the organizational meeting held on August 18, 2020, as follows:

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

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

In 2020, the Audit Committee convened four meetings held on June 4, August 7, October 27, and December 11. All members attended the committee meetings in 2020.

PART V - EXHIBITS AND SCHEDULES

A. Annexes

Annex "A"	Consolidated Audited Financial Statement 2020
Annex "B"	Management's Discussion and Analysis
Annex "C"	Supplementary Schedules
Annex "D"	Sustainability Report
Annex "E"	List of Trademark and Tradenames

B. Reports on SEC Form 17-C

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

Date of Report	Date Filed with SEC
March 13, 2020	**June 19, 2020**
Buy Back of Shares On March 13, 2020, Cosco Capital, Inc. bought back 100,000 COSCO shares at P5.33 per share.	
March 16, 2020	**June 19, 2020**
Buy Back of Shares On March 16, 2020, Cosco Capital, Inc. bought back 17,600 COSCO shares at P5.39 per share and 82,400 COSCO shares at 5.30 per share or a total of 100,0000 shares.	
April 13, 2020	**June 19, 2020**
Buy Back of Shares On April 13, 2020, Cosco Capital, Inc. bought back 5,000,000 COSCO shares at P4.77 per share.	
June 9, 2020	**June 19, 2020**
Result of Board Meeting dated June 9, 2020 The Board of Directors of Cosco Capital, Inc. approved today the 2019 Consolidated Audited Financial Statements and 1st Quarter Financial Report for CY 2020 of Cosco Capital, Inc. The financial reports will be submitted on or before June 30, 2020.	
July 10, 2020	**July 27, 2020**
Result of special meeting of the Board of Directors dated July 9, 2020 The Board of Directors of Puregold Price Club, Inc. has approved the following items: 1. Annual Stockholders Meeting of Cosco Capital, Inc. is set on August 18, 2020, 10:00am via live stream and with record date August 8, 2020. 2. Approval of the re-election of all directors including independent directors for 2020-2021: a. Mr. Lucio L. Co b. Mrs. Susan P. CO c. Mr. Leonardo B. Dayao d. Mr. Levi B. Labra e. Mr. Roberto Juanchito T. Dispo f. Mr. Jaime J. Bautista g. Mr. Robert Y. Cokeng as Independent Director h. Mr. Oscar S. Reyes as Independent Director i. Atty. Bienvenido E. Laguesma as Independent Director 3. Re- appointment of External Auditor, RG Manabat & Company, and its remuneration for CY 2020 4. Authority of the stockholders voting in absentia	

5. Authority of the Corporate Secretary to adopt guidelines in the conduct of the Online Annual Stockholders' Meeting including sending notices by remote communication or publication.

July 1, 2020	**July 3, 2020**
Company Presentation for its Analyst's Briefing dated July 3, 2020, 2:00 PM.	
August 14, 2020	**August 20, 2020**
Company Presentation for its Analyst's Briefing dated August 17, 2020, 3:30PM	
August 18, 2020	**August 20, 2020**

Result of Annual Stockholders' Meeting

Cosco Capital, Inc. held its Annual Stockholders' Meeting on August 18, 2020, 10:00 am via live stream (Zoom online meeting). All directors and the representatives from RG Manabat & Company (External Auditor) were present in the meeting.

Out of 7,198,253,664 outstanding shares of the Company, stockholders holding a total of 6,331,155,334 common shares, representing 88% of the outstanding stocks of the company, have attended the meeting and approved the following:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management since the last stockholders' meeting
4. Annual Report and Approval of the 2019 Audited Financial Statements
5. Re-appointment of RG Manabat & Company as External Auditor for the year 2020 and up to the total amount of P2.6 million as audit fee
6. Election of the following=ng regular and independent directors

   (a) Lucio L. Co
   (b) Susan P. Co
   (c) Leonardo B. Dayao
   (d) Roberto Juanchito T. Dispo
   (e) Levi B. Labra
   (f) Jaime J. Bautista
   (g) Robert Y. Cokeng as Independent Director
   (h) Oscar S. Reyes as Independent Director
   (i) Bienvenido E. Laguesma as Independent Director
7. Other Matters – no other matter was discussed in the meeting.
8. Adjournment – The Chairman called the meeting adjourned.

August 18, 2020	**August 20, 2020**

Result of Organizational Meeting

The Organizational Meeting of Cosco Capital, Inc. was held on August 18, 2020, immediately after the stockholders' meeting of the Company. All directors were present in the meeting and appointed the following officers:

Chairman : Lucio L. Co
Vice-Chairman : Susan P. Co
President : Leonardo B. Dayao
Treasurer : Susan P. Co
Lead Independent Director : Robert Y. Cokeng
Chief Finance Officer : Teodoro A. Polinga

Chief Legal Counsel : Andres S. Santos
Corporate Secretary : Jose S. Santos, Jr.
Asst. Corporate Secretary & Compliance Officer : Candy H. Dacanay-Datuon
Internal Auditor and Risk Management Officer : Emerlinda Llamado
Data Privacy Officer : Maricel E. Mariano
Investor Relations Officer : John Marson T. Hao
Sustainability Officer : John Marson T. Hao

Executive Committee
Chairman : Lucio L. Co
Members : Susan P. Co, Leonardo B. Dayao, Roberto Juanchito T. Dispo and Levi B. Labra
Ex-Officio Member : Ferdinand Vincent P. Co

Audit Committee
Chairman : Robert Y. Cokeng (ID)
Members : Oscar S. Reyes (ID), Bienvenido E. Laguesma (ID), Susan P. Co and Leonardo B. Dayao
Ex-Officio Members : Teodoro A. Polinga and Emerlinda Llamado.

Corporate Governance Committee
Chairman : Oscar S. Reyes (ID)
Members : Bienvenido E. Laguesma (ID), Robert Y. Cokeng (ID), Lucio L. Co and Leonardo B. Dayao
Ex-Officio Members : Candy H. Dacanay-Datuon

Other Matters:
During the same meeting, the Board of Directors approved the New Corporate Governance Code in accordance with the Securities and Exchange Commission MC No. 24, Series of 2019 and MC No. 19, Series of 2020, the copy of which will be submitted on or before September 15, 2020.

November 6, 2020	**November 10, 2020**

Result of Board Meeting dated November 6, 2020

The Board of Directors of Cosco Capital, Inc. approved the 3rd Quarter Financial Report – 2020 of the Company. The report will be submitted on or before November 14, 2020.

December 18, 2020	**December 21, 2020**

Result of Board Meeting dated December 18, 2020

On December 18, 2020, the Board of Directors of Cosco Capital, Inc. has approved the following:

1. Regular cash dividend of P0.08 per share and special cash dividend of P0.04 per share with record date January 8, 2021 and payment date on January 29, 2021.
2. Special cash dividend from the extra-ordinary one-time gain of the Company in 2019 of P0.04 per share with record date January 15, 2021 and payment date on February 9, 2021.
3. Renewal of the buy back program of up to P3 billion for another year.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this ***SEC 17-A Annual Report of Cosco Capital, Inc.*** is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines on May 12, 2021.

LUCIO L. CO
Chairman

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

JOSE S. SANTOS, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to me before this MAY 17 2021 day of May 2021 in the City of Manila, Philippines. Affiants exhibited to me competent proof of their respective identities.

LUCIO L. CO	TIN ID No. 108-975-971
LEONARDO B. DAYAO	TIN ID No. 135-546-815
TEODORO A. POLINGA	TIN ID No. 104-883-077
JOSE S. SANTOS, JR.	TIN ID No. 136-370-998
CANDY H. DACANAY-DATUON	TIN ID No. 233-200-394

Doc No. 351
Page No. 54
Book No. 28
Series of 2021.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022488 / 04-16-19
No. 900 Romualdez St., Paco, Manila

ANNEX "A"

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, 2020, 2019 and 2018

With Independent Auditors' Report

cosco capital
incorporated

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, for the years ended **December 31, 2020 and 2019**, 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 and using the going concern basis of accounting unless management 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 and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and its report to the stockholders, 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 19 2021 2021 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

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022488 / 04-16-19
No. 900 Romualdez St., Paco, Manila

Doc. No. 435 ;
Page No 87 ;
Book No. 27 ;
Series of 2021

Signed this ___day of APR 19 2021, 2021

R.G. Manabat & Co.
The KPMG Center, 9/F
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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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, 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 (P180.5 billion)
Refer to Notes 3 and 19 to the consolidated financial statements.

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

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

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

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

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

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

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

- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, 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, 2020 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.

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

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

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

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

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

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

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533899
Issued January 4, 2021 at Makati City

May 5, 2021
Makati City, Metro Manila

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

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P48,867,746**	P24,402,014
Receivables - net	*5*	**10,308,181**	16,637,892
Inventories	*6, 20*	**24,914,272**	24,722,271
Financial assets at fair value through profit or loss	*7*	**2,411,375**	34,921
Financial assets at fair value through other comprehensive income	*8*	**8,365**	9,209
Due from related parties	*25*	**184,852**	192,068
Prepaid expenses and other current assets	*9*	**1,450,993**	2,000,500
Total Current Assets		**88,145,784**	67,998,875
Noncurrent Assets			
Investments in associates and joint ventures	*10*	**729,910**	741,175
Right of use of assets - net	*21*	**24,270,253**	21,700,103
Property and equipment - net	*11*	**28,683,979**	27,927,953
Investment properties - net	*12*	**11,145,393**	11,125,998
Goodwill and other intangibles - net	*13*	**21,074,975**	21,089,717
Deferred tax assets - net	*27*	**902,719**	566,284
Deferred oil and mineral exploration costs - net	*14*	**-**	-
Other noncurrent assets	*15*	**3,236,811**	3,299,789
Total Noncurrent Assets		**90,044,040**	86,451,019
		P178,189,824	P154,449,894
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P16,667,022**	P15,127,981
Income tax payable		**1,534,051**	1,164,727
Lease liabilities due within one year	*21, 25*	**1,035,180**	567,682
Short-term loans	*17*	**42,000**	871,124
Current maturities of long-term loans due within one year	*17*	**3,766,957**	43,685
Due to related parties	*25*	**762,031**	1,343,460
Other current liabilities	*18*	**662,449**	596,992
Total Current Liabilities		**24,469,690**	19,715,651

Forward

		December 31	
	Note	**2020**	2019
Noncurrent Liabilities			
Long-term loans	*17*	**P12,802,743**	P5,094,577
Lease liabilities	*21, 25*	**29,149,190**	26,101,259
Retirement benefits liability	*26*	**1,431,760**	955,818
Deferred tax liabilities - net	*27*	**144,588**	128,586
Other noncurrent liabilities	*21*	**412,525**	393,219
Total Noncurrent Liabilities		**43,940,806**	32,673,459
Total Liabilities		**68,410,496**	52,389,110
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital	*28*	**9,634,644**	9,634,644
Treasury stock	*28*	**(1,652,861)**	(1,403,974)
Retirement benefits reserve	*26*	**(82,145)**	5,412
Other reserve	*8*	**4,758**	5,602
Retained earnings		**58,915,686**	54,167,212
Total Equity Attributable to Equity Holders of the Parent Company		**74,225,346**	69,814,160
Noncontrolling Interests	*28*	**35,553,982**	32,246,624
Total Equity		**109,779,328**	102,060,784
		P178,189,824	P154,449,894

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2020**	2019	2018
REVENUES	*19, 29*			
Net sales		**P176,250,557**	P164,568,286	P166,830,469
Rent		**1,065,742**	1,498,426	1,379,888
		177,316,299	166,066,712	168,210,357
COST OF REVENUES	*20*			
Cost of goods sold		**144,410,198**	135,516,879	139,182,012
Cost of rent		**610,939**	660,788	627,607
		145,021,137	136,177,667	139,809,619
GROSS INCOME		**32,295,162**	29,889,045	28,400,738
OTHER REVENUE	*19, 22*	**3,157,850**	3,262,853	2,994,765
TOTAL GROSS INCOME AND OTHER REVENUE		**35,453,012**	33,151,898	31,395,503
OPERATING EXPENSES	*23*	**20,147,712**	19,147,089	18,326,809
INCOME FROM OPERATIONS		**15,305,300**	14,004,809	13,068,694
OTHER INCOME (CHARGES)				
Interest expense	*17, 21*	**(2,198,570)**	(2,076,648)	(1,922,956)
Interest income	*4, 25*	**696,110**	837,882	200,434
Others - net	*24*	**30,693**	6,148,629	421,494
		(1,471,767)	4,909,863	(1,301,028)
INCOME BEFORE INCOME TAX		**13,833,533**	18,914,672	11,767,666
PROVISION FOR INCOME TAXES	*27*	**3,824,607**	3,521,465	3,285,862
NET INCOME		**P10,008,926**	P15,393,207	P8,481,804
Net income attributable to:				
Equity holders of the Parent Company		**P5,900,195**	P11,597,381	P5,381,485
Noncontrolling interests	28	**4,108,731**	3,795,826	3,100,319
		P10,008,926	P15,393,207	P8,481,804
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P0.84**	P1.65	P0.76

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	**2020**	2019	2018
NET INCOME		**P10,008,926**	P15,393,207	P8,481,804
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits		**(250,368)**	(316,310)	231,525
Unrealized gain (loss) on financial assets	*8*	**(844)**	2,182	(1,592)
Income tax effect		**74,806**	96,421	(69,081)
		(176,406)	(217,707)	160,852
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P9,832,520**	P15,175,500	P8,642,656
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**5,811,794**	P11,419,798	P5,465,351
Non-controlling interests	*28*	**4,020,726**	3,755,702	3,177,305
		P9,832,520	P15,175,500	P8,642,656

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, 2017	P7,405,264	P9,634,644	(P628,203)	P28,365	P5,012	P37,394,017	P53,839,099	P23,212,338	P77,051,437
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,381,485	5,381,485	3,100,319	8,481,804
Other comprehensive income (loss)	-	-	-	85,457	(1,592)	-	83,865	76,987	160,852
	-	-	-	85,457	(1,592)	5,381,485	5,465,350	3,177,306	8,642,656
Acquisition of treasury shares	-	-	(569,524)	-	-	-	(569,524)	-	(569,524)
Balance at December 31, 2018	7,405,264	9,634,644	(1,197,727)	113,822	3,420	42,775,502	58,734,925	26,389,644	85,124,569
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	11,597,381	11,597,381	3,795,826	15,393,207
Other comprehensive income (loss)	-	-	-	(108,410)	2,182	-	(106,228)	(111,479)	(217,707)
	-	-	-	(108,410)	2,182	11,597,381	11,491,153	3,684,347	15,175,500
Issuance of shares by a subsidiary									
Gain on dilution of ownership interest	-	-	-	-	-	1,313,808	1,313,808	-	1,313,808
Increase in noncontrolling interests	-	-	-	-	-	-	-	3,321,772	3,321,772
	-	-	-	-	-	1,313,808	1,313,808	3,321,772	4,635,580
Acquisition of treasury shares	-	-	(206,247)	-	-	-	(206,247)	-	(206,247)
Cash dividends	-	-	-	-	-	(1,519,479)	(1,519,479)	(1,149,139)	(2,668,618)
Balance at December 31, 2019	7,405,264	9,634,644	(1,403,974)	5,412	5,602	54,167,212	69,814,160	32,246,624	102,060,784
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Other comprehensive 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	**P7,405,264**	**P9,634,644**	**(P1,652,861)**	**(P82,145)**	**P4,758**	**P58,915,686**	**P74,225,346**	**P35,553,982**	**P109,779,328**

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	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P13,833,533**	P18,914,672	P11,767,666
Adjustments for:				
Depreciation and amortization	*11, 12, 13, 21*	**4,195,584**	3,423,159	3,537,746
Interest expense	*17, 21*	**2,198,570**	2,076,648	1,922,956
Interest income	*4, 25*	**(696,110)**	(837,882)	(200,434)
Retirement benefits cost	*26*	**235,531**	136,099	171,120
Impairment loss on property and equipment	*11*	**160,037**	-	-
Impairment loss on receivables	*5*	**64,689**	8,649	12,798
Gain from sale of financial assets through profit or loss	*7, 24*	**(36,230)**	-	-
Gain from pre-terminated lease contracts	*21, 24*	**(29,811)**	(42,460)	(37,850)
Unrealized foreign exchange loss (gain)		**19,482**	(28,805)	(24,200)
Share in losses (income) of joint ventures and associate	*10, 24*	**15,313**	(11,044)	(17,142)
Unrealized loss on financial assets at FVPL	*7, 24*	**7,407**	1,582	10,385
Gain on disposal of property and equipment	*11, 24*	**(739)**	-	(15,815)
Dividend income	*25*	**(652)**	(652)	(680)
Gain on insurance claims	*24*	**(513)**	(3,503)	(3,383)
Gain on sale of subsidiary/joint venture	*10, 33*	**-**	(6,073,605)	(362,810)
Impairment loss on deferred oil and mineral exploration costs	*14, 23*	**-**	128,090	-
Operating income before changes in working capital		**19,966,091**	17,690,948	16,760,357
Decrease (increase) in:				
Receivables		**129,711**	1,883,294	268,339
Inventories		**(192,002)**	(790,614)	(3,264,295)
Prepaid expenses and other current assets		**369,275**	608,230	(297,664)
Due from related parties		**7,216**	(144,097)	(23,398)
Increase (decrease) in:				
Accounts payable and accrued expenses		**2,344,714**	1,362,540	2,077,246
Due to related parties		**(581,429)**	(22,403)	578,828
Other current liabilities		**65,457**	162,091	(70,506)
Other noncurrent liabilities		**19,013**	(40,123)	(705,043)
Cash generated from operations		**22,128,046**	20,709,866	15,323,864
Income taxes paid	*27*	**(3,714,508)**	(3,566,714)	(3,137,784)
Interest received	*4*	**459,065**	485,892	200,434
Retirement benefits paid	*26*	**(8,839)**	(4,085)	(1,675)
Net cash provided by operating activities		**18,863,764**	17,624,959	12,384,839

Forward

	Note	2020	2019	2018
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of loans receivable	25	**P6,200,000**	P -	P -
Additions to:				
Financial assets at fair value through profit or loss		**(7,883,862)**	(126,956)	(32,500)
Property and equipment	11	**(3,448,850)**	(3,885,582)	(4,073,824)
Investment properties	12	**(137,454)**	(617,518)	(657,388)
Intangibles	13	**(28,678)**	(40,801)	(41,705)
Deferred mineral and oil exploration		-	(4,725)	(417)
Proceeds from:				
Sale of financial assets through profit or loss	7	**5,536,230**	-	-
Disposal of property and equipment		**2,301**	129,910	72,392
Insurance claims	24	**513**	3,503	3,383
Sale of interest in a subsidiary/joint venture	33	-	11,370,980	600,000
Increase in other noncurrent assets		**(947,330)**	(312,577)	(267,306)
Interest received from loans receivable		**237,045**	351,990	-
Dividends received	25	**652**	652	676
Loans receivable granted during the year	25	-	(11,898,908)	-
Cash given up in assets held for sale	33	-	-	(1,063,131)
Net cash used in investing activities		**(469,433)**	(5,030,032)	(5,459,820)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of:				
Long-term loans	17	**12,000,000**	-	-
Interest expense		**(432,992)**	(398,529)	(458,398)
Short-term loans	17	-	642,855	10,220,000
Repayments of lease:				
Principal amount		**(704,849)**	(567,555)	(528,829)
Interest expense		**(1,758,234)**	(1,673,636)	(1,454,112)
Cash dividends paid		**(1,356,031)**	(1,312,587)	(1,200,393)
Payments of:				
Short-term loans	17	**(829,124)**	(4,638,031)	(10,916,200)
Long-term loans	17	**(450,000)**	(1,488,429)	(610,000)
Debt issuance cost		**(129,000)**	-	-
Buyback of capital stocks	28	**(248,887)**	(206,247)	(569,524)
Proceeds from top-up placements	1	-	4,635,580	-
Net cash provided by (used in) financing activities		**6,090,883**	(5,006,579)	(5,517,456)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(19,482)**	28,805	24,200
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,465,732**	7,617,153	1,431,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**24,402,014**	16,784,861	15,353,098
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**P48,867,746**	P24,402,014	P16,784,861

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Cosco Capital, Inc. (the "Parent Company" or "Cosco"), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange ("PSE") since September 26, 1988. As at December 31, 2020 and 2019, the Parent Company's public float stood at 22.99% and 23.74%.

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

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

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

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

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

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

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

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

	Effective Percentage of Ownership			
	2020		2019	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	**49.16**[a]	-	49.16[a]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	**49.16**[a]	-	49.16[a]
o S&R Pizza (Harbor Point), Inc.	-	**49.16**[a]	-	49.16[a]
o S&R Pizza, Inc.	-	**49.16**[a]	-	49.16[a]
▪ PPCI Subic, Inc. (PSI)	-	**49.16**[a]	-	49.16[a]
▪ Entenso Equities Incorporated (EEI)	-	**49.16**[a]	-	49.16[a]
▪ Purepadala, Inc.	-	**49.16**[a]	-	49.16[a]
Liquor Distribution				
Montosco, Inc.	**100**	-	100	-
Meritus Prime Distributions, Inc.	**100**	-	100	-
Premier Wine and Spirits, Inc.	**100**	-	100	-
Real Estate and Property Leasing				
Nation Realty, Inc.	**100**	-	100	-
Patagonia Holdings Corp.	**100**	-	100	-
Ellimac Prime Holdings, Inc. (EPHI)	**100**	-	100	-
Fertuna Holdings Corp.	**100**	-	100	-
Pure Petroleum Corp.	**100**	-	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	**100**	-	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	**100**	-	100	-
o Office Warehouse (Harbor Point), Inc.	-	**100**	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries [b]	**90**	-	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	-	100	-

[a] *On January 16, 2019, PPCI made a Php4,693,500,000 top-up placement of 104.3 million common shares at a price of Php45.00 per share. The additional shares were issued on March 5, 2019 for total proceeds of P4.6 billion, which resulted in a dilution of the Parent Company's ownership interest of in PPCI from 51.02% to 49.16%. The Parent Company retains the control over PPCI (see Note 2).*

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 6, 2021.

Historical cost is used as the measurement basis except for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rent income recognized in profit or loss amounted to P1.2 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively.

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (Note 5)

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

As at December 31, 2020 and 2019, the carrying amount of receivables amounted to P10.3 billion and P16.6 billion while the allowance for impairment losses amounted to P113.6 million and P48.9 million, respectively.

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

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

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

The carrying amount of merchandise inventories amounted to P24.9 billion and P24.7 billion as at December 31, 2020 and 2019.

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, 2020 and 2019.

Impairment of Other Non-Financial Assets

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

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

- significant underperformance relative to the expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

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

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, 2020 and 2019. 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, 2020 and 2019, the following are the carrying amounts of nonfinancial assets:

	Note	**2020**	2019
Property and equipment - net	*11*	**P28,683,979**	P27,927,953
Right-of-use assets - net	*21*	**24,270,253**	21,700,103
Investment properties - net	*12*	**11,145,393**	11,125,998
Investments in associates and joint ventures	*10*	**729,910**	741,175
Computer software and licenses, and leasehold rights	*13*	**222,335**	237,077

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, 2020 and 2019, the Group recognized net deferred tax assets amounting to P758.1 million and P437.7 million, respectively.

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

Retirement benefits liability amounted to P1.4 billion and P955.8 million as at December 31, 2020 and 2019.

3. Summary of Significant Accounting Policies

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

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

- Amendments to References to Conceptual Framework in PFRS Standards set outs amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

- Definition of a Business (Amendments to PFRS 3 Business Combinations). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - Confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

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

Standards Issued but Not Yet Adopted

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

Effective June 1, 2020

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that area direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

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

Effective January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2023

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

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

Consolidation

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

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

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

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

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

Business Combinations

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

Statement of Cash Flows

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

Common Control Business Combinations

Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*

The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

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

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

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

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

Segment Reporting

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

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

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

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

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 2020 and 2019, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

The Group's investments in equity securities and government securities are included under this category (see Note 9).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

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

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

Investments in Joint Arrangements and Associates

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

	Number of Years
Land improvements	25
Buildings	10 - 50

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

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

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

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

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

Construction in Progress

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

Assets Held for Sale

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

(In thousands)	*Note*	**2020**	2019
Cash on hand		**P782,702**	P1,386,391
Cash in banks	*31*	**23,942,183**	9,876,932
Money market placements	*31*	**24,142,861**	13,138,691
		P48,867,746	P24,402,014

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

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.8% to 3.4% in 2020, 2.7% to 4.8% in 2019, and 2.7% to 6.9% in 2018.

Interest income earned from cash in banks and money market placements amounted to P696.1 million, P495.8 million and P200.4 million in 2020, 2019 and 2018, respectively.

5. Receivables

This account consists of:

(In thousands)	*Note*	**2020**	2019
Loans receivable	*25*	**P5,524,543**	P11,898,908
Trade receivables		**3,020,514**	3,754,127
Non-trade receivables		**1,187,140**	582,867
Interest receivable	*25*	**579,281**	342,119
Others		**110,339**	108,818
		10,421,817	16,686,839
Less allowance for impairment losses on trade receivables		**113,636**	48,947
	31, 32	**P10,308,181**	P16,637,892

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

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

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

(In thousands)	**2020**	2019
Beginning balance	**P48,947**	P40,298
Provisions during the year	**64,689**	8,649
Ending balance	**P113,636**	P48,947

6. Inventories

This account consists of:

(In thousands)	*Note*	**2020**	2019
At cost:			
Merchandise inventories		**P21,254,936**	P19,977,588
Liquors, wines and spirits		**3,659,336**	4,744,683
	20	**P24,914,272**	P24,722,271

Inventory charged to cost of goods sold amounted to P144.4 billion, P135.5 billion and P139.2 billion in 2020, 2019 and 2018, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	**2020**	2019
Held-for-trading:	*31*		
Government securities		**P2,383,862**	P -
Equity securities		**27,513**	34,921
		P2,411,375	P34,921

The movements in these securities are as follows:

(In thousands)	*Note*	**2020**	2019
Cost		**P15,356**	P15,356
Addition		**7,883,861**	-
Disposal		**(5,500,000)**	-
		2,399,217	15,356
Valuation Adjustments			
Balance at beginning of year		**19,565**	21,147
Unrealized valuation loss for the year		**(7,407)**	(1,582)
Balance at end of year		**12,158**	19,565
	31	**P2,411,375**	P34,921

In 2020, the Group recognized gain from sale of government securities amounting to P36.2 million while interest income earned from government securities amounted to P2.5 million.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	***Note***	**2020**	2019
Investments in common shares			
Quoted	*31, 32*	**P7,294**	P8,138
Unquoted	*31, 32*	**2,304**	2,304
		9,598	10,442
Investments in preferred shares	*31, 32*	**7,262**	7,262
		16,860	17,704
Less current portion		**8,365**	9,209
Non-current portion		**P8,495**	P8,495

The quoted shares are designated as FVOCI.

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

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

The movements in this account are as follows:

(In thousands)	**2020**	2019
Balance at beginning of year	**P17,704**	P15,522
Unrealized fair value gains (losses)	**(844)**	2,182
Balance at end of year	**P16,860**	P17,704

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P5,602**	P3,420
Unrealized fair value gain (loss) during the year	**(844)**	2,182
Balance at end of year	**P4,758**	P5,602

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2020**	2019
Prepaid expenses	**P910,430**	P862,177
Deferred input VAT - current	**351,608**	297,285
Input VAT	**107,686**	171,475
Advances to suppliers	**72,688**	634,763
Creditable withholding tax	**5,931**	23,486
Others	**2,650**	11,314
	P1,450,993	P2,000,500

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

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

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

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

(In thousands)	**2020**	2019
Taxes and licenses	**P745,665**	P574,952
Insurance	**86,507**	127,230
Supplies	**33,740**	36,555
Advertising and promotion	**11,096**	79,305
Repairs and maintenance	**3,753**	9,051
Rent	**102**	758
Others	**29,567**	34,326
	P910,430	P862,177

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

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

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

10. Investments in Associates and Joint venture

This account consists of:

(In thousands)	**2020**	2019
Associates	**P554,514**	P565,779
Joint venture	**175,396**	175,396
	P729,910	P741,175

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

	Percentage of Ownership		Carrying Amount	
(In thousands)	**2020**	2019	**2020**	2019
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P461,153**	P447,586
Pernord Ricard Philippines, Inc. ("PERNOD")	**30**	30	**93,361**	118,193
			554,514	565,779
Joint venture:				
AyaGold Retailers, Inc. ("AyaGold")	**50**	50	**175,396**	175,396
			P729,910	P741,175

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

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

PERNOD

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

The changes in the carrying amounts of are as follows:

	SRS		PERNOD	
(In thousands)	**2020**	2019	**2020**	2019
Balance at beginning of year	**P447,586**	P433,543	**P118,193**	P -
Acquisition	**-**	-	**-**	126,956
Other adjustments	**4,047**	-	**-**	-
Share in net income (loss)	**9,520**	14,043	**(24,833)**	(8,763)
Balance at end of year	**P461,153**	P447,586	**P93,360**	P118,193

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

	SRS		Pernod	
(In thousands)	**2020**	2019	**2020**	2019
Percentage of ownership	**49.34%**	49.34%	**30%**	30%
Current assets	**P4,892,032**	P4,816,374	**P592,719**	P823,323
Noncurrent assets	**811,536**	239,124	**186,311**	193,218
Current liabilities	**(871,930)**	(4,687,331)	**(480,426)**	(627,084)
Noncurrent liabilities	**(4,456,496)**	(20,524)	**(32,305)**	(40,382)
Net assets	**375,142**	347,643	**266,299**	349,075
Group's share in net assets	**185,095**	171,528	**79,890**	104,723
Goodwill	**276,058**	276,058	**13,470**	13,470
Carrying amount of interest in associates	**P461,153**	P447,586	**P93,360**	P118,193
Net sales	**P5,854,702**	P517,583	**P585,611**	P1,339,369
Net income (loss)	**19,295**	28,461	**(82,776)**	(29,210)
Group's share in net income	**P9,520**	P14,043	**(P24,833)**	(P8,763)

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

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

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P175,396**	P169,632
Share in net income	**1,050***	5,764
Balance at end of year	**P176,446**	P175,396

**Unrecognized share in net income*

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

(In thousands)	**2020**	2019
Percentage of ownership	**50%**	50%
Current assets	**P295,592**	P258,601
Noncurrent assets	**455,987**	347,630
Total liabilities	**(398,688)**	(396,935)
Net assets	**352,891**	209,296
Group's share in net assets	**176,446**	104,648
Adjustments	**-**	70,748
Carrying amount of interest in joint venture	**P175,396***	P175,396
Net sales	**P697,594**	P639,968
Net income	**2,100**	11,528
Group's share in net income	**P1,050****	P5,764

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

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

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

11. Property and Equipment

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

(In thousands)	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
December 31, 2018	P4,079,605	P9,409,424	P505,429	P3,032,311	P9,002,727	P246,949	P11,132,478	P204,955	P1,143,839	P38,757,717
Additions	-	154,562	2,449	273,375	872,186	11,653	483,174	-	2,088,183	3,885,582
Reclassifications	(174,328)	295,504	1,475	64,224	366,999	15,565	1,247,221	-	(1,809,428)	7,232
Disposals	-	-	-	(932)	(178,444)	(813)	(6,947)	-	-	(187,136)
December 31, 2019	3,905,277	9,859,490	509,353	3,368,978	10,063,468	273,354	12,855,926	204,955	1,422,594	42,463,395
Additions	562,236	131,527	4,546	217,903	759,336	24,397	973,022	-	775,883	3,448,850
Reclassifications	-	55,819	(15)	15,426	180,188	(1,696)	606,632	-	(858,895)	(2,541)
Disposals	-	(849)	-	(810)	(18,481)	(1,179)	(139,246)	-	-	(160,565)
December 31, 2020	**4,467,513**	**10,045,987**	**513,884**	**3,601,497**	**10,984,511**	**294,876**	**14,296,334**	**204,955**	**1,339,582**	**45,749,139**
Accumulated Depreciation and Amortization										
December 31, 2018	-	2,227,620	52,657	1,579,821	5,826,911	208,352	2,473,645	44,918	-	12,413,924
Depreciation and amortization	-	272,395	13,024	241,944	1,033,456	16,962	600,963	-	-	2,178,744
Disposals	-	-	-	(876)	(53,322)	(813)	(2,215)	-	-	(57,226)
Reclassifications	-	-	-	(1,366)	1,312	-	54	-	-	-
December 31, 2019	-	2,500,015	65,681	1,819,523	6,808,357	224,501	3,072,447	44,918	-	14,535,442
Depreciation and amortization	-	285,296	13,147	279,788	1,159,645	15,759	814,481	-	-	2,568,116
Disposals	-	(473)	-	(813)	(17,452)	(630)	(179,067)	-	-	(198,435)
Reclassifications	-	213	-	-	-	-	(213)	-	-	-
December 31, 2020	**-**	**2,785,051**	**78,828**	**2,098,498**	**7,950,550**	**239,630**	**3,707,648**	**44,918**	**-**	**16,905,123**
Allowance for impairment loss	-	-	-	-	-	-	-	160,037	-	160,037
Carrying Amounts										
December 31, 2019	P3,905,277	P7,359,475	P443,672	P1,549,455	P3,255,111	P48,853	P9,783,479	P160,037	P1,422,594	P27,927,953
December 31, 2020	**P4,467,513**	**P7,260,936**	**P435,056**	**P1,502,999**	**P3,033,961**	**P55,246**	**P10,588,686**	**P -**	**P1,339,582**	**P28,683,979**

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million, P12.0 million and P81.7 million in 2020, 2019 and 2018, respectively (see Note 17).

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

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5.7 billion and P3.9 billion as at December 31, 2020 and 2019, respectively.

12. Investment Properties

This account consists of:

(In thousands)	Land	Building	Construction in-Progress	Total
Cost				
December 31, 2018	P6,372,748	P5,270,903	P259,158	P11,902,809
Additions	249,468	94,490	273,560	617,518
Reclassifications	-	210,575	(413,453)	(202,878)
December 31, 2019	6,622,216	5,575,968	119,265	12,317,449
Additions	-	198,153	14,926	213,079
Reclassifications	(61,572)	1,278	(15,331)	(75,625)
December 31, 2020	**6,560,644**	**5,775,399**	**118,860**	**12,454,903**
Accumulated Depreciation				
December 31, 2018	-	1,066,191	-	1,066,191
Depreciation	-	125,260	-	125,260
December 31, 2019	-	1,191,451	-	1,191,451
Depreciation	-	118,059	-	118,059
December 31, 2020	**-**	**1,309,510**	**-**	**1,309,510**
Carrying Amounts				
December 31, 2019	P6,622,216	P4,384,517	P119,265	P11,125,998
December 31, 2020	**P6,560,644**	**P4,465,889**	**P118,860**	**P11,145,393**

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

As at December 31, 2020 and 2019, 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 P1.3 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P610.9 million, P660.8 billion and P627.6 million in 2020, 2019, and 2018, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2020**	2019
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Computer software and licenses - net	**174,989**	185,962
Leasehold rights - net	**47,346**	51,115
	P21,074,975	P21,089,717

Goodwill

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

(In thousands)	**2020**	2019
Retail		
Kareila	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904**	685,904
Company E	**358,152**	358,152
Black & White (B&W) Supermart	**187,204**	187,204
Puregold Junior Supermarket, Inc. (PJSI)	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

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

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

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 5.9% to 8.0% in 2020 and 9.1% to 12.2% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 1.3% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 14.8% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.6% and 2.9% for the CGUs.

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

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2020	2019	**2020**	2019
Kareila	**5.94%**	11.00%	**2.60%**	2.90%
Budgetlane Supermarkets	**6.95%**	11.00%	**2.60%**	2.90%
Gant	**7.29%**	10.90%	**2.60%**	2.90%
DCI and FLSTCI	**7.06%**	10.60%	**2.60%**	2.90%
OWI	**8.00%**	10.90%	**2.60%**	2.90%
NPSCC	**5.10%**	12.20%	**2.60%**	2.90%

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart and NPSCC would result in the headroom being reduced to nil if either of the following change occurs:

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

Computer Software and Licenses

The movements in computer software and licenses are as follows:

(In thousands)	**2020**	2019
Cost		
Balance at January 1	**P425,134**	P384,333
Additions	**28,678**	41,305
Adjustments	**-**	(504)
Balance at December 31	**453,812**	425,134
Accumulated Amortization		
Balance at January 1	**239,172**	196,353
Amortization	**39,651**	42,819
Balance at December 31	**278,823**	239,172
Carrying Amount at December 31	**P174,989**	P185,962

Leasehold Rights
The movements in leasehold rights are as follows:

	2020	2019
Cost	**P75,355**	P75,355
Accumulated Amortization		
Balance at January 1	**24,241**	20,472
Amortization	**3,768**	3,768
Balance at December 31	**28,009**	24,240
Carrying Amount at December 31	**P47,346**	P51,115

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

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	*Note*	Participating Interest	2020	2019
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P55,753**	P55,753
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,058	68,058
SC 6A	*b*	1.67%		
Octon Block			**17,415**	17,415
North Block			**627**	627
SC 6B (Bonita)	*d*	8.18%	**8,027**	8,027
			26,069	26,069
SC 51	*c*		**32,817**	32,817
Other oil projects			**527**	527
			33,344	33,344
			127,471	127,471
Allowance for Impairment loss			**(127,471)**	(127,471)
Balance at end of year			**-**	-

Forward

(In thousands)	*Note*	Participating Interest	2020	2019
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**P19,208**	P19,208
Anoling gold project	*g*	3.00%	**13,817**	13,817
Gold projects	*h*	100.00%	**13,036**	13,036
Cement project	*i*	100.00%	**9,603**	9,603
Other mineral projects	*j, k*		**382**	382
			56,046	56,046
Accumulated for impairment losses			**(56,046)**	(56,046)
Balance at end of year			**-**	-
III. Other deferred charges			**619**	619
Allowance for impairment loss			**(619)**	(619)
Balance at year end			**-**	-
			P -	P -

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

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

As at December 31, 2020 and 2019, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P128.1 million in 2020 and 2019.

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

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

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

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

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

In 2020 and 2019, additional deferred charges amounting to nil and P0.1 million were capitalized.

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

b. SC 14 C2 - West Linapacan

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

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

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

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

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

c. SC 6B (Bonita) - Offshore 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.

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

d. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte
The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

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

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

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

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

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

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

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

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

For the years ended December 31, 2020 and 2019, the Group paid occupation fee amounting to P0.17 million and P0.13 million respectively.

15. Other Noncurrent Assets

This account consists of:

(In thousands)	***Note***	**2020**	2019
Security deposits	*31, 32*	**P2,260,918**	P2,231,789
Deferred input VAT - net of current portion		**151,777**	487,003
Accrued rent income		**448,902**	275,949
Advances to contractors		**359,696**	290,709
Prepaid rent		**3,230**	3,274
Others		**12,288**	11,065
		P3,236,811	P3,299,789

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.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2020**	2019
Trade payables		**P9,908,286**	P9,087,869
Non-trade payables		**1,973,851**	2,106,266
Dividends payable	*28*	**2,180,396**	1,356,031
Due to government agencies		**732,779**	744,875
Retention payable		**231,027**	241,722
Construction bonds		**23,048**	22,684
Advance rentals		**16,824**	14,089
Accrued expenses:			
Manpower agency services		**1,043,534**	977,613
Utilities		**243,262**	293,390
Rent		**86,118**	77,435
Others		**227,897**	206,007
		P16,667,022	P15,127,981

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

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

17. Loans Payable

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

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2020**	2019
Balance at beginning of year	**P871,124**	P4,866,300
Repayments	**(829,124)**	(4,638,031)
Availments	**-**	642,855
Balance at end of year	**P42,000**	P871,124

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

Segment	Purpose(s)	Interests	**2020**	2019
Liquor distribution	a. Inventory financing	3.57% to 5.63%	**P42,000**	P729,000
Real estate	b. Capital expenditure requirements	2.88% to 5.25%	**-**	140,554
Grocery retail	c. Inventory financing	4.00% to 6.40%	**-**	1,570
			P42,000	P871,124

b. Long-term Loans

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

(In thousands)	***Note***	**2020**	2019
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	*a*	**P3,760,000**	P3,800,000
Fixed-rate peso-denominated loan of 5.579%	*a*	**940,000**	950,000
PPCI:			
Fixed-rate peso-denominated notes of 4.513%	*b*	**12,000,000**	-
KMC			
Fixed-rate peso-denominated loan of 3.50%	*c*	**-**	400,000
		16,700,000	5,150,000
Unamortized debt issuance costs		**(130,300)**	(11,738)
		P16,569,700	P5,138,262

a. *Cosco*

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

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

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

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

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

b. *PPCI*

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

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

In 2019, PPCI fully paid the outstanding balance.

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

c. *KMC*

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

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

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

Total interest expense charged to profit or loss amounted to P439.9 million, P403.0 million and P468.8 million in 2020, 2019 and 2018, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million, P12.0 million and P81.7 million in 2020, 2019 and 2018, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2020	2019
Balance at beginning of the year	**P11,738**	P16,221
Additions	**129,000**	-
Amortizations	**(10,438)**	(4,483)
Balance at end of the year	**P130,300**	P11,738

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, 2020	**P871,124**	**P5,138,262**	**P1,356,031**	**P26,668,941**	**P34,034,358**
Changes from financing cash flows:					
Payment of loans	**(829,124)**	**(450,000)**	-	-	**(1,279,124)**
Availment of loans	-	**12,000,000**	-	-	**12,000,000**
Payment of debt issuance cost	-	**(129,000)**	-	-	**(129,000)**
Lease payments	-	-	-	**(540,950)**	**(540,950)**
Payment of dividends	-	-	**(1,356,031)**	-	**(1,356,031)**
Total changes from financing cash flows	**(829,124)**	**11,421,000**	**(1,356,031)**	**(540,950)**	**8,694,695**
Other Changes					
Liability-related					
Additions	-	-	-	**2,693,706**	**2,693,706**
Amortization of debt issuance cost	-	**10,438**	-	-	**10,438**
Other lease adjustments	-	-	-	**1,362,673**	**1,362,673**
Declaration of dividends	-	-	**2,180,396**	-	**2,180,396**
Total liability-related changes	-	**10,438**	**2,180,396**	**4,056,379**	**6,247,213**
Balance at December 31, 2020	**P42,000**	**P16,569,700**	**P2,180,396**	**P30,184,370**	**P48,976,466**

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 13 and 25)	Lease Liabilities (Note 21)	Total
Balance at January 1, 2019	P4,866,300	P6,622,208	P -	P24,222,473	P35,710,981
Changes from financing cash flows:					
Payment of loans	(4,638,031)	(1,488,429)	-	-	(6,126,460)
Availment of loans	642,855	-	-	-	642,855
Lease payments	-	-	-	(567,555)	(567,555)
Payment of dividends	-	-	(1,312,587)	-	(1,312,587)
Total changes from financing cash flows	(3,995,176)	(1,488,429)	(1,312,587)	(567,555)	(7,363,747)
Dthar Changes					
Liability-related					
Additions	-	-	-	3,178,512	3,178,512
Amortization of debt issuance cost	-	4,483	-	-	4,483
Other lease adjustments	-	-	-	(164,489)	(164,489)
Declaration of dividends	-	-	2,668,618	-	2,668,618
Total liablity-ralated changes	-	4,483	2,668,618	3,014,023	5,687,124
Balance at December 31, 2019	P871,124	P5,138,262	P1,356,031	P26,668,941	P34,034,356

18. Other Current Liabilities

This account as at December 31 consists of:

(In thousands)	***Note***	**2020**	2019
Customers' deposits	*21, 31, 32*	**P365,754**	P351,510
Unredeemed gift certificates		**210,388**	157,477
Output VAT		**63,874**	78,225
Promotional discount		**9,152**	1,934
Others	*31, 32*	**13,281**	7,846
		P662,449	P596,992

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2020 and 2019. 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)	**2020**	2019
Beginning balance	**P157,477**	P127,912
Add receipts	**724,624**	481,759
Less sales recognized	**671,713**	452,194
Ending balance	**P210,388**	P157,477

19. Revenues

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

(In thousands)	**2020**	2019	2018
Revenue from Contracts with Customers (PFRS 15)			
Revenues			
Grocery	**P168,632,329**	P154,490,309	P141,139,261
Wine and liquor	**5,949,178**	7,630,100	6,514,654
LPG	**-**	-	17,090,511
Office and technology supplies	**1,669,050**	2,447,877	2,086,043
	176,250,557	164,568,286	166,830,469

Forward

(In thousands)	**2020**	2019	2018
Other revenue			
Concession fee income	**P2,095,904**	P2,056,097	P1,878,359
Membership income	**628,621**	572,714	513,589
Commission income	**25,655**	20,524	53,674
Miscellaneous	**133,673**	149,576	141,892
	2,883,853	2,798,911	2,587,514
Lease revenue (PFRS 16)			
Revenues			
Real estate and property leasing	**1,065,742**	1,498,426	1,379,888
Other revenue			
Retail (*Other revenue*)	**277,002**	463,942	407,251
	1,342,744	1,962,368	1,787,139
	P180,477,154	P169,329,565	P171,205,122

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2020**	2019	2018
Beginning inventory	**P24,722,271**	P23,931,657	P21,194,691
Purchases	**144,602,199**	136,307,493	141,390,253
Other direct costs	**-**	-	528,725
Total goods available for sale	**169,324,470**	160,239,150	163,113,669
Ending inventory	**24,914,272**	24,722,271	23,931,657
	P144,410,198	P135,516,879	P139,182,012

Cost of rent consists of:

(In thousands)	**2020**	2019	2018
Depreciation	**P245,386**	P231,171	P224,109
Security services	**82,257**	101,594	80,947
Taxes and licenses	**92,353**	88,537	86,559
Janitorial services	**44,980**	59,172	56,205
Repairs and maintenance	**52,933**	61,608	56,505
Management fees	**27,122**	35,480	40,968
Salaries and wages	**21,352**	21,062	19,927
Utilities	**16,140**	31,112	32,782
Insurance	**19,018**	17,347	19,052
Rentals	**3,150**	5,950	5,185
Retirement benefit cost	**552**	515	374
Amusement tax	**286**	1,547	2,052
Others	**5,410**	5,693	2,942
	P610,939	P660,788	P627,607

21. Leases

As Lessee

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

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

(In thousands)	**2020**	2019
Cost		
Balance at January 1	**P29,472,240**	P26,781,994
Additions	**2,942,307**	3,331,079
Modifications	**1,365,084**	(10,498)
Terminations	**(143,525)**	(163,202)
End of lease term	**(127,726)**	(467,133)
Balance at December 31	**33,508,380**	29,472,240
Accumulated Depreciation		
Balance, January 1	**7,772,137**	6,699,568
Depreciation	**1,691,442**	1,591,374
Terminations	**(97,726)**	(51,672)
End of lease term	**(127,726)**	(467,133)
Balance, December 31	**9,238,127**	7,772,137
Carrying amount at December 31	**P24,270,253**	P21,700,103

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

(In thousands)	**2020**	2019
Due within one year	**P1,035,180**	P567,682
Due beyond one year	**29,149,190**	26,101,259
	P30,184,370	P26,668,941

The movements in lease liabilities are as follows:

(In thousands)	**2020**	2019
January 1	**P26,668,941**	P24,222,473
Additions	**2,693,706**	3,178,512
Accretion of interest	**1,758,234**	1,673,636
Repayments	**(2,299,184)**	(2,241,191)
Terminations	**(2,411)**	(153,990)
Modifications	**1,365,084**	(10,499)
December 31	**P30,184,370**	P26,668,941

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

(In thousands)	**2020**	2019	2018
Less than one year	**P2,626,930**	P2,031,482	P1,798,795
One to five years	**10,543,066**	8,316,198	7,674,796
More than five years	**33,114,129**	31,769,098	29,427,442
	P46,284,125	P42,116,778	P38,901,033

The following are the amounts recognized in profit or loss:

(In thousands)	**2020**	2019	2018, (Restated)
Variable lease payments not included in the measurement of lease liabilities*	**P705,720**	P708,336	P776,864
Expenses related to leases of low-value assets	**32,078**	44,724	30,245
Expenses related to short-term leases	**12,556**	10,111	60,600
Total rent expense	**750,354**	763,171	867,709
Interest accretion on lease liabilities	**1,758,234**	1,673,636	1,454,112
Depreciation charge for right-of-use assets	**1,465,990**	1,072,569	1,162,239
Gain from lease terminations	**29,811**	42,460	37,850

**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.

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 P684.4 million and P638.0 million as at December 31, 2020 and 2019, composed of current and noncurrent portion, broken down as follows:

(In thousands)	***Note***	**2020**	2019
Current	*18*	**P365,754**	P351,510
Noncurrent		**318,682**	286,522
		P684,436	P638,032

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 P1.2 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively.

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

(In thousands)	**2020**	2019	2018
Less than one year	**P1,013,399**	P1,206,274	P1,144,812
One to two years	**935,072**	958,421	1,200,895
Two to three years	**877,255**	911,110	1,088,371
Three to four years	**787,863**	778,016	924,874
Four to five years	**721,444**	738,322	831,857
More than five years	**6,974,676**	7,139,242	7,388,883
	P11,309,709	P11,731,385	P12,579,692

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 P277.0 million, P463.9 million and P407.3 million, in 2020, 2019 and 2018, respectively (see Note 22).

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

(In thousands)	**2020**	2019	2018
Less than one year	**P252,349**	P275,982	P260,145
One to two years	**151,804**	139,825	104,021
Two to three years	**107,463**	132,084	98,262
Three to four years	**62,837**	109,161	81,209
Four to five years	**33,676**	99,237	73,826
More than five years	**43,756**	82,852	95,071
	P651,885	P839,141	P712,534

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2020**	2019	2018
Concession fee income		**P2,092,899**	P2,056,097	P1,878,359
Membership income		**628,621**	572,714	513,589
Rent income	*21*	**277,002**	463,942	407,251
Commission income		**25,655**	20,524	53,674
Miscellaneous		**133,673**	149,576	141,892
		P3,157,850	P3,262,853	P2,994,765

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

23. Operating Expenses

This account consists of:

(In thousands)	***Note***	**2020**	2019	2018
Depreciation and amortization	*11, 12, 13, 21*	**P3,950,198**	P3,191,988	P3,126,787
Manpower agency		**3,616,858**	3,617,718	3,019,535
Salaries and wages		**2,379,211**	2,308,371	2,219,108
Communication, light and water		**2,224,581**	2,427,507	2,382,827
Outside services		**1,220,612**	1,226,738	1,684,369
Taxes and licenses		**1,008,119**	907,331	841,909
Rent	*21, 25*	**750,354**	763,171	867,709
Advertising and marketing		**612,438**	647,824	822,940
Repairs and maintenance		**601,082**	510,638	486,202
Store and office supplies		**589,676**	571,376	559,444
Credit card charges		**446,493**	356,309	298,880
Distribution Costs		**340,066**	338,910	257,833
Transportation		**291,182**	179,733	188,404
Retirement benefits cost	*26*	**234,979**	135,584	170,746
Insurance		**238,576**	221,217	225,757
Input VAT allocable to exempt sales		**229,374**	239,069	131,257
SSS/Medicare and HDMF contributions		**191,933**	195,593	157,949
Representation and entertainment		**171,304**	137,791	129,864
Impairment loss on property and equipment	*11*	**160,037**	-	-
Fuel and oil		**73,245**	79,129	81,565
Impairment losses on receivables	*5*	**64,689**	8,649	12,798
Royalty expense	*25*	**61,961**	58,897	54,343
Professional fees		**40,237**	47,749	51,222
Impairment loss on deferred oil and mineral exploration costs	*2, 14*	**-**	128,090	-
Others		**650,507**	847,707	555,361
		P20,147,712	P19,147,089	P18,326,809

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2020**	2019	2018
Gain from sale of securities investment		**P36,230**	P -	P -
Gain from lease terminations	*21*	**29,811**	42,460	37,850
Foreign exchange gain (loss)		**(19,482)**	28,805	23,103
Share in income (losses) of joint ventures and associates	*10*	**(15,313)**	11,044	17,142
Unrealized valuation loss on financial assets	*7*	**(7,407)**	(1,582)	(10,385)
Bank charges		**(4,843)**	(14,552)	(49,042)
Gain on disposal of property and equipment		**739**	-	15,815
Gain (loss) on insurance claim		**513**	3,503	3,383
Gain on sale of interest in a subsidiary/joint venture	*10, 33*	**-**	6,073,605	362,810
Miscellaneous		**10,445**	5,346	20,818
		P30,693	P6,148,629	P421,494

25. Related Party Transactions

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

Related Party	Year	Note	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common Control									
▪ Loans receivable									
Principal	**2020**		**P6,374,365**	**P5,524,543**	**P -**	**P -**	**P -**	Due on September 30,	Unsecured
Interest	**2020**		**237,162**	**579,091**	-	-	-	2021; interest bearing	
Principal	2019	*a*	11,898,908	11,898,908	-	-	-	Due on September 30,	Unsecured
Interest	2019		342,119	342,119	-	-	-	2020; interest bearing	
▪ Money market placements	**2020**	*b*	-	-	-	-	-	Less than 3 months	Unsecured
	2019		4,326,000	4,326,000	-	-	-		
▪ Advances for working capital	**2020**		-	-	-	-	**363,146**	Due and demandable;	Unsecured
requirements	2019		-	-	-	-	363,146	non-interest bearing	
▪ Management fees	**2020**	*d*	**29,030**	-	-	-	-	Due and demandable;	Unsecured
	2019		34,585	-	-	-	-	non-interest bearing	
▪ Rent income	**2020**	*e*	**125,909**	-	-	-	-	Due and demandable;	Unsecured
	2019		125,909	-	-	-	-	non-interest bearing	
▪ Rent payments	**2020**	*f*	**216,311**	-	-	**3,216,435**	-	Due and demandable;	Unsecured
	2019		332,717	-	-	2,852,778	-	non-interest bearing	
▪ Transaction costs LPC sale	**2020**		-	-	-	-	-	Due and demandable;	Unsecured
	2019		340,654	-	-	-	-	non-interest bearing	
Associates									
▪ Concession fee expense	**2020**	*c*	**382,544**	-	-	-	-	Due and demandable;	Unsecured
	2019		466,846	-	-	-	-	non-interest bearing	
Stockholder									
▪ Advances for working capital	**2020**		**826,132**	-	**184,852**	-	**349,316**	Due and demandable;	Unsecured
requirements	2019		174,027	-	192,068	-	933,197	non-interest bearing	Unimpaired
▪ Royalty expense	**2020**	*g*	**49,569**	-	-	-	**49,569**	Due and demandable;	Unsecured
	2019		47,117	-	-	-	47,117	non-interest bearing	
Key Management Personnel									
▪ Short-term benefits	**2020**		**45,657**	-	-	-	-		
	2019		23,211	-	-	-	-		
Total	**2020**			**P6,103,634**	**P184,852**	**P3,216,435**	**P762,031**		
Total	2019			P16,567,027	P192,068	P2,852,778	P1,343,460		

a. Loans Receivable

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

b. Money Market Placements

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

c. Consignment and Concession

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

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) warehouses and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) warehouses.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) warehouses whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) warehouses and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the warehouses shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

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

  On November 4, 2020, the Consignee assigned to the Consignor its lease of land located at 32nd Street, 5th Avenue, Bonifacio Global City, Taguig City with a lease term from January 10, 2012 until January 9, 2033.

d. Management Agreement

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

e. Lease Agreement - As a Lessor

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

f. Lease Agreement - As a Lessee

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

g. License Agreement

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

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

Related Party Transactions and Balances Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2020 and 2019 are as follows:

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

(In thousands)	**Outstanding Balance**
2020	**P6,493,696**
2019	10,618,297

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P182.9 million in 2020 and P88.8 million in 2019.

b Receivables from subsidiaries to their fellow subsidiaries

(In thousands)	**Outstanding Balance**
2020	**P3,467,768**
2019	5,047,435

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**
2020	**P2,220,832**	**P667,167**
2019	3,087,297	517,722

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**
2020	**P630,285**	**P119,582**
2019	524,610	132,033

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**
2020	**P884,890**	**P1,779,604**
2019	1,228,737	1,829,061

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**
2020	**P39,077**	**P39,077**
2019	54,494	29,755

Cash dividends are due on payment date.

g Management and arrangement fees charged by the Parent Company to its subsidiaries

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2019	P301,403	P443,403

Receivables from management and arrangement fees are non-interest bearing and are due and demandable and payable in cash.

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

Right-of-Use assets

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2020	**P135,608**	**P2,846,183**
2019	109,671	2,981,791

Lease liabilities

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2020	**P144,490**	**P4,167,078**
2019	32,893	4,311,568

Prepayments

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2020	**P322,299**	**P1,398,837**
2019	268,757	1,721,136

i Loan receivable issued by the Parent Company to a subsidiary

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2020	**P204,643**	**P3,224,572**
2019	-	3,429,215

26. Retirement Benefit Costs

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

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

(In thousands)	**2020**	2019
Present value of defined benefits obligation	**P1,461,778**	P984,469
Fair value of plan assets	**(30,018)**	(28,651)
	P1,431,760	P955,818

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P984,469**	P534,446
Included in profit or loss:		
Current service cost	**184,082**	96,429
Interest cost	**51,449**	39,670
	235,531	136,099
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**326,771**	348,338
Experience adjustments	**(76,154)**	(24,886)
	250,617	323,452
Benefits paid	**(8,839)**	(4,085)
Reclass to liabilities directly related to assets held-for-sale	**-**	(5,443)
Balance at end of year	**P1,461,778**	P984,469

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P28,651**	P25,913
Interest income	**1,285**	1,936
Return on plan asset excluding interest	**82**	802
Balance at end of year	**P30,018**	P28,651

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

(In thousands)	**2020**	2019
Cash in banks	**P3,294**	P2,460
Debt instruments - government bonds	**26,527**	25,927
Trust fees payable	**(14)**	(14)
Other	**411**	278
	P30,218	P28,651

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

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

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 reporting period is 21.5 years and 25.8 years, respectively.

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

2020

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

2019

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

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

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

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

Maturity analysis of the benefit payments:

	2020 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,431,760**	**P274,196**	**P39,176**	**P55,524**	**P179,496**

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

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

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

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

The Group has no expected future contribution for 2021.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2020**	2019	2018
Current	**P4,098,535**	P3,803,735	P3,553,864
Deferred	**(273,928)**	(282,270)	(268,002)
	P3,824,607	P3,521,465	P3,285,862

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

(In thousands)	**2020**	2019	2018
Income before income tax	**P13,833,533**	P18,914,672	P11,767,666
Income tax expense at the statutory income tax rate:			
30%	**P4,061,370**	P5,884,228	P3,755,047
5%	**14,782**	19,441	20,412
Income tax effects of:			
Deduction from gross income due to availment of optional standard deduction	**(164,980)**	(349,350)	(265,138)
Interest income subject to final tax	**(137,720)**	(201,719)	(68,571)
Non-deductible interest expense	**35,537**	68,406	10,044
Changes in unrecognized DTA	**33,932**	(88,277)	(170,486)
Other income subject to final tax	**(10,869)**	(1,700)	(33,000)
Non-deductible expenses	**(9,424)**	(89,061)	105,750
Share in income of associates and joint ventures	**7,450**	(3,313)	(6,240)
Non-taxable income	**(5,848)**	(2,738)	(3,004)
Excess of MCIT over RCIT	**377**	10,060	8,733
NOLCO utilized	**-**	97,570	39,047
Gain on sale of investment subject to capital gains tax	**-**	(1,822,082)	(108,843)
Penalties	**-**	-	2,111
	P3,824,607	P3,521,465	P3,285,862

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

(In thousands)	**2020**	2019
Items recognized in profit or loss		
Net deferred tax assets on:		
Excess of lease liabilities over ROU assets	**P1,772,390**	P1,554,391
Retirement benefits liability	**373,369**	303,651
NOLCO	**49,750**	49,750
Allowance for impairment of deferred oil and mineral exploration costs	**38,427**	38,427
Allowance for impairment losses on receivables	**5,454**	5,119
Accrued rent expense	**1,702**	3,120
Advance rentals	**2,211**	1,740
Recognition of DTA on merger transaction	**117**	117
Unrealized foreign exchange loss	**-**	984
	2,243,420	1,957,299
Deferred tax liabilities on:		
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(10,831)**	(11,677)
Unrealized foreign exchange gain	**(593)**	(742)
	(1,391,158)	(1,392,153)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**50,457**	1,138
	P902,719	P566,284

Net Deferred Tax Liabilities

(In thousands)	**2020**	2019
Items recognized in profit or loss		
Net deferred tax assets on:		
Retirement benefits liability	**P1,469**	P1,469
Excess of lease liabilities over ROU assets	**956**	914
Unrealized foreign exchange loss	**366**	366
	2,791	2,749
Deferred tax liabilities on:		
Accrued rent income	**(76,502)**	(52,666)
Excess of ROU assets over lease liabilities	**(54,339)**	(63,104)
Borrowing cost	**(13,109)**	(13,359)
Advance rentals	**-**	(1,591)
	(143,950)	(130,720)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**(4,429)**	(615)
	(P144,588)	(P128,586)

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

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

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

(In thousands)	**2020**	2019
Impairment of property, plant and equipment	**P48,011**	P -
NOLCO	**26,356**	50,918
MCIT	**10,481**	73
Unrealized foreign exchange gain (loss)	**75**	-
	P84,923	P50,991

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

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	P -	P165,833	2022
2020	2,298	-	2,298	2025
	P168,131	P -	P168,131	

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2017	P3,593	(P3,593)	P -	2020
2018	8,733	-	8,733	2021
2019	10,060	-	10,060	2022
2020	377	-	377	2023
	P22,763	(P3,593)	P19,170	

28. Equity

Capital Stock

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

	2020		2019	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less: Treasury shares	**(451,238,890)**	**(1,652,861)**	(410,738,990)	(1,403,974)
Outstanding	**6,954,024,674**	**P5,752,403**	6,994,524,574	P6,001,290
Treasury shares:				
Balance at beginning of year	**410,738,990**	**P1,403,974**	381,629,190	P1,197,727
Buy back of shares	**40,499,900**	**248,887**	29,109,800	206,247
Balance at end of year	**451,238,890**	**P1,652,861**	410,738,990	P1,403,974

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2020 and 2019, the Company renewed its program to buy back its shares for another year up to P2.0 billion.

Retained Earnings

Declaration of Cash Dividends

In 2020 and 2019, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

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

As of December 31, 2020 and 2019, unpaid cash dividends on common shares amounting to P2.2 billion and P1.3 billion, respectively, are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

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

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

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

	2020		2019	
(In thousands)	PPCI	CHC	PPCI	CHC
NCI percentages	**51%**	**10%**	51%	10%
Carrying amounts of NCI	**P34,826,274**	**P727,708**	P31,469,630	P776,994
Current assets	**P59,475,057**	**P12,046,531**	P40,040,355	P12,242,909
Noncurrent assets	**72,205,359**	**-**	68,594,443	-
Current liabilities	**17,102,485**	**4,769,453**	15,490,809	4,472,966
Noncurrent liabilities	**46,076,211**	**-**	31,244,639	-
Net assets	**P68,501,720**	**P7,277,078**	P61,899,350	P7,769,943
Net income attributable to NCI	**P4,101,176**	**P7,556**	P3,454,122	P301,582*
Other comprehensive attributable to NCI	**(P88,005)**	**P -**	(P111,829)	P -
Revenue	**P168,632,329**	**P237,044**	P154,490,309	P -
Net income	**P8,066,828**	**P75,557**	P6,772,788	P7,993,116
Other comprehensive loss	**(173,102)**	**-**	(219,273)	-
Total comprehensive income	**P7,893,726**	**P75,557**	P6,553,515	P7,993,116
Net cash flows provided by (used in):				
Operating	**P14,702,750**	**P75,557**	P15,072,887	P -
Investing	**(5,755,872)**	**-**	(3,772,907)	11,980,106
Financing	**6,693,756**	**-**	(4,903,880)	-
Net increase in cash and cash equivalents	**P15,640,634**	**P75,557**	P6,396,100	P11,980,106

**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)	**2020**	2019	2018	**2020**	2019	2018
Grocery retail	**P168,632,329**	P154,490,309	P141,139,261	**P8,066,828**	P6,772,788	P6,199,500
Liquor distribution	**8,167,404**	10,717,397	8,747,207	**1,179,844**	1,212,453	738,366
Specialty retail	**1,671,656**	2,451,217	19,179,888	**55,817**	97,033	691,815
Real estate and property leasing	**1,696,027**	2,146,777	2,030,790	**699,556**	1,225,477	1,085,959
Holding, oil and mining	-	-	-	**1,343,392**	9,397,287	403,650
Total	**180,167,416**	169,805,700	171,097,146	**11,345,437**	18,705,038	9,119,290
Eliminations of intersegment revenue/profit	**2,851,117**	3,738,988	2,886,789	**1,336,511**	3,311,831	637,486
	P177,316,299	P166,066,712	P168,210,357	**P10,008,926**	P15,393,207	P8,481,804

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

(In thousands)	**2020**	2019	2018
Grocery retail:			
From external customers	**P168,632,329**	P154,490,309	P141,139,261
Liquor distribution:			
From external customers	**5,949,178**	7,630,100	6,514,654
From intersegment sales	**2,218,226**	3,087,297	2,232,553
	8,167,404	10,717,397	8,747,207
Specialty retail:			
From external customers	**1,669,050**	2,447,877	19,176,554
From intersegment sales	**2,606**	3,340	3,334
	1,671,656	2,451,217	19,179,888
Real estate and property leasing:			
From external customers	**1,065,742**	1,498,426	1,379,888
From intersegment sales	**630,285**	648,351	650,902
	1,696,027	2,146,777	2,030,790
Oil and mining:			
From external customers	-	-	-
Total revenue from external customers	**P177,316,299**	P166,066,712	P168,210,357
Total intersegment revenue	**P2,851,117**	P3,738,988	P2,886,789

No single customer contributed 10% or more to the Group's revenue in 2020, 2019 and 2018.

The Group's reportable segments are all domestic operations.

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

(In thousands)	**2020**	2019	2018
Segment assets:			
Grocery retail	**P131,593,509**	P108,634,798	P100,849,855
Specialty retail	**1,191,517**	1,225,214	6,619,617
Liquor distribution	**8,739,767**	8,776,038	7,240,181
Real estate and property leasing	**25,596,172**	25,651,342	24,723,835
Oil and mining	**106,061,232**	105,902,079	96,874,958
Total segment assets	**273,182,197**	250,189,471	236,308,446
Intercompany assets	**94,992,373**	95,739,577	96,770,905
Total assets	**P178,189,824**	P154,449,894	P139,537,541
Segment liabilities:			
Grocery retail	**P63,090,940**	P46,735,448	P47,838,033
Specialty retail	**792,646**	2,475,886	2,363,770
Liquor distribution	**2,273,073**	3,299,462	3,033,318
Real estate and property leasing	**8,995,981**	9,403,470	9,636,227
Oil and mining	**11,285,978**	10,531,184	8,974,933
Total segment liabilities	**86,438,618**	72,445,450	71,846,281
Intercompany liabilities	**18,028,122**	20,056,340	17,433,309
Total liabilities	**P68,410,496**	P52,389,110	P54,412,972

30. Earnings Per Share

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

(In thousands except per share data)	**2020**	2019	2018
Net income attributable to equity holders of the Parent Company (a)	**P5,900,195**	P11,597,381	P5,381,485
Weighted average number of common shares (b)	**7,054,850**	7,010,161	7,083,275
Basic/diluted EPS (a/b)	**P0.84**	P1.65	P0.76

There were no potential dilutive common shares in 2020, 2019 and 2018.

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

31. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

(In thousands)	***Note***	**2020**	2019
Cash and cash equivalents [1]	*4*	**P48,085,044**	P23,015,623
Receivables - net	*5*	**10,308,181**	16,637,892
Financial assets at FVPL	*7*	**2,411,375**	34,921
Security deposits [2]	*15*	**2,260,918**	2,231,789
Due from related parties	*25*	**184,852**	192,068
Financial assets at FVOCI	*8*	**16,860**	17,704
		P63,267,230	P42,129,997

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

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

	December 31, 2020			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P48,085,044**	**P -**	**P -**	**P48,085,044**
Receivables	**8,051,166**	**2,190,085**	**66,930**	**10,308,181**
Due from related parties	**184,852**	**-**	**-**	**184,852**
Security deposits[2]	**-**	**2,260,918**	**-**	**2,260,918**
Financial Assets at FVPL		**-**	**-**	
Investments in trading securities	**2,411,375**	**-**	**-**	**2,411,375**
Financial Assets at FVOCI		**-**	**-**	
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares		**-**	**-**	
Quoted	**7,294**	**-**	**-**	**7,294**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P58,749,297	**P4,451,003**	**P66,930**	**P63,267,230**

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

	December 31, 2019			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P23,015,623	P -	P -	P23,015,623
Receivables	14,194,010	2,394,935	48,947	16,637,892
Due from related parties	192,068	-	-	192,068
Security deposits[2]	-	2,231,789	-	2,231,789
Financial Assets at FVPL				
Investments in trading securities	34,921	-	-	34,921
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares				
Quoted	8,138	-	-	8,138
Unquoted	2,304	-	-	2,304
	P37,454,326	P4,626,724	P48,947	P42,129,997

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

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

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

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

c. 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:

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

[1] Excluding due to government agencies.
[2] Including current and non-current portion.
[3] Including current and non-current portion.

	December 31, 2019				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P14,383,106	P14,383,106	P14,383,106	P -	P -
Short-term loans	871,124	871,124	871,124	-	-
Lease liabilities	26,668,941	26,666,941	567,652	2,838,260	23,263,029
Due to related parties	1,343,460	1,343,460	1,343,460	-	-
Long-term loans[2]	5,138,262	5,138,262	43,685	5,094,577	-
Customers' deposits[3]	638,032	638,032	351,509	214,892	71,631
	P49,042,925	P49,042,925	P17,560,536	P6,147,729	P23,334,660

[1] Excluding due to government agencies.
[2] Including current and non-current portion.
[3] Including current and non-current portion.

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

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

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

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.
The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

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

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

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

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

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

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

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

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

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

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

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

As at December 31, 2020 and 2019, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

33. Sale of Subsidiaries

On October 19, 2018, Canaria Holdings, Inc., a 90%-owned subsidiary of Cosco, the Parent Company executed a Share Purchase Agreement (SPA) with Fernwood Holdings, Inc. for the sale of its entire equity interests in LPC and CPHI.

The Philippine Competition Commission subsequently granted its approval to the share purchase transaction on January 17, 2019, which paved the way for the completion and closing of the transaction between the parties on October 19, 2018.

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

(In thousands)	2019
Selling price	P13,100,000
Transaction costs	(1,729,020)
Proceeds	11,370,980
Cost of investment	(3,428,451)
Gain on sale before the effect of share in income recognized	7,942,529
Share in income recognized (date of acquisition to date of sale)	(1,868,924)
Gain on sale	P6,073,605

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

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

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

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

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

34. Events After Reporting Period

Share Swap Transaction

On a special meeting on February 22, 2021, the Board of Directors of Cosco Capital, Inc. has approved the acquisition of controlling interest in Da Vinci Capital Holdings, Inc. ("DAVIN") by way of share-swap transaction, wherein the latter shall issue 11.25 billion common shares of stock valued at P2 per share, to Cosco Capital, Inc., and in exchange and as consideration thereof, Cosco shall assign 100% of its shares in the following subsidiaries in favor of DAVIN:

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

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.0 million and with total assets not exceeding P100.0 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Group will be lowered from 30% to 25% for large corporations on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	**P4,180,890**	**(P348,408)**	**P3,832,483**
Deferred tax expense (benefit)	**(356,283)**	**(29,690)**	**(326,593)**
Net income for the year	**10,008,926**	**(378,025)**	**9,630,828**
Statement of Financial Position			
Deferred tax asset	**902,719**	**(150,453)**	**752,266**
Income tax payable	**1,534,051**	**(348,408)**	**1,185,644**
Deferred tax liability	**144,588**	**(24,098)**	**120,490**
Statement of Changes in Equity			
Retirement Benefits Reserve	**(82,145)**	**13,691**	**(68,454)**

ANNEX "C"

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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, 2020, on which we have rendered our report dated May 5, 2021.

- Supplementary Schedules of Annex 68-E
- 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)

KPMG

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. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533899
Issued January 4, 2021 at Makati City

May 5, 2021
Makati City, Metro Manila

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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, 2020 and 2019 and have issued our report thereon dated May 5, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measure of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

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

KPMG

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, 2020 and 2019 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
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8533899
Issued January 4, 2021 at Makati City

May 5, 2021
Makati City, Metro Manila

Cosco Capital Inc. and Subsidiaries
As of December 31, 2020

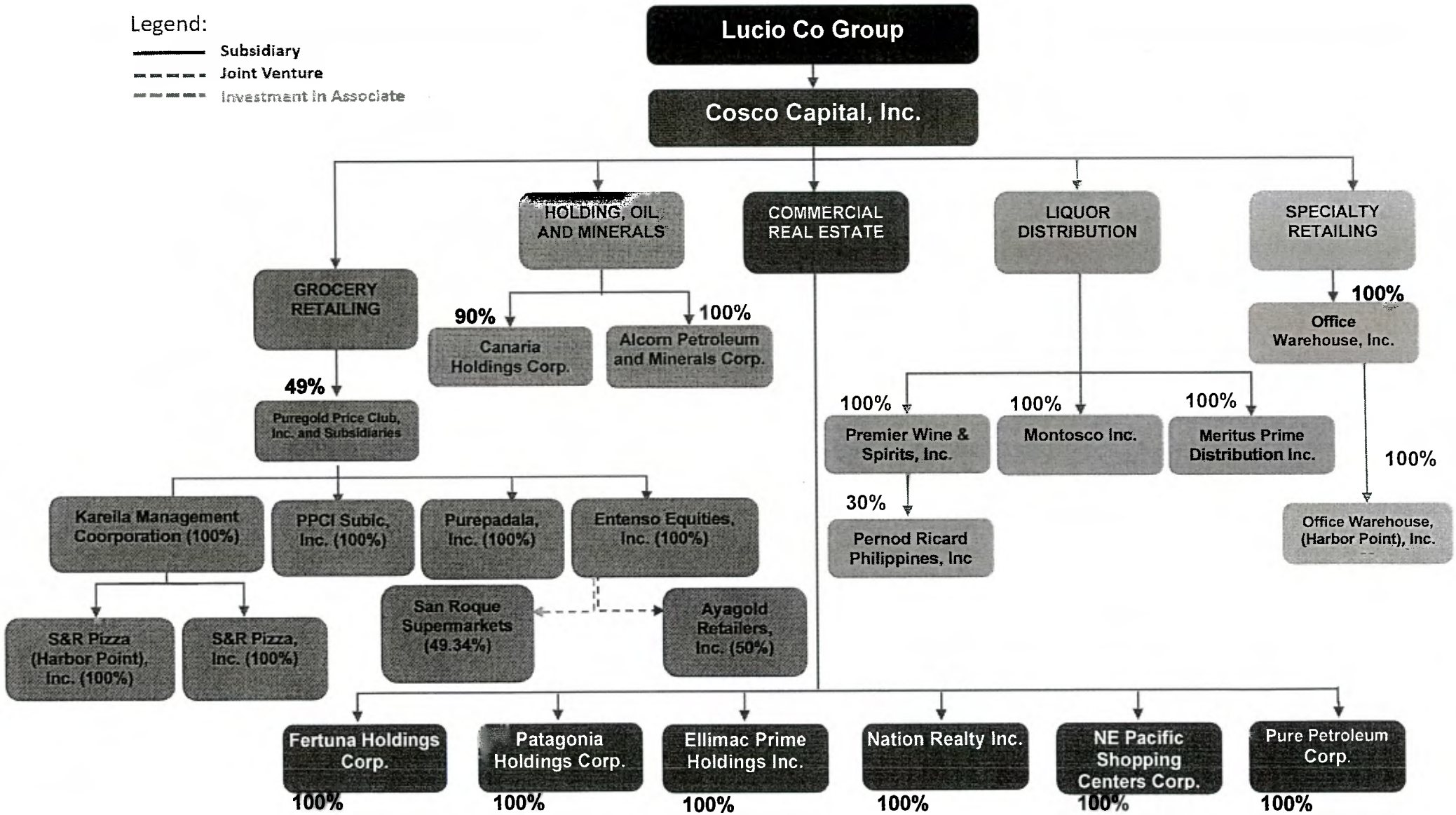
Ratio	Formula	Years ended December 31	
		2020	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P88,145,784 Divide by: Total current liabilities 24,469,690 3.60	3.60	3.45
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total current assets P88,145,784 Less: Inventories 24,914,272 Other current assets 1,450,993 Quick assets 61,780,519 Divide by: Total current liabilities 24,469,690 Acid-test ratio 2.52	2.52	2.09
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P10,008,926 Add: Depreciation and amortization 4,195,584 Total 14,204,510 Divide by: Total liabilities 68,410,496 Solvency ratio 0.21	0.21	0.36
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity) Total liabilities P68,410,496 Divide by: Total equity 109,779,328 0.62	0.62	0.51
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P178,189,824 Divide by: Total equity 109,779,328 1.62	1.62	1.51

KPMG

Ratio	Formula	Years ended December 31	
		2020	2019
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P16,032,103 Divide by interest expense 2,198,570 7.29	7.29	10.11
Return on equity	Return on Equity (Net Income by Total Equity) Net income P10,008,926 Divide by: Total equity 109,779,328 9%	9%	15%
Return on assets	Return on Assets (Net Income by Total Assets) Net income P10,008,926 Divide by: Total assets 178,189,824 6%	6%	10%
Net profit margin	Net profit margin (Profit over net sales) Net income P10,008,926 Divide by: Net sales 177,316,299 5.64%	5.64%	9.27%
Other ratios	Operating profit margin (Operating profit over net sales) Operating profit P15,305,300 Divide by: Net sales 177,316,299 8.63%	8.63%	8.43%

COSCO CAPITAL, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2020



COSCO CAPITAL, INC.
SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2020
(Amounts in Thousands)

		Figures are based from Parent Company's Financial Statements
Unappropriated Retained Earnings, as adjusted, beginning		**P1,327,066**
Adjustments in previous year's reconciliation		**(1,124,149)**
Unappropriated Retained Earnings, as adjusted, beginning		**(202,917)**
Net Income based on the face of audited financial statements	P1,440,988	
Add: Non-actual losses		
Deferred tax expense	448	
Net income actually earned during the period		**1,440,540**
Add (Less):		
Dividends declared during the year		**(1,151,721)**
Additions to treasury shares		**(248,887)**
Unappropriated Retained Earnings, as adjusted, ending		**P242,849**

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS
(Amounts in Thousands, except Number of Shares Principal amounts of Bonds and Notes)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Cash in banks and cash equivalents - various banks	N/A	P48,085,044	P48,085,044	P696,110*
Receivables - net - various creditors debtors	N/A	10,308,181	10,308,181	237,045
Government securities - Bureau of Treasury	2,290,000,000	2,383,862	2,383,862	2,538**
Financial assets at FVPL - various Publicly-listed Companies	1,002,192	27,513	27,513	(7,407)**
Financial assets at FVOCI - various Publicly-listed Companies	95,999	16,860****	16,860	652***
Due from related parties - Related parties outside the Group	N/A	184,852	184,852	-
Security deposits - various lessors	N/A	2,260,918	2,260,918	-
		P63,267,230	P63,267,230	P928,938

Notes:

*This represents interest income earned, net of final tax
** This represents unrealized valuation (loss) on trading securities
***This represents dividend income
****P8,495 is presented as part of "Other Noncurrent Assets" in Balance Sheet

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Lucio L. Co - Chairman	P192,068	P826,132	P668,884	P -	P349,316	P -	P349,316
Various Employees	12,758	6,545	8,170	-	11,133	-	11,133
	P204,826	P832,677	P677,054	P -	P360,449	P -	P360,449

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							
Premier Wines and Spirits, Inc.	P86,000	P -	P86,000	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	3,934,975	-	207,781	-	3,727,194	-	3,727,194
Fertuna Holdings Corporation	104,441	-	-	-	104,441	-	104,441
Patagonia Holdings Corporation	917,808	-	-	-	917,808	-	917,808
Nation Realty, Inc.	300,966	-	-	-	300,966	-	300,966
Alcorn Petroleum and Minerals Corporation	390,017	-	3,774	-	386,243	-	386,243
Kareila Management Corporation	500,000	-	500,000	-	-	-	-
Canaria Holdings Corporation	74,641	-	74,641	-	-	-	-
Dividends							
Puregold Price Club, Inc.	564,347	634,890	564,347	-	634,890	-	634,890
NE Pacific Shopping Centers Corp.	140,000	-	100,000	-	40,000	-	40,000
Nation Realty, Inc.	179,714	-	70,000	-	109,714	-	109,714
Patagonia Holdings Corporation	260,000	-	-	-	260,000	-	260,000
Ellimac Prime Holdings, Inc.	315,446	-	30,446	-	285,000	-	285,000
Fertuna Holdings Corporation	100,000	-	-	-	100,000	-	100,000
Pure Petroleum Corporation	120,000	50,000	120,000	-	50,000	-	50,000
Montosco, Inc.	50,000	200,000	50,000	-	200,000	-	200,000
Premier Wines and Spirits, Inc.	100,000	-	-	-	100,000	-	100,000
Trade and other receivables							
Meritus Prime Distributions Inc	315,600	-	315,600	-	-	-	-
Montosco, Inc.	163	-	163	-	-	-	-
Nation Realty, Inc	48,500	6,742	-	-	55,242	-	55,242
Premier Wines and Spirits, Inc..	106,700	-	-	-	106,700	-	106,700
Canaria Holdings Corporation	703,036	155,552	76,632	-	781,956	-	781,956
Fertuna Holdings Corporation	-	2,089	-	-	2,089	-	2,089
Ellimac Prime Holdings, Inc.	-	83,494	-	-	83,494	-	83,494
NE Pacific Shopping Center Corp.	-	8	-	-	8	-	8
Alcorn Petroleum and Minerals Corporation	-	202	-	-	202	-	202
Patagonia Holdings Corporation	-	20,559	-	-	20,559	-	20,559
Kareila Management Corporation	-	8,449	1,655	-	6,794	-	6,794
Note receivable							
Canaria Holdings Corporation	3,429,215	-	204,643	-	3,224,572	-	3,224,572
	P12,741,569	**P1,161,985**	**P2,405,682**	**P -**	**P11,497,872**	**P -**	**P11,497,872**

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	Land Bank of the Philippines	P939,641	P939,641	P -	5.267%	7	May 2021
	Rizal Commercial Banking Corporation	939,641	939,641	-	5.267%	7	May 2021
	Maybank Philippines	469,641	469,641	-	5.267%	7	May 2021
	Robinsons Bank Corporation	469,641	469,641	-	5.267%	7	May 2021
	Security Bank Corporation	469,641	469,641	-	5.267%	7	May 2021
	United Coconut Planter's Bank	469,641	469,641	-	5.267%	7	May 2021
	The Insular Life Insurance Company, Ltd.	468,365	4,555	463,810	5.579%	10	May 2024
	Security Bank Corporation	468,366	4,556	463,810	5.579%	10	May 2024
	China Banking Corporation	3,442,719	-	3,442,719	4.500%	N/A	October 2030
	Development Bank of the Philippines	2,975,411	-	2,975,411	4.000%	N/A	October 2027
	Keb Hana Bank	496,384	-	496,384	4.000%	N/A	October 2027
	Land Bank of the Philippines	1,487,705	-	1,487,705	4.000%	N/A	October 2030
	Land Bank of the Philippines	1,487,850	-	1,487,850	4.500%	N/A	October 2030
	Metropolitan Bank & Trust Co	992,286	-	992,286	4.000%	N/A	October 2030
	Shinhan Bank	496,384	-	496,384	4.000%	N/A	October 2030
	The Insular Life Assurance Company, Ltd.	496,384	-	496,384	4.000%	N/A	October 2030
Totals		P16,569,700	P3,766,957	P12,802,743			

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,738,524	4,169,784,269	2,512,740,771

ANNEX "B"

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 2020 audited consolidated financial statements and 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	**2020**	**2019**	**2018**
Return on investment	**9.45%**	16.60%	10.47%
Profit margin	**5.64%**	9.27%	5.04%
EBITDA to interest expense	**8.98x**	8.65x	8.64x
Current ratio	**3.60:1**	3.45:1	2.47:1
Asset turnover	**1.07:1**	1.13:1	1.25:1
Asset to equity	**1.62:1**	1.54:1	1.64:1
Debt to equity ratio	**0.62:1**	0.54:1	0.64:1

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 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%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P177.31 Billion during the year ended December 31, 2020 which reflects an increase by P11.25 Billion or 6.77% compared to last year's revenue of P166.07 Billion.

The revenue growth was largely contributed by the grocery retail segment primarily attributed to the continued organic expansion as well as robust SSSG performance of both the supermarket and the warehouse club brands which registered a consolidated year on year growth of 9.2% in 2020.

The revenues from the group's commercial real estate, liquor and wine distribution and specialty retail business segments have continued to experience varying degrees of declines during the year 2020 compared to their 2019 levels particularly during the second and third quarters primarily resulting from the business and social disruptions due to the global Covid-19 pandemic. However, said business segments started to recover during the third quarter due to gradual easing in government restrictions in economic activities. The extent of the business impacts on the respective business segments are more fully described in the specific segment operating and financial highlights section.

Growth in Net Income

During the year, the Group realized a consolidated net income of P10.0 Billion which is lower by P5.38 Billion representing a decline of 34.98% year on year as compared to last year's net income of P15.39 Billion.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.14 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2020 would show a growth by 7.40%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2020 amounted to about P5.90 Billion which decreased by about P5.70 Billion or 49.12% as compared to the 2019 PATMI amounting to P11.60 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2020 would 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, 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%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P166.06 Billion during the year ended December 31, 2019 which reflects a decrease by P2.14 Billion or 1.27% compared to last year's revenue of P168.21 Billion.

The 2019 revenue figures do not anymore include the revenue contributions from Liquigaz in view of the divestment of the group's equity interests which was closed and completed on February 13, 2019. Excluding Liquigaz's revenue contribution in 2018 amounting to about P17.09 Billion, for like for like comparability, consolidated revenues of all the business segments in 2019 would reflect a normalized growth of 9.89% year on year over 2018 performance.

Growth in Net Income

During the same year, the Group realized a consolidated net income of P15.39 Billion which is higher by P6.91 Billion representing a growth of 81.49% as compared to last year's net income of P8.48 Billion which was restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments' net income.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.07 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2019 amounted to P9.32 Billion at 5.61% net margin and for a growth of 14.79%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2019 amounted to about P11.60 Billion which increased by about P6.21 Billion or 115.51% as compared to the 2018 PATMI amounting to P5.38 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2019 would amount to P5.87 Billion which is 13.0% higher than the 2018 PATMI of P5.19 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2019, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P154.49 Billion or an increase of P13.35 Billion or about 9.46% growth as compared to the segment's revenue contribution of P141.14 Billion of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2019 amounted to P6.77 Billion which increased by P573.29 Million or 9.25% as compared to the net income contribution of P6.20 Billion in 2018. This includes the one-time gain amounting to around P363 Million realized from the sale of shares in PG Lawson. Excluding this non-recurring item, core consolidated net income amounted to P6.75 Billion which registered a growth of 16.0% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.49 Billion to the Group's consolidated revenue in 2019 representing a growth of about P118.54 Million or 8.59% of the segment's revenue contribution in 2018 amounting to P1.38 Billion. This was mainly attributable to the additional leasable area from the new mall assets added to the portfolio during the first quarter of 2018 and in 2019, sustained higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2018 amounted to about P1.17 Billion which increased by about P85.79 Million or 7.90% as compared to the net income contribution of P1.08 Billion in 2018, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.63 Billion to the Group's consolidated revenue in 2019 representing an increase by about P1.11 Billion or 17.12% higher as compared to the 2018 revenue contribution of P6.51 Billion mainly attributable to its continued strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the period.

Consolidated net income contribution in 2019 amounted to about P1.21 Billion which increased by P470.15 Million or 63.26% as compared to the net income contribution in 2018 amounting to P743.18 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

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

Office Warehouse, Inc. contributed about P2.45 Billion to the Group's consolidated revenue during the fiscal year 2019 representing an increase by about P361.83 Million or 17.35% higher as compared to the 2018 revenue contribution of P2.08 Billion mainly attributable to its strong same store sales growth (SSSG) of 12.19% and its enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48.0% as compared to 2018 amounting to P65.58 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales
For the year ended December 31, 2019, the Grocery Retail Segment posted a consolidated net sales of P154,490 million for an increase of P13,351 million or a growth of 9.5% compared to P141,139 million in 2018. New organic stores put up in 2018 were fully operating in 2019 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**4.6%**	**8.3%**
Net Ticket	**8.5%**	**7.3%**
Traffic	**-3.5%**	**0.9%**

Gross Profit
For the year ended December 31, 2019, the Grocery Retail Segment realized an increase of 8.5% in consolidated gross profit from P23,929 million in 2018 at 17.0% margin to P25,951 million at 16.8% margin in 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly declined during the current period accounting primarily to lower supplier support in relation to product cost.

Other Operating Income
Other operating income increased by P322 million or 10.9% from P2,941 million in 2018 to P3,263 million in 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

Operating Expenses
Operating expenses increased by P1,191 million or 7.2% from P16,639 million in December 31, 2018 to P17,830 million in 2019. The incremental operating expenses were mainly attributable to depreciation expense, taxes and licenses, repairs and maintenance, advertising and promotion, credit card charges and manpower expenses principally related to the establishment and operation of new organic stores.

Other Expense - net
Other expenses net of other income amounted to P1,804 million and P1,528 million in December 31, 2019 and 2018, respectively. Interest income increased in December 2019 due to higher placement in short-term investment as compared to placements made in 2018. Interest expense comprised bulk of the account as a result of adoption of the new accounting standard, PFRS 16 – Leases.

Net Income
For the year ended December 31, 2019, the Grocery Retail Segment earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the Grocery Retail Segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

Commercial Real Estate

The Group's Real Estate Segment posted P2.14 Billion in revenues for the year ended December 31, 2019 or a 5.71% increase from P2.03 Billion from 2018. This was mainly attributable to the additional leasable area from its new mall assets added to its portfolio in early 2018 and 2019, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P69.43 Million or 4.5% from P1.53 Billion in 2018 to P1.60 Billion for the year ended December 31, 2019.

Net income for the year ended December 31, 2019 amounted to P1.22 Billion or a 12.8% increase from last year's P1.08 Billion brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P10.72 Billion in 2019 or 22.52% growth from last year's P8.74 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 43%. The strong sales performance is still principally driven by its brandy portfolio which accounts for more than 70% of sales augmented by the strong performance of the other spirits sector.

Income from operations increased to P1.68 Billion in 2019 or 66.63% higher from last year's P1.01 Billion.

Net income for the 2019 period increased by P474.09 Million from P738.36 Million in 2018 to P1.21 Billion in 2019 or 64.20% growth.

Specialty Retail

Office Warehouse

As at December 31, 2019, the company had expanded its retail network to 89 stores from 46 stores at acquisition date sometime in May 2014. Net selling area also increased to 15,589 sq.m. or a cumulative growth by 41.25% from the date of acquisition. Sales revenues increased to P2.45 Billion in 2019 or 17.3% higher as compared to the 2018 revenue of P2.09 Billion mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 12.19% during the fiscal year 2019. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48% as compared to the net income contribution in 2018 amounting to P65.58 Million

Liquigaz

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

The sale of investment in Liquigaz resulted to a one-time gain of P6.07 Billion, net of capital gains tax.

Revenues generated in 2018 amounted to P17.09 Billion and net income of P626.23 Million.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	2019	%	2018 (As Restated)	%	INCREASE (DECREASE)	%
Current Assets						
Cash and cash equivalents	**24,402,014**	**15.80%**	16,784,861	12.03%	**7,617,153**	**45.38%**
Receivables - net	**16,637,892**	**10.77%**	6,630,927	4.75%	**10,006,966**	**150.91%**
Financial asset at FVOCI	**9,209**	**0.01%**	7,026	0.01%	**2,182**	**31.06%**
Financial asset at FVPL	**34,921**	**0.02%**	36,503	0.03%	**(1,582)**	**-4.33%**
Inventories	**24,722,271**	**16.01%**	23,931,657	17.15%	**790,614**	**3.30%**
Due from related parties	**192,068**	**0.12%**	47,971	0.03%	**144,096**	**300.38%**
Prepayments and other current assets	**2,000,502**	**1.30%**	2,609,348	1.87%	**(608,846)**	**-23.33%**
	67,998,876	**44.03%**	50,048,292	35.87%	**17,950,584**	**35.87%**
Assets of disposal group classified as held for sale	**-**	**-**	7,320,895	5.25%	**(7,320,895)**	**-100.00%**
Total current assets	**67,998,876**	**44.03%**	57,369,187	41.11%	**10,629,689**	**18.53%**
Noncurrent Assets						
Property and equipment - net	**27,927,953**	***18.08%***	26,343,793	*18.88%*	**1,584,160**	**6.01%**
Right-of-use assets	**21,700,103**	***14.05%***	20,082,426	*14.39%*	**1,617,676**	**8.06%**
Investment properties - net	**11,125,998**	***7.20%***	10,836,618	*7.77%*	**289,379**	**2.67%**
Intangibles and goodwill - net	**21,089,717**	***13.65%***	21,095,502	*15.12%*	**(5,786)**	**-0.03%**
Investments	**741,175**	***0.48%***	603,175	*0.43%*	**138,000**	**22.88%**
Deferred oil and mineral exploration costs		***0.00%***	123,365	*0.09%*	**(123,365)**	**-100.00%**
Deferred tax assets-net	**566,284**	***0.37%***	96,263	*0.07%*	**470,021**	**488.27%**
Other non-current assets	**3,299,789**	***2.14%***	2,987,211	*2.14%*	**312,578**	**10.46%**
Total noncurrent assets	**86,451,018**	***55.97%***	82,168,354	*58.89%*	**4,282,665**	**5.21%**
Total Assets	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,354**	**10.69%**
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**15,127,981**	***9.79%***	13,016,166	*9.33%*	**2,111,814**	**16.22%**
Income tax payable	**1,164,727**	***0.75%***	930,909	*0.67%*	**233,818**	**25.12%**
Short-term loans payable	**871,124**	***0.56%***	4,866,300	*3.49%*	**(3,995,176)**	**-82.10%**
Current portion of long-term borrowing	**43,685**	***0.03%***	49,999	*0.04%*	**(6,314)**	**-12.63%**
Lease liabilities due within one year	**567,682**	***0.37%***	725,846	*0.52%*	**(158,164)**	**-21.79%**
Due to related parties	**1,343,460**	***0.87%***	1,365,863	*0.98%*	**(22,403)**	**-1.64%**
Other current liabilities	**596,992**	***0.39%***	434,901	*0.31%*	**162,091**	**37.27%**
	19,715,651	***12.77%***	21,389,984	*15.33%*	**(1,674,333)**	**-7.83%**
Liabilities of disposal group classified as held for sale	**-**	**-**	1,834,651	*1.31%*	**(1,834,651)**	**-100.00%**
Total current liabilities	**19,715,651**	***12.77%***	23,224,635	*16.64%*	**(3,508,984)**	**-15.11%**
Noncurrent Liabilities						
Retirement benefit liability	**955,818**	***0.62%***	508,533	*0.36%*	**447,285**	**87.96%**
Lease liabilities	**26,101,259**	***16.90%***	23,496,626	*16.84%*	**2,604,632**	**11.09%**
Deferred tax liabilities	**128,586**	***0.08%***	177,626	*0.13%*	**(49,040)**	**-27.61%**
Long term loans payable - net of debt issue cost	**5,094,577**	***3.30%***	6,572,209	*4.71%*	**(1,477,632)**	**-22.48%**
Other non-current liabilities	**393,219**	***0.25%***	433,342	*0.31%*	**(40,123)**	**-9.26%**
Total noncurrent liabilities	**32,673,459**	***21.15%***	31,188,337	*22.35%*	**1,485,123**	**4.76%**
Total Liabilities	**52,389,110**	***33.92%***	54,412,971	*39.00%*	**(2,023,861)**	**-3.72%**
EQUITY						
Capital stock	**7,405,264**	***4.79%***	7,405,264	*5.31%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***6.24%***	9,634,644	*6.90%*	**-**	**-**
Retirement benefits reserve	**5,412**	***0.00%***	113,822	*0.08%*	**(108,410)**	**-95.25%**
Other reserve	**5,602**	***0.00%***	3,420	*0.00%*	**2,182**	**63.78%**
Treasury shares	**(1,403,974)**	***-0.91%***	(1,197,727)	*-0.86%*	**(206,247)**	**17.22%**
Retained earnings	**54,167,212**	***35.07%***	42,775,502	*30.66%*	**11,391,710**	**26.63%**
Total Equity Attributable to Equity Holders of Parent Company	**69,814,160**	***45.20%***	58,734,925	*42.09%*	**11,079,235**	**18.86%**
Non-controlling interest	**32,246,624**	***20.88%***	26,389,644	*18.91%*	**5,856,980**	**22.19%**
Total Equity	**102,060,784**	***66.08%***	85,124,569	*61.00%*	**16,936,215**	**19.90%**
Total Liabilities and Equity	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,353**	**10.69%**

Current Assets

Cash and cash equivalents amounted to P24.40 Billion as at December 31, 2019 with an increase of P7.62 Billion or 45.38% from December 31, 2018 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the year.

Receivables increased by 150.91% from December 31, 2018 balance of P6.63 Billion to this year's balance of P16.64 Billion due mainly to the net effect of collections made and the loans granted to companies under common control.

Assets of disposal group classified as held for sale pertain to current and noncurrent assets of 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.

Comparative Years 2018 and 2017

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2018 and 2017.

(In Thousands)	**2018**	*%*	2017	*%*	***INCREASE (DECREASE)***	*%*
REVENUES	**168,210,357**	***100.00%***	145,638,800	*100.00%*	***22,571,556***	***15.50%***
COST OF SALES/SERVICES	**139,809,619**	***83.12%***	120,260,991	*82.57%*	***19,548,628***	***16.26%***
GROSS PROFIT	**28,400,738**	***16.88%***	25,377,809	*17.43%*	***3,022,929***	***11.91%***
OTHER OPERATING INCOME	**2,994,765**	***1.78%***	2,760,841	*1.90%*	***233,924***	***8.47%***
GROSS OPERATING INCOME	**31,395,503**	***18.66%***	28,138,650	*19.32%*	***3,256,853***	***11.57%***
OPERATING EXPENSES	**18,326,809**	***10.90%***	15,854,229	*10.89%*	***2,472,580***	***15.60%***
INCOME FROM OPERATIONS	**13,068,694**	***7.77%***	12,284,421	*8.43%*	***784,273***	***6.38%***
OTHER INCOME (CHARGES) - net	**(1,301,028)**	***-0.77%***	(1,638,282)	*-1.12%*	***337,254***	***20.59%***
INCOME BEFORE INCOME TAX	**11,767,667**	***7.00%***	10,646,139	*7.31%*	***1,121,527***	***10.53%***
INCOME TAX EXPENSE	**3,285,862**	***1.95%***	3,175,439	*2.18%*	***110,423***	***3.48%***
NET INCOME FOR THE YEAR	**8,481,805**	***5.04%***	7,470,701	*5.13%*	***1,011,104***	***13.53%***
Net Income Attributable to:						
Equity holders of the Parent Company	**5,381,485**	***3.20%***	4,731,617	*3.25%*	***649,869***	***13.73%***
Non-controlling interests	**3,100,319**	***1.84%***	2,739,084	*1.88%*	***361,235***	***13.19%***
	8,481,805	***5.04%***	7,470,701	*5.13%*	***1,011,104***	***13.53%***
EPS	**0.75975**		0.66364			***14.48%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P168.21 Billion for the year ended December 31, 2018 which reflects an increase by P22.57 Billion or representing a growth of 15.50% compared to last year's revenue of P145.64 Billion.

The growth in consolidated revenues in 2018 was largely driven by a combination of the Group's sustained organic growth from its grocery retail segment; sustained revenue growth from the LPG business unit driven by the gradual recovery of global petroleum and gas prices and on the back of a very strong growth in sales volume; increase revenue contributions from the real estate segment with its consistent high capacity utilization of its rental assets portfolio coupled by additional leasable spaces from new commercial assets; and the robust sales performance and growth in revenue contributions from the liquor and wine distribution business segment.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P8.48 Billion which is higher by P1.01 Billion representing a 13.53% increase as compared to last year's consolidated net income of P7.47 Billion which were 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.. Net income attributable to equity holders of the parent company (PATMI) amounted to P5.38 Billion in 2018 which increased by about P649.87 Million or 13.73% as compared to the 2017 PATMI amounting to P4.73 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2018, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P141.14 Billion or an increase of P16.43 Billion or about 13.18% growth as compared to the segment's revenue contribution of P124.70 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 2018 amounted to P6.2 Billion which increased by P705.38 Million or 12.84% as compared to the net income contribution of P5.49 Billion in 2017, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard. 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 P5.84 Billion which still registered a growth of 3.2% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.38 Billion to the Group's consolidated revenue in 2018 representing a growth of about P88.69 Million or 6.87% of the segment's revenue contribution in 2017 amounting to P1.29 Billion. This was mainly attributable to the additional leasable space from four (4) new mall assets added to its portfolio, where three assets were opened during the first quarter of 2018 and one in December 2017, 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 P1.08 Billion which increased by about P138.37 Million or 14.60% as compared to the net income contribution of P947.59 Million in 2017, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Liquor Distribution Segment

The liquor distribution business segment contributed about P6.51 Billion to the Group's consolidated revenue in 2018 representing an increase by about P1.82 Billion or 38.77% higher as compared to the 2017 revenue contribution of P4.69 Billion mainly attributable to its strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the year.

Consolidated net income contribution in 2018 amounted to about P743.18 Million which increased by P44.63 Million or 6.39% as compared to the net income contribution in 2017 amounting to P698.58 Million, which was restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Specialty Retail

The LPG business unit contributed about P17.09 Billion to the Group's consolidated revenue in 2018 representing an increase by about P3.96 Billion or 30.18% higher as compared to the 2017 revenue contribution of P13.13 Billion mainly attributable to the effects of the continued improvements and recovery of global petroleum and gas prices in 2018 and on the back of a 9.8% growth in volume sold.

As a result, net income contribution in 2018 amounted to P626.23 Million which increased by P157.03 Million or 33.47% as compared to that of 2017 amounting to P469.20 Million.

On the other hand, our office supplies and technology retail business unit contributed about P2.09 Billion to the Group's consolidated revenue in 2018 representing an increase by about P265.44 Million or 14.58% higher as compared to the 2017 revenue contribution of P1.82 Billion mainly attributable to its strong same store sales growth (SSSG) of 9.09% and its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2018 amounted to about P65.53 Million which increased by P5.53 Million or 11.07% as compared to the net income contribution in 2017 amounting to P58.99 Million, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Segment Operating & Financial Highlights

Net Sales

For the year ended December 31, 2018, the Grocery Retail segment posted a consolidated net sales of P141,139 million for an increase of P16,436 million or a growth of 13.2% compared to P124,703 million in 2017. New organic stores put up in 2017 were fully operating in 2018 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	**5.7%**	**8.4%**
Net Ticket	**8.0%**	**8.1%**
Traffic	**-2.1%**	**0.2%**

Gross Profit

For the year ended December 31, 2018, the Grocery Retail segment realized an increase of 10.3% in consolidated gross profit from P21,688 million in 2017 at 17.4% margin to P23,929 million at 17.0% margin in 2018, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income increased by P249 million or 9.2% from P2,692 million in 2017 to P2,941 million in 2018. This is attributable to increases in concess income and membership income driven mainly by full operation of 2017 new stores and contribution from new stores opened in 2018. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. In March 14 to 18 and September 26 to 30, 2018, S&R held its 5-day sale Members' Treat.

Operating Expenses
Operating expenses increased by P2,028 million or 13.9% from P14,611 million in the year ended December 31, 2017 to P16,639 million in 2018. The incremental operating expenses were mainly attributable to manpower costs, utilities, depreciation expense and taxes, principally related to the establishment and operation of new organic stores.

Other Expense - net
Other expenses net of other income amounted to P1,528 million for year ended December 31, 2018 due to recognition of a one-time gain on sale of investment in joint venture amounting to P363 million. Interest income increased in the year ended December 2018 due to higher placement in short-term investment as compared in 2017.

Net Income
For the year ended December 31, 2018, the Grocery Retail segment earned a consolidated net income of P6,200 million at 4.4% net margin and an increase of 12.8% from P5,494 million at 4.4% net margin in 2017. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income for the year ended December 31, 2018 amounted to P5,820 million at 4.1% net margin and an increase of 3.2%. This was principally driven by the continuous organic expansion of the Grocery Retail segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores established in 2018.

Commercial Real Estate

The Group's Real Estate Segment posted P2.03 Billion in revenues for the year ended December 31, 2018 or a 8.38% increase from P1.87 Billion from 2017. This was mainly attributable to the additional leasable space from its four new mall assets, where three assets opened during the first quarter of 2018 and one in December 2017, 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 P82.53 Million or 9.7% from P1.45 Billion in 2017 to P1.53 Billion for the year ended December 31, 2018.

Net income for the year ended December 31, 2018 amounted to P1.08 Billion or a 6.2% increase from last year's P922.09 Million brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P8.75 Billion in 2018 or 31.28% growth from last year's P6.66 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 32%. The growth in revenue is still principally driven by its brandy portfolio which accounts for about 67% of sales augmented by the increase in sales of the other spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to P1.0 Billion in 2018 or 12.43% higher from last year's P896.28 Million.

Net income for the 2018 period increased by P107.13 Million from P631.23.46 Million in 2017 to P738.37 Million in 2017 or 16.97% growth.

Specialty Retail

Office Warehouse

As at December 31, 2018, the company had expanded its retail network to 88 stores from 46 stores at acquisition date. Net selling area also increased to 16,738 sq.m. or a growth by 4.97% in 2018 as compared to 2017.

Sales revenue increased to P2.09 Billion in 2018 or 14.49% higher as compared to the 2017 revenue of P1.82 Billion mainly attributable to its continuing organic stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 9.09% in 2018.

Net income in 2018 amounted to about P65.58 Million which increased by P10.01 Million or 18.0% as compared to the net income in 2017 amounting to P55.57 Million.

Liquigaz

The company started the commercial operation of its storage facility expansion project in Sariaya, Quezon (Southern Luzon) during the first quarter in 2018. When completed and fully operational, this new facility, which will increase the company's existing capacity to 25,000 MT, will not only strategically serve the Southern Luzon market but also serve as a platform for its planned geographic expansion into the Visayas and Mindanao markets.

Revenues generated in 2018 amounted to P17.09 Billion or 30.18% higher as compared to the 2017 revenues of P13.13 Billion mainly attributable to both the continued improvements in global petroleum and gas prices and a 9.80% growth in sales volume in 2018. As a result, net income in 2018 amounted to P626.23 Million which increased by P157.03 Million or 33.47% as compared to that of 2017 amounting to P469.20 Million.

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 divestment transaction and other relevant information will be reflected in the group's financial reports for the first quarter of 2019.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

(In Thousands)	**2018**	*%*	2017	*%*	***INCREASE (DECREASE)***	*%*
ASSETS						
Current Assets						
Cash and cash equivalents	**16,784,861**	***12.00%***	15,353,098	*11.90%*	***1,431,763***	***9.33%***
Receivables - net	**6,630,927**	***4.74%***	7,902,970	*6.12%*	***(1,272,044)***	***-16.10%***
Financial asset at FVOC	**7,026**	***0.01%***	8,618	*0.01%*	***(1,592)***	***-18.47%***
Financial asset at FVPL	**36,503**	***0.03%***	46,888	*0.04%*	***(10,385)***	***-22.15%***
Inventories	**23,931,657**	***17.12%***	21,194,691	*16.43%*	***2,736,966***	***12.91%***
Due from related parties	**47,971**	***0.03%***	74,354	*0.06%*	***(26,382)***	***-35.48%***
Prepayments and other current assets	**2,609,349**	***1.87%***	2,159,188	*1.67%*	***450,162***	***20.85%***
	50,048,293	***35.80%***	46,739,806	*36.22%*	***3,308,488***	***7.08%***
Assets-held-for sale	**7,320,895**	***5.24%***	-	*0.00%*	***7,320,895***	***100.00%***
Total current assets	**57,369,188**	***41.03%***	46,739,806	*36.22%*	***10,629,382***	***22.74%***
Noncurrent Assets						
Property and equipment - net	**26,343,793**	***18.84%***	26,622,703	*20.63%*	***(278,910)***	***-1.05%***
Right-of-use assets	**20,082,426**	***14.36%***	18,164,367	*14.08%*	***1,918,059***	***10.56%***
Investment properties - net	**10,836,618**	***7.75%***	10,753,607	*8.33%*	***83,011***	***0.77%***
Intangible assets	**21,095,502**	***15.09%***	22,776,064	*17.65%*	***(1,680,562)***	***-7.38%***
Investments	**603,175**	***0.43%***	933,797	*0.72%*	***(330,622)***	***-35.41%***
Deferred oil and mineral exploration costs	**123,365**	***0.09%***	122,948	*0.10%*	***417***	***0.34%***
Deferred tax assets-net	**377,910**	***0.27%***	278,008	*0.22%*	***99,902***	***35.94%***
Other non-current assets	**2,987,211**	***2.14%***	2,638,683	*2.05%*	***348,528***	***13.21%***
Total noncurrent assets	**82,450,001**	***58.97%***	82,290,178	*63.78%*	***159,823***	***0.19%***
Total Assets	**139,819,189**	***100.00%***	129,029,984	*100.00%*	***10,789,206***	***8.36%***
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**13,016,166**	***9.31%***	13,788,692	*10.69%*	***(772,526)***	***-5.60%***
Income tax payable	**930,909**	***0.67%***	1,032,749	*0.80%*	***(101,840)***	***-9.86%***
Short-term loans payable	**4,866,300**	***3.48%***	5,562,500	*4.31%*	***(696,200)***	***-12.52%***
Current portion of long-term borrowing	**49,999**	***0.04%***	2,443,402	*1.89%*	***(2,393,404)***	***-97.95%***
Lease liabilities due within one year	**725,846**	***0.52%***	643,493	*0.50%*	***82,353***	***12.80%***
Due to relate parties	**1,365,863**	***0.98%***	849,772	*0.66%*	***516,091***	***60.73%***
Other current liabilities	**434,901**	***0.31%***	509,498	*0.39%*	***(74,597)***	***-14.64%***
	21,389,984	***15.30%***	24,830,106	*19.24%*	***3,440,122)***	***-13.85%***
Liabilities-held-for sale	**1,834,651**	***1.31%***		*0.00%*	***1,834,651***	***100.00%***
Total current liabilities	**23,224,634**	***16.61%***	24,830,106	*19.24%*	***(1,605,472)***	***-6.47%***
Noncurrent Liabilities						
Retirement benefit liability	**508,533**	***0.36%***	592,387	*0.46%*	***(83,854)***	***-14.16%***
Lease liabilities	**23,496,626**	***16.81%***	20,906,226	*16.20%*	***2,590,400***	***12.39%***
Deferred tax liabilities	**548,200**	***0.39%***	515,657	*0.40%*	***32,543***	***6.31%***
Long term loans payable - net of debt issue cost	**6,572,209**	***4.70%***	4,782,209	*3.71%*	***1,790,000***	***37.43%***
Other non-current liabilities	**433,342**	***0.31%***	421,929	*0.33%*	***11,412***	***2.70%***
Total noncurrent liabilities	**31,558,911**	***22.57%***	27,218,409	*21.09%*	***4,340,502***	***15.95%***
Total Liabilities	**54,783,545**	***39.18%***	52,048,515	*40.34%*	***2,735,030***	***5.25%***
EQUITY						
Capital stock	**7,405,264**	***5.30%***	7,405,264	*5.74%*		***0.00%***
Additional paid-in capital	**9,634,644**	***6.89%***	9,634,644	*7.47%*		***0.00%***
Retirement benefits reserve	**114,048**	***0.08%***	28,591	*0.02%*	***85,457***	***298.90%***
Other reserve	**3,420**	***0.00%***	5,013	*0.00%*	***(1,592)***	***-31.76%***
Treasury shares	**(1,197,727)**	***-0.86%***	(628,203)	*-0.49%*	***(569,524)***	***90.66%***
Retained earnings	**42,216,430**	***30.19%***	36,853,901	*28.56%*	***5,362,529***	***14.55%***
Total Equity Attributable to Equity Holders of Parent Company	**58,176,080**	***41.61%***	53,299,210	*41.31%*	***4,876,871***	***9.15%***
Non-controlling interest	**26,859,564**	***19.21%***	23,682,259	*18.35%*	***3,177,305***	***13.42%***
Total Equity	**85,035,645**	***60.82%***	76,981,469	*59.66%*	***8,054,176***	***10.46%***
Total Liabilities and Equity	**139,819,189**	***100.00%***	129,029,984	*100.00%*	***10,789,206***	***8.36%***

Current Assets

Cash and cash equivalents amounted to P16.78 Billion as at December 31, 2018 with an increase of P1.43 Billion or 9.33% from December 31, 2017 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 2017 cash dividends, settlement of loans and payments for capital expenditures during the period.

Receivables decreased by 16.10% from December 31, 2017 balance of P7.90 Billion to this year's balance of P6.63 Billion due mainly to the collections made and reclassification to assets held-for-sale.

Assets held-for-sale pertain to current and noncurrent assets of Liquigaz Philippine Corporation (LPC) which were reclassified 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.

Financial assets at fair value through comprehensive income (FVOC) decreased by 11.31% from December 31, 2017 balance of P8.62 Million to this year's balance of P7.64 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) decreased by 22.15% from December 31, 2017 balance of P46.89 Million to this year's balance of P36.50 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 12.91% from 2017 balance of P21.19 Billion to this year's balance of P23.93 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 P19.73 Billion.

Prepaid expenses and other current assets increased by P450.16 Million or 20.85% at the end of December 2018, mainly due to prepayments made for advertising, prepayments for taxes and licenses, availment of new policies for insurance of new stores and advance payment of rent for soon to open stores by Grocery Retail and Liquor Distribution segments.

Due from related parties decreased by P26.38 Million at the end of December 2018, due primarily to settlements made.

Non-current Assets

As at December 31, 2018 and 2017, total non-current assets amounted to P82.45 Billion or 58.97% of total assets, and P82.29 Billion or 63.78% of total assets, respectively, for a increase of P159.82 Million or 0.19%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment decreased by P278.71 Million from P26.62 Billion in December 2017 to P26.34 Billion in December 2018 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment and the effect of reclassifying the fixed assets owned by LPC to assets held-for-sale.

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 P1.92 Billion from P18.6 Billion in December 2017 to P20.08 Billion in December 2018 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 P83.01 Million from P10.75 Billion in December 2017 to P10.84 Billion in December 2018.

Investments decreased by P322.74 Million from P933.80 Million in December 2017 to P611.05 Million in December 2018 primarily due to the sale of investment in PG Lawson joint venture net of additional investments in Ayagold Retailers by the Grocery Retail segment and reclassification to assets held-for-sale by LPC.

Intangibles and goodwill-net decreased by P1.63 Billion from P22.77 Billion in December 2017 to P21.14 Billion in December 2018 primarily due to the reclassification of goodwill pertaining to LPC to assets held-for-sale.

Deferred tax assets increased by P99.90 Million or 35.94% from P278.01 Million in December 2017 to P377.91 Million in December 2018 resulting mainly from the recognition of deferred tax assets from the adoption of new lease accounting for leases.

Other non-current assets increased by P348.53 Million from P2.64 Billion in December 2017 to P2.99 Billion in December 2018. About 78% 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, 2018 and 2017, total current liabilities amounted to P23.22 Billion and P24.83 Billion respectively, for a decrease of P1.60 Billion or 6.47%.

About 86% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P772.53 Million or 5.60% was primarily due to net settlement of trade and non-trade liabilities and payment of dividends by the Grocery Retail, Real Estate, Specialty and Parent Company in 2017.

Lease liabilities due within one year account increased by P82.35 Million from P643.49 Million in December 2017 to P725.85 Million in December 2018 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P101.84 Million from P1.03 Billion as at December 2017 to P930.91 Million as at December 31, 2018 is mainly due to settlement of income tax pertaining to 2017 and the reclassification by LPC to liabilities directly related to assets held-for-sale.

Liabilities directly related to assets held-for-sale pertain to current and noncurrent liabilities under LPC which were reclassified in view of the sale of the group's equity interest in LPC through aShare 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.

Short-term loans payable account decreased by P696.20 Million mainly due to settlements made by the Grocery Retail, Real Estate, Specialty Retail and Liquor Distribution segments.

Current portion of long-term borrowing decreased by P2.39 Billion mainly due to settlements made by the Grocery Retail segment and Parent Company and the effect of reclassification to long term loans resulting from refinancing.

Due to related parties increased by P516.09 Million mainly due to the additional advances.

Other current liabilities decreased by 14.64% from P509.50 Million as at December 31, 2017 to P434.90 Million as at December 31, 2018 relatively due to redemption of gift checks and perks points benefits by the Grocery Retail segment.

Noncurrent Liabilities

As at December 31, 2018 and December 31, 2017, total non-current liabilities amounted to P31.56 Billion and P27.22 Billion, respectively, for an increase of P4.34 Billion or 15.95%.

Long-term loans payable-net of current portion increased by P1.79 Billion mainly due to the Grocery Retail segment's refinancing of maturing long term loans.

Lease liabilitiesrepresents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P2.59 Billion from P20.91 Billion in December 2018 to P23.50 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 decreased by P83.85 Million mainly due to the net effect of recognition of additional benefit cost during 2018 and the reclassification to liabilities directly related to assets held-for-sale.

Other non-current liabilities increased by P11.41 million or 2.7% from P421.93 Million in December 2017 to P433.34 Million as at December 31, 2018 due to recognition of advance rental and deposits.

Equity

As at December 31, 2018 and December 31, 2017, total equity amounted to P85.03 Billion and P76.98 Billion, respectively, for an increase of P8.05 Billion or 10.46%.

Retirement benefits reseve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2018, the account increased by P85.46 million due to unrealized gain on re-measurement of defined benefit liability.

Treasury shares increased by P569.52 million from P628.20 Million in December 2017 to P1.20 Billion as at December 31, 2018 due to additional buyback by the Parent Company during the year in relation to the buyback program.

Retained earnings increased by P5.36 Billion or 14.55% from P36.85 Billion in December 2017 to P42.22 Billion as at December 31, 2018 due to profit realized by the Group.

Non-controlling interest increased by P3.18 Billion or 13.42% from P23.68 Billion in December 2017 to P26.86 Billion as at December 31, 2018 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)	**2018**	2017
Net cash flows from (used in) operating activities	**P10,926,204**	P8,774,641
Net cash flows used in investing activities	**(5,853,974)**	(4,503,325)
Net cash flows used in financing activities	**(3,640,464)**	(1,505,747)
Net increase in cash and cash equivalents	**P1,431,763**	P2,718,634

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 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 and short term investments by the Real Estate segment and Specialty Retail segment.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Specialty Retail segments and Parent Company during the year, repayment by the group of principal and interest relating to lease liability, payment of 2018 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.

COSCO CAPITAL, INC. SUSTAINABILITY REPORT

Contextual Information

COMPANY DETAILS	
Name of Organization	Cosco Capital, Inc.
Location of Headquarters	No. 900 Romualdez St., Paco Manila 1007
Location of Operations	Nationwide – Philippines
Reports Boundary: Legal entities (e.g. subsidiaries) included in this report*	Cosco Capital Inc, Including all its subsidiaries namely; **Retail** Puregold Price Club, Inc. (and its subsidiaries): • Kareila Management Corporation ▪ S&R Warehouses ▪ S&R Pizza, Inc. ▪ Entenso Equities, Inc. **Liquor Distribution** Montosco, Inc. Meritus Prime Distribution, Inc. Premier Wine and Spirits, Inc. **Real Estate and Property Leasing** Nation Realty, Inc. Patagonia Holdings Corp. Ellimac Prime Holdings, Inc. (EPHI) Fertuna Holdings Corp. Pure Petroleum Corp. NE Pacific Shopping Centers Corporation (NPSCC) **Specialty Retail** Office Warehouse, Inc.
Business Model, including Primary Activities, Brands, Products, and Services.	Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in retail, real estate, liquor distribution, and other specialty business.
Reporting Period	2020
Highest Ranking Person responsible for this report	Atty. Candy H. Dacanay – Datuon Compliance Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying material topics.
The company identifies its principal business activities that contribute a significant impact on the environment, economic, and social phases of our society. Its principal business activities include logistics in the delivery of products in and out of stores, employing hundreds of employees, supermarket operations from the display of products to check them out in the cash registers, among others. This report is a consolidation of all available data on specific relevant and material sustainability topics. It provides detailed performances of the entire organization that has an impact on the environment, economy, and society. The adaptation of sustainability reporting is relatively new to the organization. We considered all the best practices and standards to disclose our non-financial information, and we also have monitored our progress on the material issues that are most relevant to our stakeholders. The opportunity to analyze business risks and opportunities, to eventually improve and readjust our business strategy, and to allow our organization to focus our efforts on allocating the resources better are the benefits that we see on taking a materiality analysis. In this report, the guiding principle of SASB (Sustainability Accounting Standards Boards) for sustainability reporting was used. The SASB guidelines and standards are found to be more practical and straightforward for us as a new company to implement sustainability reporting. The Securities and Exchange Commissions (SEC) Memorandum Circular 2020-04 was also utilized as guidelines. Our management's goals and targets are also presented to help achieve the UN Sustainability Development Goals. An ad-hoc team was created to gather data, monitor and identify materiality topics, and approved by the top executives of the company.

ECONOMIC

Economic Performance
Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	180,474,149,423	PhP
Direct economic value distributed:		
a. Operating costs	20,147,712,147	PhP
b. Employee wages and benefits	2,804,785,115	PhP
c. Payments to suppliers, other operating costs	145,021,699,420	PhP
d. Dividends given to stockholders and interest payments to loan providers	1,480,137,972	PhP
e. Taxes given to government	5,291,596,005	PhP
f. Investments to community (e.g. donations, CSR)	25,125,192	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The organization's rapidly growing operations and sustained expansion through establishing new supermarkets and warehouse clubs in various geographic locations nationwide serve as a catalyst to directly generate new and incremental economic activities to the local communities by generating employment opportunities, financial boost to the local government unit's revenue, enhanced shopping experience of customers, incremental business & opportunities for local producers & suppliers, and enhanced livelihood opportunities for small and medium-sized enterprises through its reseller TNAP and ka-industriya programs.	Customers Suppliers Employees Community Government Shareholders	The company plans to further expand our operations in areas of the country where it is not yet present to serve more communities. Creating improvements in the existing market are also observed to be able to generate more economic activities that will positively impact our stakeholders.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
(a) Market risk which includes competition, supply, credit, and pricing. (b) Regulatory and compliance risk (c) Environmental risk	Customers Suppliers Employees Community Government Shareholders	To maintain its dominance in the grocery retail industry and its sustained growth and profitability, the company will continue to manage and monitor its operations to mitigate the risks and challenges associated with its business.

		1 – We consider innovation as a way to address the issue towards the changing behaviors of our customers. We will ensure to be more effective in providing services to meet our customer's satisfaction and valuable shopping experience in our stores and online platforms. 2 – Strengthening our relationship with our national and local suppliers through more robust and pro-active collaborations in promoting their products will guarantee us to remain a reliable business partners. We will continue to pursue a more efficient supply chain across all our stores and enable a strategic control on logistics costs in moving around products to counter relative price pressures due to logistical costs. 3- The company will be more conscientious in compliance with regulatory measures as we see more government interventions in the future. 4 – To become more active in serving the community, we are planning to strengthen our Tindahan ni Aling Puring (TNAP) and ka-industriya reseller programs as well as our Perks program for direct customers. 5 – To ensure that our investments to be always value-accretive, the company will continue giving cash dividends to our shareholders.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The company sees an excellent opportunity to invest in technology platforms such as online grocery shopping and store-to-door delivery.	Customers Suppliers Employees Community Government Shareholders	The company will heavily invest both in technology and human capital. The company sees the combination of reliable technology and trained employees to be a competitive advantage in any industry, but most especially now in the retail industry, as customer behaviors are changing rapidly and the competition is getting more aggressive than before.

Climate-related risks and opportunities:

The company identifies the following as the climate-related risks that are most material in its retail operation:

1. The use of plastic bags as a package container of our customers when they buy items from our stores. Out of more than 400 stores, few stores are using recyclable cartons for packaging in compliance with the regulations of local government units having jurisdiction of the area.

2. Food wastes and other solid waste from our stores. Most of our stores have food and fresh section where we process meat, fish, and other poultry products. The scraps coming from preparing this food goes to containers of third-party accredited solid waste haulers to the landfill.

3. The energy consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers, are vital in our operation. Still, they cause or contribute to various levels in releasing climate-damaging emissions. The company uses gas and diesel to run its vehicles, and only three out of more than 400 stores are getting sources from renewable solar energy.

The company is not unmindful of the effects of its operation on our environment. The company produces wastes that, if not disposed of properly, will further contribute to the worsening pollution in the land, the water and in the air.

Also, the company is not oblivious to the fact that it is benefitting from the use of fossil fuels in running its vehicles and electricity sources to energize its stores without accounting for the environmental impact or costs.

We recognize that changing our practice to be sustainable may cause additional costs in our operation and may affect the reputation of the company if we don’t.

We see climate change as a global problem but has a local effect. Like any other business, the company will thrive only in a society that is healthy and growing and will perish if the community where it operates crumples. The effects of climate change will be experienced first in the city and municipality level, where the majority of our business activity takes place. It thus makes a good case that we level up our response from regulatory compliance into taking initiatives in reducing factors that could worsen the current climate problems.

The company is looking at mitigation and adaptation as the primary strategy in addressing these climate risks. In the next 24 to 36 months, the company will come up with its comprehensive "Climate Change Response Program" that will lay down the company's initiatives, strategies, assessment, and targets in response to this global call for all corporate citizens to act in keeping global warming well below 2°C.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not Monitored	%

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company is working with over 2,000 merchandise suppliers and third-party service providers to keep more than 400 stores operating daily. The company helps small and medium suppliers bringing their produce to the supermarket. The company and the entire supply chain produce more than 60,000 livelihoods and employment across the country.	Suppliers Customers Community	The company aims to be more efficient and sustainable in its supply chain by providing adequate training to its employees and through effective technology. The company will keep on assisting small and medium entrepreneurs and suppliers to make their products available to all our store networks by providing them more access to our various distribution channels. The company aims to maintain healthy and strong collaboration with its suppliers. The more efficient we become in our supply chain, the better we can reduce our costs and improve our product mix. All of that will give our customers a better shopping experience.

What are the Risk/s Identified?	Which stakeholders are affected	Management Approach
(1) Inaccurate forecasting and monitoring of products. (2) Delay in the delivery of products and services. (3) Lack of capacity to check the quality of products and services.	Suppliers Customers	The company will continue to improve supplier selection to ensure that it is dealing with suppliers that produce quality products and its stock monitoring to optimize inventory.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
To improve the packaging of products offered by small and medium suppliers to make them more sustainable and enticing to customers. To build stronger relationships with our service providers by assisting them with training and technology support to make them more effective in their job.	Suppliers Customers	The management will continue to collaborate with our small and medium suppliers and assist them in growing their business with us.

Anti-corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	No data	%
Percentage of employees that have received anti-corruption training	No data	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact of corruption may happen within the organization, especially between suppliers and the employees working closely with our suppliers.	Suppliers Employees	The company shall make controls effective by simplifying them and making all processes more transparent to both suppliers and employees. The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Employees may commit fraud or corruption due to a lack of control and transparency in recording of transactions with suppliers.	Employee Supplier	The company shall revise the anti-corruption policy and procedure and re-orient the employees and suppliers.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	None

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	29	#
Number of confirmed incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact of corruption may happen within the organization as we observed an increase in the number of incidents of corruption recorded in the company.	Employees	The company shall revisit its anti-corruption policies and procedures and train employees to abide by it. Stricter implementation of workplace policies will be observed to prevent incidents of corruption to happen. Discussion of workplace policies should also take place on a regular basis.

What are the Risk/s Identified?	Which stakeholders are affected	Management Approach
Employees are at risk of corruption as long as the opportunity to do so exists in the organization.	Employees	The company commits to being more effective in its internal controls to purge opportunities to commit corruption or fraud.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	None

ENVIRONMENTAL

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable resources)	13,025.59	GJ
Energy consumption (gasoline)	4,794.28	GJ
Energy consumption (LPG)	191,240.39	GJ
Energy consumption (diesel)	3,759.29	GJ
Energy consumption (electricity)	331,177,376.16	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy consumption (renewable resources)	Not monitored	GJ
Energy consumption (gasoline)	Not monitored	GJ
Energy consumption (LPG)	Not monitored	GJ
Energy consumption (diesel)	Not monitored	GJ
Energy consumption (electricity)	3,618,220.00	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company's store operations depend heavily on the use of electrical grid available in the area where we operate. The logistics of our merchandise throughout the supply chain use either gasoline or diesel to run the vehicles and LPG are consumed by the tenants on our store branches.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
With our rapid expansion, we may not be able to catch up, including the suppliers in the supply chain, in making our energy use efficient and sustainable.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Taking responsibilities and taking on an active step to have a healthy environment by establishing greener store structures to conserve the use of fossil fuels or non-renewable resources.	Employees Customers Community Government	The company will establish an Energy Management Program that will tackle how the company will address this material topic. We support an undertake initiatives that promotes greater environmental responsibility and

		implement solutions to reduce our carbon footprint and as well as conserving our non-renewable and natural resources. The company records and monitors its carbon footprint to create solutions on how to reduce our fossil fuel consumption.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	Not monitored	Cubic meters
Water consumption	1,622,648.49	Cubic meters
Water recycled and reused	720.00	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Depletion of water resources as many users are competing, especially in the highly urbanized areas where the majority of our stores are located.	Employees Customers Community	The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities. The company plans to expand and enhance those programs.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Water scarcity	Employees Customers Community	The company shall launch extensive water conservation programs involving as much as possible all stores and offices.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
(1) Reduction of water consumption through water conservation programs. (2) Adopting technologies to enhance existing waste	Employees Customers Community	The company shall launch extensive water conservation programs involving as much as possible all stores and offices.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• Renewable		kg/liters
• Non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Not Applicable	Not Applicable	Not Applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	Not Applicable	Not Applicable

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN Red list species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not Applicable	Not Applicable	Not Applicable
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Not Applicable	Not Applicable	Not Applicable
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	Not Applicable	Not Applicable

Environmental Impact Management

Air Emissions
GHG

Disclosure	Quantity	Units
Direct (scope 1) GHG Emissions	13,914.21	Tonnes CO_2e
Energy indirect (scope 2) GHG Emissions	102,382.52	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	Not monitored	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Transport fleets, energy consumption, and vehicles used to deliver grocery items to sari-sari stores of the company are the main sources and direct contributor to greenhouse gas emissions.	Community	The company will identify sources of emissions and implement programs to reduce greenhouse gas emission's contribution. The vehicles used to deliver groceries to sari-sari stores should be at least 80% or in the full capacity before the delivery to minimize the consumption of fuel which contributes to the emission of greenhouse gas. Software systems like Mother PO and Vendor Portal is introduced to fully maximize and utilize our supply chain operations and also help aid to minimize our GHG emissions.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
(1) The possible penalty for non-compliance with government environmental laws and regulations. (2) Phasing out of obsolete equipment that directly contributes to greenhouse gas emissions.	Community Government	The company will continue to comply with Republic Act No. 6969 or the Toxic Substances and Hazardous Wastes and Nuclear Wastes Control Act, Republic Act No. 9275 or the Clear Water Act and Republic Act No. 8749 or the Clean Air Act.

(3) Changing customer behavior or shift in consumer preferences due to increasing awareness of the importance of sustainability. (4) Extreme weather events (5) Water shortage		The company will be more active in participating in renewable energy programs and adopting energy – efficiency measures promoted by the Department of Energy.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	None

Air Pollutants

Disclosure	Quantity	Units
NO_x	1.66	MT
SO_x	Not monitored	kg
Persistent organic pollutants (POPs)	Not monitored	kg
Volatile organic compounds (VOCs)	Not monitored	kg
Hazardous air pollutants (HAPs)	Not monitored	kg
Particulate matter (PM)	Not monitored	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company's transport fleets contribute to air quality degradation.	Community	The company will adequately operate and maintain all emission sources.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
The company's possible violation of Republic Act No. 8749 or the Clean Air Act.	Community Government	The company will abide by the provisions of Republic Act No. 8749 or the Clean Air Act.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The use of more efficient transport systems.	Community Employees Supplier	The company will assess the means of how it can implement the opportunities herein identified.

Solid and Hazardous Wastes
Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	3,807,924.33	kg
Reusable	16,562,812.78	kg
Recyclable	Not monitored	kg
Composted	576,421.99	kg
Incinerated	Not monitored	kg
Residuals/Landfilled	675.18	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company and the rest of its supply chain produce solid waste that directly goes to landfills and may have an impact on bodies of water.	Community	The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
The improper solid waste disposal affects the environment and may affect the company's reputation.	Community	The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal. The company shall adhere to the standards set by the Republic Act 9003 or the Ecological Solid Waste Management Act, adopting a systematic, comprehensive and ecological waste management program to guarantee the protection of the environment and public health through proper disposal of solid waste.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Adopt a proper solid waste management program, which includes recycling that can be an additional source of income.	Community	The company shall implement activities such as recycling and reusing waste and be stricter in paper solid waste disposal.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste	175,405.08	kg
Amount of hazardous waste transported	12,756.38	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Improper disposal of hazardous waste can affect the environment, the health, and the safety of the employees and the community.	Employees Community	The company shall have a stricter policy on proper handling and disposal of hazardous waste.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Possible violation of Republic Act No. 6969 or the Hazardous Waste Act	Employees Community	The company shall abide by the provisions of Republic Act No. 6969 or the Hazardous Waste Act.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Conversion from hazardous to non-hazardous materials or equipment such as regular bulbs to led lights.	Employee	The company shall assess and find the means to implement the opportunities herein identified.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	1,290,322.90	Cubic meters
Percent of wastewater recycled	2.80	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
If no treatment facility, the company water discharges will contribute to water quality degradation in the community where it opens.	Community	The company shall have more wastewater treatment facility.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Possible violation of Republic Act No. 9275 or the Clean Water Act.	Community Employees	The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Water reduction by maximizing the STP's capability through water re-use.	Employees Community	The company shall adopt wastewater re-use.

Environmental compliance
Non-compliance with Environmental laws and regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	180,000	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	1	#
No. of cases resolved through dispute resolution mechanism	3	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Violation of environmental laws is just a consequence of damage already committed against the environment.	Community Government	The company shall keep on identifying the cause of the violation and resolve it with immediate and permanent compliance.
What are the Risk/s Identified?	**Which stakeholders are affected**	**Management Approach**
Damage to environment and damage to the company's reputation.	Community Government	The company shall comply with environmental laws and enhance its environmental policies and practices.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No opportunity identified	None	None

SOCIAL

EMPLOYEE MANAGEMENT

Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total number of employees	11,331	#
a. Number of female employees	6,383	#
b. Number of male employees	4,948	#
Attrition rate	14.98%	%
Ratio of lowest paid employee against minimum wage	0	%

Employee benefits

List of benefits	Y/N	% of female employees who availed for the year	% of male employee who availed for the year
SSS	Y	Maternity: 5.71%	N/A
		Sickness: 2.75%	Sickness: 2.86%
		Loan: 13.74%	Loan: 11.41%
PhilHealth	Y	2.12%	0.65%
Parent leaves	Y	Solo Parent Leave: 1.98%	Solo Parent Leave: 0.16%
			Paternity Leave: 1.96%
Vacation leaves	Y	93.80%	90.17%
Sick leaves	Y	93.80%	89.83%
Medical benefits (aside from PhilHealth)	Y	55.12%	27.25%
Housing assistance (aside from Pag-Ibig)	Y	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	Y	0.26%	0.04%
Company stock options	N	0%	0%
Telecommuting	Y	0.02%	0%
Flexible-working hours	Y	33.94%	32.05%
(Others)	Y – Compressed workweek for HO female and male employees		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The employees' over-all welfare is crucial as they are primarily involved in the daily operation of the business. We cannot operate our business without our employees. The employees rely on the company as a source of their livelihood. All employees are working full-time for the company.	The company ensures that employees can avail of the benefits guaranteed to them under the law. The company ensures the safety and health of employees by complying with the labor and welfare standards and policies implemented by Department of Labor and Employment such as the Occupational Safety and Health Standards, Minimum Wage Law, Anti-sexual Harassment Policy, Company Policy & Rule on STD/HIV/AIDS and Drug-Free Workplace among others.
What are the Risk/s Identified?	**Management Approach**
The risk of not being able to retain and attract the right talents.	The company shall improve its employee training and development programs and performance-based merit increase in ensuring that compensation of employees remains to be competitive.
What are the Opportunity/ies Identified?	**Management Approach**
To engage the working force that is in their optimal health state.	To adopt policies that can develop a more profound sense of belongingness and commitment for this generation's younger employees.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	65,152	Hours
A. Female employees	36,800	Hours
B. Male employees	28,352	Hours
Average training hours provided to employees		
A. Female employees	112	hours/employee
B. Male employees	112	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
There is no formal education or course that teaches retail operations; thus, the training of our employees is vital in keeping them knowledgeable and efficient in store operations.	The company shall enhance the quality and quantity of its existing employees' training and development program and expand the same to all levels of employees.

What are the Risk/s Identified?	Management Approach
Rapid expansion may limit the employees' required training in store operations.	The company plans to expand the coverage of the training of its employees. The training of employees shall be ahead of store openings.
What are the Opportunity/ies Identified?	**Management Approach**
Expansion of mandatory training courses and development of assessment for these courses.	The company will support more employee training programs and the use of technology in the training of employees. The company will conduct a regular assessment to monitor the effectiveness of theses training courses.

Labor- Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreement	N/A	%
Number of consultations conducted with employees concerning employee-related policies	2	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Harmony between the management and employees is vital in achieving company goals and targets and being consulted about important decisions in the workplace can improve an employee's engagement with their work.	The company shall create a policy that will foster a stronger bond between labor and management. The company shall maintain its strong and effective leadership to manage a large organization like ours. The harmonious relationship between management and employees has always been a vital element in achieving our company goals and targets.
What are the Risk/s Identified?	**Management Approach**
The failure of the management to act on employees' grievances may lead to their non-productivity and lack of initiative. being consulted about **important** decisions in the workplace can improve	The company has an existing Employee Relation/Industrial Relation section, where employees and management can discuss their issues or differences.

an **employee's** engagement with their work.	
What are the Opportunity/ies Identified?	**Management Approach**
Increase in management engagement with employees' activities. Monitor consultations conducted with employees concerning employee-related policies.	The company shall develop a positive and productive organizational culture that creates a climate for harmonious interaction between the management and employees.

Disclosure	Quantity	Units
% of female workers in the workforce	56.33%	%
% of male workers in the workforce	43.67%	%
Number of employees from indigenous communities and/or vulnerable sector	24 - PWD 99 - Solo Parent	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
As a company engaged in a highly competitive field, Puregold supports a diverse workforce and aims to achieve a fair work environment and opportunities for both male and female employees and as well as the vulnerable sector. More than half of the workforce of the company are female and our company promotes, observes, and values diversity in the composition of the Board of Directors	The company will maintain its culture of diversity and inclusion in selecting its employees. The company shall have programs that understand females' various needs and supportive of their role as mothers. Diversity in the workforce and leadership roles are encouraged to ensure an appropriate mix of employees, officers, and directors since the company has a diverse set of stakeholders, customers, and clients.
What are the Risk/s Identified?	**Management Approach**
No identified risks.	Not Applicable
What are the Opportunity/ies Identified?	**Management Approach**
To be more productive and creative as the workforce become more diverse and gender-inclusive.	The company shall set avenues for employees to collaborate and discuss ideas freely.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	42,997,803	Man-hours
No. of work-related injuries	7	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	420	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Our workforce is vital in our operation. Maintaining a safe working place and keeping them fit is a necessary condition in having a smooth business operation especially during the time of pandemic.	The company complies with labor standards set by the Department of Labor and Employment that ensure occupational health and safety of employees. A safe and healthy workforce is an asset to any company. A safe working place also eliminate the company's potential expense in paying for injuries and damages and the incalculable loss in time and money brought by the interruption in the store operation. The company issues a Workplace Policy in the Prevention and Control of Covid-19 based on government guidelines as part of the health and precautionary measures to prevent the spread of Covid-19 in the workplace.
What are the Risk/s Identified?	**Management Approach**
Our employees are at risk due to the continuous threat of Covid-19 in the workplace. The company has a risk of having a second-rate store structure caused by subcontracting store constructions and leasing store premises from third-parties and the risk of fire that may cause damage to our property and severe injury to our employees.	The Workplace Policy covers guidelines on employees' and employer's responsibility on matters of workplace safety & health, management of symptomatic & asymptomatic, notification, reporting, and implementation. It is made available in employer's portal (MyPortal) so that workers may be visit it from time to time. Included in the policy is the appointment of a Department Representative not only to serve as the point person but with the aim to provide immediate response to employees' concerns. The company is engaging the services of construction companies with reliable

	experience and classified as triple-A or having good standing with the Philippine Construction Accreditation Board. Structures of leased premises are being examined before using them. A safe working place also eliminate the company's potential expense in paying for injuries and damages and the incalculable loss in the time and money brought by the interruption in the operations of the stores. The company is compliant with the fire regulations issued by local government units where stores are located.
What are the Opportunity/ies Identified?	**Management Approach**
None	None

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Topic	Y/N	If Yes, cite reference in the company policy
Forced Labor	N	
Child Labor	N	
Human Rights	Y	Anti-sexual Harassment Policy Company Policy & Rule on STD/HIV/AIDS Drug-Free Workplace Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
All employees of the company are of legal age. No employee is below 18 years old. And all employees are literate. We ensure that we have an existing policies regarding the welfare of our employees and we also ensure that the policies are being communicated accordingly.	The company shall keep on complying with the provisions of the Labor Code of the Philippines and maintain its good standing with the Department of Labor and Employment. The company shall reinforce the implementation of its whistleblowing policy to protect its employees against any human rights violation. The company shall provide a harassment-free work environment and shall provide a

	mechanism in addressing sexual harassment in a confidential and sensitive manner after a complaint has been filed.
What are the Risk/s Identified?	**Management Approach**
The company's operations are present across the islands of the Philippines. The occurrence of human rights violations might be happening in far branches without the management immediately knowing it. Violation of workplace policies are still present in the organization	The company shall strictly implement its whistleblowing policy in all stores of the company. The company shall integrate human rights courses in the training module of employees. The company shall establish a well-constructed and well-implemented plan within an organization may stop an inappropriate conduct before it creates a problem for individual employees of the company. All workplace policies shall be communicated via employees' orientation and should be discuss on a regular basis to avoid incidents of violations.
What are the Opportunity/ies Identified?	**Management Approach**
None	None

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy. Yes, please see attached.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If yes, cite a reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human Rights	N	
Bribery and corruption	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
We have more than 2,000 suppliers of merchandise and several third-party providers whom we all consider our partners in our business. Like our employees, their roles are vital in our operation.	The company works with suppliers with efficiency. It has several methods of delivery or logistics that vary depending on the size and capacity of the suppliers to ensure their timely delivery to us and their profitability as well.

	A significant portion of the management team is working closely with our suppliers. The company gives close attention to our suppliers to ensure stock availability and services in our stores. The company will keep on ensuring that company values are aligned with the values or practices of our suppliers.
What are the Risk/s Identified?	**Management Approach**
There are many suppliers in the supply chain and that the company cannot possibly monitor each one of them if they are sustainable in their processes. The supply chain is exposed to several factors like government regulations, scarcity of raw materials, traffic congestion, climate change. All of these may affect the delivery of products and services to our stores.	The company is relying on reliable technology to monitor the suppliers, and it established its distribution centers to stock up its merchandise if needed.
What are the Opportunity/ies Identified?	**Management Approach**
To build our house brands for some merchandise.	The company is meticulously balancing its act of offering its house brands to customers taking into consideration the reputation risk embedded into it and the possible protest from existing suppliers.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have an impact on indigenous people? (Y/N)	Collective or individual have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Use of plastic	All stores	N	N	N	We comply with LGUs regulations that prohibit the use of plastic as packaging for items brought from the supermarkets. We are also promoting the use of recyclable bags in our stores. We are studying more ways we can address this problem.
Food Waste	All stores	N	N	N	The company is complying with the Solid Waste Act. But it is in the process of establishing its Food Waste Management Program to address this material topic.
Water Usage	All stores and offices	N	N	N	The company is complying with the Philippine Clean Water Act of 2004.

					The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.
Food Safety	All stores	N	N	N	The company has a systematic way of tracking expired or near expiry merchandise. However, we are drafting a Food Safety Policy to address this material topic.
Fleet Fuel Management	All stores and offices	N	N	N	The company is preparing an Energy Management Policy to address this topic.
Management of Environmental and Social Impacts in the supply chain	All stores	N	N	N	The company will adopt an effective Supply Chain Management Policy to address this material topic.
Data Security	All stores and offices	N	N	N	The company has a Data Privacy Policy, but it needs to be re-addressed to check its effectiveness.
Air Emissions for Refrigeration	All stores and offices	N	N	N	The company is preparing an Environmental Compliance Policy to address this topic.

Labor Practices	All stores and offices	N	N	N	The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic.
Energy Management	All stores and offices	N	N	N	The company is preparing an Environmental Compliance Policy to address this topic.

*Vulnerable sector included children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents and the poor, or the base of the pyramid (BOP; Class D and E).

For operations that are affecting Ips, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
N/A	**N/A**
What are the Opportunity/ies Identified?	**Management Approach**
N/A	**N/A**

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Our stores serve millions of customers daily. We are their source of basic needs and other essential supplies.	We must build a good relation and impression on our customers. Happy customers are most likely to return and shop for more with us.
What are the Risk/s Identified?	**Management Approach**
(1) Failure to meet customer's expectations, serve their demands, or attend to their complaints may reduce sales for the company. (2) Mistakes or errors of suppliers in their products may be regarded as caused by the company. (3) Exposure to social media can easily affect our reputation. (4) Increased competition vying for the same market.	Customer service has always been part of the training of our store employees. The company needs to provide a quick feedback mechanism for our customers. The company is preparing a Customer Service Program that will demonstrate how we can monitor the satisfaction level of our customers and how we should respond to their expectations, demands, and complaints.
What are the Opportunity/ies Identified?	**Management Approach**
To lead our customers to become sustainable shoppers and choose healthy and more nutritious food.	The company is preparing a Food Safety Program and other Sustainable programs that will cover taking care of the health of our customers and teaching them top contribute in the fight against climate change by recycling and properly disposing or segregating their wastes at home.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety	120	#
No. of complaints addressed	120	#

*Substantiated complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
(1) Our retail establishments are strongly encouraged to operate during the time of pandemic to attend to the needs of our customers. (2) Thousands of customers visit our stores daily. It is expected that we not only provide our customers with what they want and need it is much more expected that our stores are safe and our employees are healthy.	The company ensure its compliance with the guidelines and protocols set by the Inter-Agency Task Force (IATF) to effectively lessen the transmission of Covid-19 in all our stores and offices. Our stores structures are compliant with the Building Code and other regulations issued by local government units regulating concrete structures. Likewise, all our employees are fit to work and always ready to serve the customers. To further ensure safety in our stores, the company is preparing a Store Safety Program that will provide for more stringent safety measures across our stores.
What are the Risk/s Identified?	**Management Approach**
(1) Increasing numbers of Covid-19 cases in the country and the threat of transmission of the virus in our employees and customers that may affect our daily operations. (2) Any injury to customers while in store premises may cause expense to the company, and that social media may augment its effect and create damage to company's reputation.	Our retail establishments followed all the Inter-Agency Task Force (IATF) guidelines and protocols. During ECQ, we strictly limited the numbers of customers who can enter the establishment to practice strict health protocols and avoid overcrowding inside the store. We also implemented the wearing of face mask and face shield inside our stores to avoid or to lessen the transmission of the virus. Foot bath, alcohols, digital scanner/thermometers, and personal information questionnaire for contact tracing are present upon entry of the establishment. We frequently disinfect surfaces repeatedly touches by employees or customers such as equipment handles, check-out counters, and grocery cart handles.

	We are keeping all stores insured against damages and injuries. We have safety policies that provide more stringent measures than the safety standards prescribed by the government agencies.
What are the Opportunity/ies Identified?	**Management Approach**
No identified opportunity	Not Applicable

Marketing and labeling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labeling	172	#
No. of complaints addressed	172	#

*substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Our customers rely on the marketing and labeling of the products we display in our stores for its safety, nutrition, taste, or effectiveness. The company is at the forefront of persuading customers to purchase certain products.	The company is preparing a Food Safety Program that will define the role of the suppliers and the company in ensuring that our customers are given correct information about the products they see on our display.
What are the Risk/s Identified?	**Management Approach**
Customers might suffer an injury caused by incorrect labeling or expired products still for sale in our stores. Social media may augment its effect and create damage to the company's reputation.	To have a systematic way of monitoring the expiration dates of our merchandise and train our employees to identify incorrect labeling of products quickly.
What are the Opportunity/ies Identified?	**Management Approach**
No identified	Not Applicable

Customer privacy and Data security

Disclosure	Quality	Units
No. of substantiated complaints on customer privacy	1	#
No. of complaints addressed	1	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	#

*substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

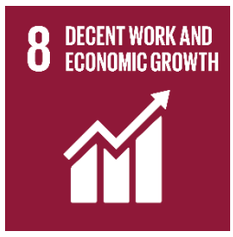
Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	1	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customers' data are shared with the company when they purchased goods using credit or debit cards or apply for membership in S&R or any perks programs with Puregold.	The company complies with Data Privacy Act of 2012, which enumerates the rights of the data subjects. The company has to strengthen the practice and the mindset of its employees in considering personal data as property owned by the data subjects. Like any other property, it cannot be used without the owner's consent.
What are the Risk/s Identified?	**Management Approach**
(1) Data breach may expose the company to government sanctions. (2) Loss of important data or information brought by technical glitches.	The company will keep on investing in the training of employees and reliable technology to protect its data and to avoid a data breach.
What are the Opportunity/ies Identified?	**Management Approach**
No identified opportunity	Not applicable

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Retail Operation		Cosco's retail sector continues to touch the lives of countless people by introducing inclusive social programs for small and medium-sized enterprises (SMEs) across the country. Not only does the programs generate a sustainable means of livelihood for members, it also supports the micro-economy where these businesses thrive. With the absence of the programs, the possibility to nurture their livelihood opportunities may no longer be achieved and might eliminate the possibilities to create an improvement in their businesses.	The company will continue to provide programs that will generate a sustainable means of livelihood for TNAP (Tindahan ni Aling Puring) members such as educational programs that will serve as an avenue for the company to share its expertise to small business owners. Puregold will ensure that they will also support the micro-economy where a large percentage of TNAP members thrive their businesses. Puregold will continue to hosts annual conventions for Tindahan ni Aling Puring (TNAP) and KAINdustriya members to learn, collaborate, and even elevate their business goals. .
Retail Operation		LCCK Foundation Inc. created scholarship programs for gifted but underprivileged and deserving students. The company strongly believes that they can make a difference to the lives of the youth through the education programs developed under the foundation. If the foundation stops providing scholarship to its beneficiaries, students won't be able to have an access to quality education and quality life.	The foundation will ensure that the beneficiaries will be able to recognize the value of education by being a ticket to a better life and future by continue providing scholarships to them. Strengthen the partnership with the Universities and Local State Colleges to reach out the youth. Strengthening the commitment will also be observed by implementing and supporting activities set

			by the foundation to provide the beneficiaries a quality education and a quality life.
Retail Operation, Liquor Distribution, Real Estate & Property Leasing and Specialty Retail		As a company engaged in a highly competitive field, Puregold supports a diverse workforce and aims to achieve a fair work environment and opportunities for both male and female employees. Even if the company practices and observes gender equality within the workplace, it is still unavoidable and might create more problems if not resolved immediately.	Encourage and ensure women's full and effective participation and equal opportunities within the company to promotes diversity in the workplace. All employees should have an access and enjoy the same rewards, resources and opportunities regardless of its gender.
Retail Operation		The company's retail sector has made an enormous investment in promoting clean water and sanitation in most of its branches. Without access to clean water and sanitation, employees and customers might link to a transmission of several diseases, which are among the leading causes of mortality and morbidity.	Improve the water treatment, and the industrial water recycling by establishing a sewage treatment plants compliant with the standards set by the Department of Environment and Natural Resources. The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.
Retail Operation		(1) The production process of solar energy which generates a small amount of hazardous materials. (2) Refrigerants and AC used in branches that emits hazardous elements that might contribute to climate change.	Activities will be implemented in order to manage the amount of hazardous material carefully to prevent health and environmental problems. In terms of reducing greenhouse gas emissions, ACs and refrigeration are being converted and upgraded to climate-friendly refrigerants.

Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail		As the Covid-19 pandemic took over the world, Cosco Capital, Inc. continues to provide their employees with decent work opportunities since thousands of its employees depend on the company for their jobs and livelihoods. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will be most likely to suffer from poverty, inequalities, and even abuse during the time of pandemic.	The company will continue providing decent jobs for all of its employees by developing their skills, paying them a living wage so that they can have the capability to provide the needs of their families. The company will ensure all employees are covered with benefits mandated by law, and their safety and security are protected. The company will continue to expand and create more decent jobs to help the economy to grow further.
Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail		Inequality is a major obstacle to a sustainable economic growth. The company is working on ways to contribute to reducing inequalities by hiring employees from vulnerable sector such as Person with Disabilities (PWD) and Single-Parents. If the company does not provide them the opportunity to have work, they won't be able to provide the needs for their families and as if you are depriving them to become part of an inclusive culture where they can show their full potential as a person.	The company should provide the vulnerable sector with an access to same rewards, benefits, resources, and opportunities to promote equality in the workplace.

Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail		(1) The company potentially contributes to the world's problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity. (2) Considering its rapidly growing operations, Puregold recognizes the impact it has on the environment. The company has taken measures to prioritize the efficient management of its resources. Converting lighting to Light Emitting Diode (LED) lighting fixtures is one of the activities that the company does to ensure our sustainable consumption. There are several others properties that has not been converted yet to eco-friendlier alternative lights so it still contributes to greenhouse gas emissions.	(1) Our company is the market for manufacturers and consumers. We are in position to demand or influence responsible and sustainable consumption and production from each side. The company shall take an advantage of such a role to promote responsible consumption and production. It is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food. (2) The company is taking on an active step to convert its properties with Light Emitting Diode (LED) to reduce its carbon footprint and contribution to greenhouse gas emissions.
Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail		(1) The use of plastic bags as a package container of our customers when they buy items from our store; (2) Food waste and other solid waste from processing food in our stores; (3) Fuel consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by	The company is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food. As our business is located in a third-world country and even along the path of several storms every year; it is very vulnerable to experience the effects of climate change.

		our third-party logistics and suppliers. All contribute to various levels of air, water, and land pollution.	Thus, we must manage our business activities to a level that has the minimum damaging impact on our environment by investing in low-carbon development and practicing recycling and even promote recycling to its customers, suppliers, and in the communities where it operates.
Retail Operation, Liquor Distribution, Real Estate & Property Leasing, and Specialty Retail		Puregold supports the concept of having a good corporate governance to support the long-term success and sustainability of the business. There has been no record of any incident of corruption or bribery involving the company's directors which proves that it has good corporate governance since its policies regarding corruption haven been communicated properly to the directors and employees of the company. But, high rank employees are at risk of corruption as long as the opportunity to do so exists in the organization.	The company should commit to being more effective in its internal controls to purge opportunities to commit corruption or fraud. The company shall revise its anti-corruption policies and procedures and train employees to abide by it. The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.

PUREGOLD PRICE CLUB, INC	SUBJECT TITLE: **SUPPLIER ACCREDITATION POLICIES & PROCEDURES**
1.0 OBJECTIVES	1.1 To provide policies and processes for supplier selection and requirement for accreditation to be strictly complied with by the authorized company personnel. 1.2 To ensure to establish lasting relationship with the accredited suppliers who are capable to maintain the standard quality of products and services.
2.0 SCOPE	2.1 This document covers the policies and processes for SUPPLIERS OF TRADE MERCHANDISE particularly on the: 2.1.1 Selection and Accreditation 2.1.2 Information Updates and Maintenance 2.1.3 Performance Evaluation 2.2 This is applicable only to all Puregold Price Club, Inc. stores.
3.0 POLICIES	3.1 The Company upholds honesty, integrity, and fairness in all aspects of its business and expects the same in its relationships with its Suppliers. The highest ethical standards shall be employed in all procurement transactions, and Suppliers shall be chosen based on procurement policies and defined selection criteria. 3.2 The responsibility in inspection, appraisal and accreditation of potential Supplier shall be carried out by Merchandising Department. The Personnel In-Charge shall have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited. 3.3 Merchandising Manager is expected to select the best possible sustainable supplier and to effectively achieve the set objectives. Selection of potential suppliers are determined and identified based on a set of parameters. These parameters include but are not limited to the following factors: 3.3.1 Quality of Product 3.3.2 Logistics Service (supply chain, delivery methods and timeframe) 3.3.3 Competitive pricing 3.3.4 Communication 3.3.5 Safety requirements 3.3.6 Marketing / promotional activities 3.4 Results of the assessment based on the defined criteria and agreed terms and conditions for selected supplier shall be documented in Product Evaluation Form (PEF). The PEF indicating the selected supplier shall be approved by the authorized Approver from the President's office. 3.5 For suppliers under Consignment or Concessionaire terms, Offer and Acceptance Sheet must be accomplished and approved by the authorized approver from the President's Office. The sheet must be duly signed by the Consignment/Concessionaire supplier representative. 3.5.1 All signed acceptance sheet must also have an attached signed Rules and Regulations on Consignors or Concessionaires. A copy of Acceptance sheet and rules and regulation should be given to Concessionaire/Consignor for guidance. 3.6 All accredited suppliers should have a Vendor Information Sheet (VIS), completely accomplished by the Supplier's Authorized Representative and duly approved by the corresponding Senior Merchandising Manager. Approval from the Senior Merchandising Manager assures that the supplier information and details written in VIS are valid and required documents are completely obtained.

The following are the required documents from the selected supplier of which photocopies are required to be submitted and attached on the VIS:

3.6.1 BIR Certificate of Registration (COR)
3.6.2 Business Permit
3.6.3 Company Profile
3.6.4 Sales Invoice with Authority to Print (ATP)
3.6.5 Collection Receipt or Official Receipt with ATP
3.6.6 Other documents required by Finance Department

3.7 A vendor code is created in the system by the Personnel In-Charge assigned in Finance Department which shall serve as a unique reference number that the supplier has gone through the accreditation process. Details and profile of supplier are based on the submitted approved VIS by Merchandising Department.

3.7.1 All accredited suppliers shall be included and maintained in the Vendor Master file for management of supplier information. The Vendor Master file contains the company information and product listings of all accredited suppliers where the items will be purchased.

3.8 Only accredited suppliers shall provide required goods and services for the company. Only those items that has approved accreditation shall only be ordered from the accredited supplier.

3.9 For any changes or updates on Supplier's details, supplier must give information and submit necessary documents to Merchandising Department at least fifteen (15) working days before the effectivity of change.

VIS shall be accomplished based on the required updates and must be submitted to Finance Department:

UPD ATES	SUPPORTING DOCUMENTS REQUIRED	SYSTEM UPDATE
Change of name of existing vendor *(same vendor but registered under a new name)*	• Taxpayer Record Update • COR	Edit the name of existing vendor to name of new vendor.
Revisions in the previous set-up or defaults *(changes in the vendor information except that information that can be overridden during Purchase Order preparation)*	Change in address – COR Change in TIN – Taxpayer Record Update	Edit the information based on approved request of existing vendor.
Replacement of Old Vendor to New Vendor *(Transactions will be made to the newly set-up vendor instead of previously maintained supplier.)*	Same requirement for New Vendor	➢ For the Old Vendor – encode 'NTBU' (*Not to be used*) prefix on the vendor name and tagged as 'I' (*Inactive*) ➢ Create new vendor code for the replaced supplier.
Deactivation of Supplier *(No replacement vendor)*		Encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive).

3.9.1 Merchandising Department shall provide written document to Supply Chain Dept., Finance Division and Store Operation of supplier's inactivity.

3.9.2 Supplier's account related to inventory and financials must be cleared first prior to deactivation by Merchandising Department and Finance Division.

3.9.3 Personnel In-charge in Finance Department shall update the supplier's information in the system on the effectivity date written on VIS and with complete required supporting documents.

3.10 Review of accredited suppliers shall be performed three (3) months after PO creation for new supplier and on a periodic basis for existing suppliers. Merchandising Department and Supply Chain Department shall assess the supplier's performance based on set metrics and compliance on company's standard.

3.11 Merchandising Department and Supply Chain Department shall communicate to supplier through online vendor management system provided on the criteria that has poor performance or does not able to meet the agreed standards on a monthly basis. Marketing strategies or programs or corrective actions from the supplier must be required to improve the key processes related to company's operations.

ANNEX "E"

List of Trademarks owned by Cosco Capital, Inc. and Subsidiaries

Aling Puring KAINDUSTRIYA		GOLD YARN	
ALWAYS PANALO	ALWAYS PANALO	GOLDEN	
AQUALIFE	AQUALIFE	GOPURE	GoPure
AQUALIZED	Aqualized	GRAND P	Grand P
ATLANTIC	ATLANTIC	GREAT SUPERMARKET	Great Supermarket
BELLOTA	BELLOTA	HER COLLECTION/HIS COLELCTION	
CLIQUE Logo	Clique	HIS KIDS/HER KIDS	
COFFEE MATCH	Coffee Match	HOME CLEAN	HOME CLEAN
COFFEE MAX	Coffee MAX	JOOZY	
DFP	DFP	KA-ASENSO	Ka- asenso
DISTRITO	Distrito	KA-ASENSO & Device	
DRY PLUS	DRY PLUS	KITANG-KITA CASE	KITANG-KITA CASE
EASY HOME DEPOT	EASY HOME DEPOT	KOBE CHICKEN	Kobe Chicken
EQUAL	Equal	MAGIC GLOW	Magic Glow
EQUAL	Equal	MARKET 999	MARKET 999
EQUIVALENT	EQUIVALENT	MINI MART BY PUREGOLD	Mini Mart by Puregold
EZEE	EZee	MOMMY MARKET	Mommy Market
FRESH & EASY	Fresh & easy	MR. PAPER	MR. PAPER
MY BABY PLANET	My Baby Planet	NE KAYA 'YAN CABAYAN!	

NEGOSYO MO CABAYAN CARD	Negosyo Cabayan
PANALO KARD	PANALO KARD
PEOPLE'S GROCER	People's Grocer
PEOPLE'S RICE	PEOPLE'S RICE
PERFECT MATE	PERFECT MATE
PERKS LOYALTY CARD	PERKS LOYALTY CARD
PISO GARANTISADO	Piso Garantisado
POSITIVE 99	POSITIVE ≤99
PREMIUM GOLD	Premium Gold
PUHUNAN PLUS	PUHUNAN PLUS
PURE BASICS	PURE BASICS
PURE BASICS	PURE BASICS
PURE BASICS LOGO	PURE BASICS
PURE BASICS Pure Clean, Pure White	PURE BASICS Pure Clean, Pure White
PURE BASICS Pure Freshness, Pure Softness	PURE BASICS Pure Freshness, Pure Softness
PURE HEALTH CARE	Pure Health Care
PURE PHARMACY	PURE PHARMACY
PURE PLUS	Pure Plus
PURE VALUE	Pure Value
PURE BASICS Palaban sa Sebo, Panalo sa Presyo	PURE BASICS Palaban sa Sebo, Panalo sa Presyo

PURECART	PURECART
PURECASH	PureCash
PUREGLIDE	PUREGLIDE
PUREGOLD DISKWENTODO	Puregold DiskwenTODO
PUREGOLD HOME OFFICE	Puregold Home Office
PUREGOLD NUTRITIONISCOOL	Puregold NutritionIsC
PUREPADALA	PUR PADALA Di lang makakarating. Malayo ang mararating!
PUREPLEASURE	PUREPLEASURE
PUREPLUS	Pureplus
REACH Softest Touch & Device	Reach
SA PUREGOLD, ALWAYS PANALO	SA PUREGOLD, ALWAYS PANA
STACK & STOCK RIGHT	Stack & Stock Right
TABACALERA	TABACALERA
Tindahan ni Aling Puring	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!
TINDAHAN NI ALING PURING (Super SIM and Device)	ALING PURING Super Suki Sim
TIPPTOES	TIPPTOES
TWIN ELEPHANT	TWIN ELEPHANT
VIPuring	VIPuring
WRAP & SEAL	Wrap & Seal
VINO FONTANA	VINO FONTANA

OFFICE WAREHOUSE	
International Trade Name Application	
Trade Name	Country
PUREGOLD	HONG KONG