

August 14, 2024

Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City, 1209

Attention: **Mr. Oliver O. Leonardo**
Director, Markets and Securities Regulation Department

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

Attention: **Atty. Stefanie Ann B. Go**
OIC, Disclosure Department

Gentlemen:

On behalf of Cosco Capital, Inc., I am submitting herewith the Company's Second Quarterly Report for the year 2024 (SEC Form 17-Q).

Sincerely yours,


JEWELYN A. JUMALON
Assistant Corporate Secretary and
Compliance Officer

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)

JEWELYN A. JUMALON

(Contact Person)

(63) 917 861 2459

(Company Telephone Number)

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Month Day

SEC FORM 17-Q

(Form Type)

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Month Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

**SEC FORM 17-Q
2024 2nd Quarter Report**

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

1. For the quarterly period ended: June 30, 2024
2. Commission identification number: 147669
3. BIR Tax Identification No. : 000-432-378
4. Exact name of registrant as specified in its charter:

COSCO CAPITAL, INC.
(Formerly Alcorn Gold Resources Corporation)
5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office:

2ndFloorTabacaleraBldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007
8. Registrant's telephone number, including area code:

(632) 524-9236 or 38
9. Former name, former address and former fiscal year, if changed since last report:

ALCORN GOLD RESOURCES, CORPORATION
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes No

The 7,405,263,564 common shares of stock of the company are listed in Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

I. FINANCIAL INFORMATION

Item 1. Financial Statements

1. Please see attached **SECTION A**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Quarterly Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards particularly PAS 34, Interim Financial Statements.

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 six interim periods:

| Performance Indicators | 2024 | 2023 |
|-------------------------------|---------------|---------------|
| Return on investment | 4.84% | 4.44% |
| Profit margin | 6.55% | 6.14% |
| EBITDA to interest expense | 8.12:1 | 7.23:1 |
| Current ratio | 4.52:1 | 4.81:1 |
| Asset turnover | 0.47:1 | 0.46:1 |
| Asset to equity | 1.54:1 | 1.50:1 |
| Debt to equity ratio | 0.54:1 | 0.50:1 |

These financial ratios were calculated based on the interim consolidated financial statements of Cosco Capital, Inc. and its subsidiaries as described more appropriately in Note 1 to the audited financial statements attached in Annex A hereof.

The table below shows the consolidated results of operations of the Group for the periods ended June 30, 2024 and 2023.

| <i>(In Thousands)</i> | 1H2024 | % | 1H2023 | %0 | INCREASE (DECREASE) | %2 |
|------------------------------|------------------|--------------|------------------|--------------|------------------------|---------------|
| REVENUES | 106,411,066 | 100.00% | 98,180,842 | 100.00% | 8,230,224 | 8.38% |
| COST OF SALES/SERVICES | 84,919,829 | 79.80% | 79,014,351 | 80.48% | 5,905,478 | 7.47% |
| GROSS PROFIT | 21,491,237 | 20.20% | 19,166,491 | 19.52% | 2,324,746 | 12.13% |
| OTHER REVENUE | 1,553,485 | 1.46% | 1,520,833 | 1.55% | 32,652 | 2.15% |
| GROSS OPERATING INCOME | 23,044,722 | 21.66% | 20,687,324 | 21.07% | 2,357,398 | 11.40% |
| OPERATING EXPENSES | 13,671,285 | 12.85% | 12,263,411 | 12.49% | 1,407,874 | 11.48% |
| INCOME FROM OPERATIONS | 9,373,437 | 8.81% | 8,423,913 | 8.58% | 949,524 | 11.27% |
| OTHER INCOME (CHARGES) - net | (539,691) | -0.51% | (743,670) | -0.76% | 203,979 | 27.43% |
| INCOME BEFORE INCOME TAX | 8,833,746 | 8.30% | 7,680,243 | 7.82% | 1,153,503 | 15.02% |
| INCOME TAX EXPENSE | 1,868,677 | 1.76% | 1,648,215 | 1.68% | 220,462 | -13.38% |
| NET INCOME FOR THE PERIOD | 6,965,069 | 6.55% | 6,032,028 | 6.14% | 933,041 | 15.47% |
| PATMI | 4,090,605 | 3.84% | 3,535,197 | 3.60% | 555,408 | 15.71% |
| Non-controlling interests | 2,874,464 | 2.70% | 2,496,831 | 2.54% | 377,633 | 15.12% |
| | 6,965,069 | 6.55% | 6,032,028 | 6.14% | 933,041 | 15.47% |

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P106.41 Billion for the period ended June 30, 2024 which reflects an increase by P8.23 Billion or representing a growth of 8.38% compared to last year's revenue of P98.18 Billion.

The Grocery Retail Segment continued to delivered stronger sales performance and growth during the first half of 2024 which reflects the strong consumer demands driven by higher traffic and incremental sales from aggressive stores expansion program.

The Liquor Distribution Segment's growth in revenue attributable to the robust sales performance particularly arising from demand and consumption amidst rising inflation.

The Commercial Real Estate segment continued to deliver growth in revenue due to sustained higher occupancy rates and application of escalations.

The Specialty Retail segment however, post a decline in revenue with consideration of inflationary pressures.

Growth in Net Income

During the same period and despite the challenges from the lingering macro-economic impacts on business, the Group, however, managed to realize a consolidated net income of P6.96 Billion which represents a growth of 15.47% as compared to last year's net income of P6.03 Billion.

The strong revenue performance across all the business segments were reinforced by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by sustained strategic costs and expense reduction and management.

Net income attributable to equity holders of the parent company (PATMI) in 2024 amounted to about P4.09 Billion which increased by P555 million or 15.71% as compared to the 2023 PATMI amounting to P3.53 Billion.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended June 30, 2024, the Grocery retail segment posted a consolidated net sales of P98,498 million for an increase of P7,267 million or 8.0% compared to P91,231 million in the same period of 2023. Net sales grew due to sales contribution from full operation of 2023 new stores (37 PGOLD stores; 4 S&R Warehouses) and revenue from 2024 newly opened stores (12 PGOLD stores; 2 S&R Warehouses) of both Puregold and S&R.

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

| | PGOLD | | S&R | |
|---------------------------|--------------|-------------|----------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net Sales ^(a) | 1.9% | 5.9% | 2.4% | 9.5% |
| Net Ticket ^(b) | -0.5% | -0.7% | 2.5% | 1.3% |
| Traffic ^(c) | 2.4% | 6.6% | -0.1% | 8.1% |

Gross Profit

For the period ended June 30, 2024, the Grocery retail segment realized an increase of 11.1% in consolidated gross profit to P18,716 million at 19.0% from P16,852 million at 18.5% margin in the same period of 2023. The increase is mainly due to rebates and discounts from suppliers, granted during the period.

Other Operating Income

Other operating income slightly increased by P21 million or 1.4% from P1,516 million in the six months of 2023 to P1,537 million in the same period of 2024.

Gross Operating Income

Gross operating income amounted to P20,253 million in 2024 at a gross operating margin of 20.6% and an increase of P1,886 million or 10.3% from P18,367 million at 20.1% margin in the same period of 2023.

Operating Expenses

Operating expenses increased by P1,185 million or 10.1% from P11,694 million in the six-month period ended June 30, 2023 to P12,879 million in the same period of 2024. Increase in the account was primarily due to full operation of 2023 new stores and expenses from the 2024 newly opened stores, specifically manpower, depreciation, taxes and repair and maintenance expenses.

Other Expense - net

Other expenses net of other income amounted to P965 million and P977 million for the six-month periods ended June 30, 2024 and 2023, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with PFRS 16 – Leases, and net of interest income.

Net Income

For the period ended June 30, 2024, the Grocery retail segment earned a consolidated net income of P4,949 million at 5.0% net margin and an increase of 12.5% from P4,400 million at 4.8% net margin in the same period of 2023.

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P1.0 Billion in 2024 or 5.78% growth from the P952.45 million revenue generated in 2023.

This was mainly attributable to effect of escalations and sustained higher occupancy rates.

Income from operations before depreciation (EBITDA) amounted to P712.24 million for the period 2024 which increased by 2.4% as compared to the same period last year.

Net income for the period amounted to P537.63 million or a 16.02% increase from last year's P463.40 million due mainly to the increase in revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment in 2024 increased to P7.72 Billion or 18.74% higher from last year's P6.50 Billion on the back of a 22% growth in volume (no. of cases) of sales.

The strong growth in sales is attributable to the robust sales performance from categories particularly the demand and consumption from the on-premise channels.

Income from operations, increased to P1.59 billion in 2024 or 17.82% growth from last year's P1.35 billion principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year grew by 23% from P1.16 billion in 2023 to P1.43 billion in 2024.

Specialty Retail

Office Warehouse

Sales revenues amounted to P995.35 million in 2024 which declined by 4.32% compared to the 2023 revenue of P1.04 billion which reflect the effect inflationary pressures.

Net income in 2024 amounted to about P39 million which increased by 10.5% as compared to the net income contribution in 2023 amounting to P35.30 million despite the decline in revenue.

Energy and Minerals

Revenues generated by the Energy and Minerals Segment in 2024 to P172.48 million.

As a result, net income for the period amounted to P96.92 million.

Consolidated Statements of Financial Position

Shown below are the comparative consolidated financial position of the Group:

| <i>(In Thousands)</i> | 1H2024 | % | FY2023 | % | INCREASE (DECREASE) | % |
|--|--------------------|----------------|--------------------|----------------|------------------------|----------------|
| Cash and cash equivalents | 51,990,269 | 23.13% | 61,847,889 | 27.23% | (9,857,620) | -15.94% |
| Receivables - net | 6,391,306 | 2.84% | 7,620,747 | 3.35% | (1,229,441) | -16.13% |
| Financial asset at FVOCI | 5,399 | 0.00% | 5,399 | 0.00% | - | 0.00% |
| Financial asset at FVPL | 4,626,782 | 2.06% | 4,626,140 | 2.04% | 642 | 0.01% |
| Inventories | 38,740,654 | 17.23% | 35,387,312 | 15.58% | 3,353,343 | 9.48% |
| Due from related parties | 60,671 | 0.03% | 60,502 | 0.03% | 169 | 0.00% |
| Prepayments and other current assets | 3,033,472 | 1.35% | 1,484,855 | 0.65% | 1,548,617 | 104.29% |
| TOTAL CURRENT ASSETS | 104,848,553 | 46.64% | 111,032,844 | 48.88% | (6,184,291) | -5.57% |
| Property and equipment - net | 48,708,007 | 21.67% | 44,682,210 | 19.67% | 4,025,797 | 9.01% |
| Right-of-use assets | 29,477,329 | 13.11% | 30,114,809 | 13.26% | (637,480) | -2.12% |
| Investment properties - net | 9,159,619 | 4.07% | 9,203,602 | 4.05% | (43,983) | -0.48% |
| Goodwill and other intangibles - net | 21,089,411 | 9.38% | 21,088,692 | 9.28% | 719 | 0.00% |
| Investments in associates and joint ventures | 5,849,032 | 2.60% | 5,737,702 | 2.53% | 111,330 | 1.94% |
| Deferred oil and mineral exploration costs | 13,827 | 0.01% | 13,465 | 0.01% | 362 | 2.69% |
| Deferred tax assets-net | 1,777,892 | 0.79% | 1,740,794 | 0.77% | 37,099 | 2.13% |
| Other non-current assets | 3,885,682 | 1.73% | 3,550,908 | 1.56% | 334,774 | 9.43% |
| TOTAL NONCURRENT ASSETS | 119,960,799 | 53.36% | 116,132,181 | 51.12% | 3,828,618 | 3.30% |
| TOTAL ASSETS | 224,809,352 | 100.00% | 227,165,025 | 100.00% | (2,355,673) | -1.04% |
| Accounts payable and accrued expenses | 18,665,776 | 8.30% | 29,121,381 | 12.82% | (10,455,605) | -35.90% |
| Income tax payable | 1,014,416 | 0.45% | 1,194,288 | 0.53% | (179,872) | -15.06% |
| Current portion of long-term borrowing | 220,000 | 0.10% | 120,000 | 0.05% | 100,000 | - |
| Lease liability | 1,467,146 | 0.65% | 1,432,914 | 0.63% | 34,232 | 2.39% |
| Due to related parties | 870,345 | 0.39% | 875,105 | 0.39% | (4,760) | -0.54% |
| Other current liabilities | 965,990 | 0.43% | 1,199,501 | 0.53% | (233,510) | -19.47% |
| TOTAL CURRENT LIABILITIES | 23,203,674 | 10.32% | 33,943,189 | 14.94% | (10,739,515) | -31.64% |
| Retirement benefit liability | 2,089,065 | 0.93% | 2,092,649 | 0.92% | (3,583) | -0.17% |
| Lease liability-net of current portion | 36,721,508 | 16.33% | 36,759,766 | 16.18% | (38,258) | -0.10% |
| Long term loans payable - net of debt issue cost | 15,950,701 | 7.10% | 11,441,129 | 5.04% | 4,509,572 | 39.42% |
| Other non-current liabilities | 900,477 | 0.40% | 977,215 | 0.43% | (76,738) | -7.85% |
| TOTAL NONCURRENT LIABILITIES | 55,661,751 | 24.76% | 51,270,758 | 22.57% | 4,390,992 | 8.56% |
| TOTAL LIABILITIES | 78,865,425 | 35.08% | 85,213,948 | 37.51% | (6,348,523) | -7.45% |
| EQUITY | | | | | | |
| Capital stock | 7,405,264 | 3.29% | 7,405,264 | 3.26% | - | - |
| Additional paid-in capital | 9,640,491 | 4.29% | 9,640,491 | 4.24% | - | - |
| Retirement benefit reserve | 221,880 | 0.10% | 222,324 | 0.10% | (444) | - |
| Other reserves | 5,318 | 0.00% | 2,310 | 0.00% | 3,008 | - |
| Treasury shares | (2,347,603) | -1.04% | (1,945,735) | -0.86% | (401,868) | 20.65% |
| Retained earnings | 80,194,720 | 35.67% | 77,592,026 | 34.16% | 2,602,694 | 3.35% |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | 95,120,069 | 42.31% | 92,916,679 | 40.90% | 2,203,390 | 2.37% |
| NONCONTROLLING INTEREST | 50,823,858 | 22.61% | 49,034,398 | 21.59% | 1,789,460 | 3.65% |
| TOTAL EQUITY | 145,943,927 | 64.92% | 141,951,077 | 62.49% | 3,992,850 | 2.81% |
| TOTAL LIABILITIES AND EQUITY | 224,809,352 | 100.00% | 227,165,025 | 100.00% | (2,355,673) | -1.04% |

Current Assets

As at June 30, 2024 and December 31, 2023, total current assets amounted to P104.85 Billion or 46.64% of total assets and P111.03 or 48.88% of total assets, respectively, for a decrease of P6.18 billion or 5.57%.

Cash and cash equivalents amounted to P51.99 Billion as at June 30, 2024 with a decrease of P9.86 Billion or 15.94% from December 31, 2023 balance. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and, payment of 2023 and 2024 cash dividends, loan settlements, acquisition of investments and payments for capital expenditures during the period.

Receivables decreased by 16.13% from December 31, 2023 balance of P7.62 Billion to this year's balance of P6.39 Billion due mainly to the net effect of increase sales and collections made on trade and non-trade receivables.

Financial assets at fair value through profit or loss (FVPL) amounted to P4.63 billion as at June 30, 2024 and December 31, 2023.

Inventories increased by 9.48% or P3.35 billion from 2023 balance of P35.39 Billion to this period's balance of P38.74 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, Liquor Distribution and Specialty Retail segments. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P30.14 billion.

Prepaid expenses and other current assets increased by P1.55 billion at the end of June 30, 2024, mainly due to advance payments of taxes and to suppliers during the period.

Non-current Assets

As at June 30, 2024 and December 31, 2023, total non-current assets amounted to P119.96 Billion or 53.36% of total assets, and P116.13 billion or 51.12% of total assets, respectively, for an increase of P3.83 billion or 3.30%.

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 P4.02 billion from P44.68 Billion in December 2023 to P48.71 Billion in June 2024 due principally to additional capital expenditures pertaining to new organic stores and warehouse clubs established by the Grocery Retail Segment during the year and consolidation of balances from Catuiran Hydropower Corporation (CHC).

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 amounted to P29.48 billion as at June 30, 2024 and December 31, 2023.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties amounted to P9.16 billion and P9.20 billion as at June 30, 2024 and December 2023.

Investments in associates and joint ventures amounted to P5.85 billion as at June 30, 2024 net of corresponding equity accounted share in net income of investee companies.

Other non-current assets increased by P334.77 million from P3.55 Billion in December 2023 to P3.88 billion in June 2024. About 83% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to net effect of additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline and reversal of accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at June 30, 2024 and December 31, 2023, total current liabilities amounted to P23.20 billion and P33.94 billion respectively, for a decrease of P10.74 billion or 31.64%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payables to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P10.45 billion or 35.90% was primarily due to the effect of payments of trade and non-trade liabilities and settlement of dividends declared by the Grocery Retail segment and Parent Company in December 2023.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease of P180` million from P1.19 billion as at December 2023 to P1.01 billion as at June 30, 2024 is mainly due to net effect of additional income tax due and settlement during the period.

Current maturities of long-term loans due within one year amounted to P220 million and 120 million as at June 30, 2024 and December 31, 2023 representing the current portion of the long-term corporate notes issued by the Grocery Retail segment and the amount arising from consolidation of CHC.

Other current liabilities decreased by 19.47%% from P1.20 billion as at December 31, 2023 to P966 million as at June 30, 2024 relatively due to application of advances from suppliers intended for future promotional activities and output VAT by the Grocery Retail segment.

Noncurrent Liabilities

As at June 30, 2024 and December 31, 2023 total non-current liabilities amounted to P55.66 billion and P51.27 billion, respectively, for an increase of P4.39 billion or 8.56%.

Long-term loans payable-net of current portion amounted to P15.95 billion and P11.44 billion for an increase of P4.51 billion or 39.42% as at June 30, 2024 and December 31, 2023, principally due to additional loan availments by the Grocery Retail Segment and the loan arising from consolidation of CHC.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by all the business segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P38.26 million from P36.76 billion in December 2023 to P36.72 Billion in June 2024 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the period.

Retirement benefit liability amounted to P2.09 billion as at June 30, 2024 and December 31, 2023

Equity

As at June 30, 2024 and December 31, 2023, total equity amounted to P145.94 billion and P141.95 billion, respectively, for an increase of P3.99 billion or 2.81%.

Treasury shares increased by P401.87 million from P1.94 billion in December 2023 to P2.35 billion as at June 30, 2024 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback programs.

Retained earnings increased by P2.60 Billion or 3.35% from P77.59 billion in December 2023 to P80.19 billion as at June 30, 2024 representing net income realized by the Group during the period.

Non-controlling interest increased by P1.79 billion or 3.65% from P49.03 billion in December 2023 to P50.82 billion as at June 30, 2024 mainly due to share in the consolidated profit and recognition of non-controlling interest from the consolidation of CHC.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

| <i>(In thousands)</i> | Periods ended June 30 | |
|--|-----------------------|---------------|
| | 2024 | 2023 |
| Net cash flows from (used in) operating activities | (P465,960) | P221,276 |
| Net cash flows used in investing activities | (4,712,486) | (4,965,130) |
| Net cash flows used in financing activities | (4,679,174) | (8,950,928) |
| Net decrease in cash and cash equivalents | (P9,857,620) | (P13,694,782) |

Net cash used in operating activities during the period is basically attributable to the cash generated from operations and effect of the net settlement of trade and non-trade payable accounts by the Grocery Retail, Real Estate, Specialty Retail and Liquor Distribution Segments, purchase of inventories for existing and new stores stocking requirements and other related current operating working capital items to support the segment's expansion.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion, and acquisition of investment during the period.

Net cash used in financing activities principally resulted from the availments of bank loans by Grocery Retail segment and settlement of interest, loan and interest settlements by Energy and Mineral Segment, repayment of principal and interest by the group relating to lease liability, payment of 2024 and 2023 cash dividends declared and shares buyback program by the Parent Company.

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

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- (i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;
- (ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- (iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (iv) There are no contingent liabilities or assets since the last statement of financial position period;
- (v) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;
- (vi) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- (vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;
- (ix) There are no significant elements of income not arising from continuing operations;
- (x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

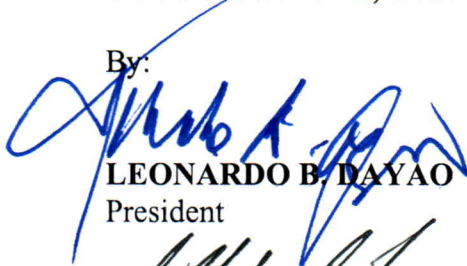
SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this Second Quarterly Financial Statement of Cosco Capital, Inc. and its subsidiaries for the year 2024 to be signed on its behalf by the undersigned thereunto duly authorized.

August 12, 2024 in the City of Manila

COSCO CAPITAL, INC.

By:



LEONARDO B. DAYAO
President



GERARDO S. TEOFILO, JR.
Deputy Comptroller

SECTION A

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

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COSCO CAPITAL, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and December 31, 2023

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

| June 30/December 31 | | | |
|---|-------------|-----------------------------|----------------|
| | <i>Note</i> | 2024 (Unaudited) | 2023 (Audited) |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | P51,990,269 | P61,847,889 |
| Receivables - net | 5 | 6,391,306 | 7,620,747 |
| Inventories | 6, 20, 34 | 38,740,654 | 35,387,312 |
| Financial assets at fair value through profit or loss | 7 | 4,626,782 | 4,626,140 |
| Financial assets at fair value through other comprehensive income | 8 | 5,399 | 5,399 |
| Due from related parties | 25 | 60,671 | 60,502 |
| Prepaid expenses and other current assets | 9 | 3,033,472 | 1,484,855 |
| Total Current Assets | | 104,848,553 | 111,032,844 |
| Noncurrent Assets | | | |
| Investment in associates and joint ventures | 10, 34 | 5,849,032 | 5,737,702 |
| Right of use of assets - net | 21 | 29,477,329 | 30,114,809 |
| Property and equipment - net | 11 | 48,708,007 | 44,682,210 |
| Investment properties - net | 12 | 9,159,619 | 9,203,602 |
| Goodwill and other intangibles - net | 13 | 21,089,411 | 21,088,692 |
| Deferred tax assets - net | 27 | 1,777,892 | 1,740,794 |
| Deferred oil and mineral exploration costs - net | 14 | 13,827 | 13,465 |
| Other noncurrent assets | 15 | 3,885,682 | 3,550,907 |
| Total Noncurrent Assets | | 119,960,799 | 116,132,181 |
| | | P224,809,352 | P227,165,025 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 16 | P18,665,776 | P29,121,382 |
| Income tax payable | | 1,014,416 | 1,194,288 |
| Lease liabilities due within one year | 21, 25 | 1,467,146 | 1,432,914 |
| Current maturities of long-term loans due within one year | 17 | 220,000 | 120,000 |
| Due to related parties | 25 | 870,345 | 875,105 |
| Other current liabilities | 18 | 965,990 | 1,199,501 |
| Total Current Liabilities | | 23,203,674 | 33,943,190 |

Forward

| June 30/December 31 | | | |
|--|-------------|-----------------------------|-----------------------|
| | Note | 2023 (Unaudited) | 2023 (Audited) |
| Noncurrent Liabilities | | | |
| Long-term loans | 17 | P15,950,701 | P11,441,129 |
| Lease liabilities | 21, 25 | 36,721,508 | 36,759,766 |
| Retirement benefits liability | 26 | 2,089,065 | 2,092,649 |
| Other noncurrent liabilities | | 900,477 | 977,214 |
| Total Noncurrent Liabilities | | 55,661,751 | 51,270,758 |
| Total Liabilities | | 78,865,425 | 85,213,948 |
| Equity | | | |
| Capital stock | 28 | 7,405,264 | 7,405,264 |
| Additional paid-in capital | | 9,640,491 | 9,640,491 |
| Treasury stock | 28 | (2,347,603) | (1,945,735) |
| Retirement benefits reserve | 26 | 221,880 | 222,324 |
| Other reserve | | 5,318 | 2,310 |
| Retained earnings | | 80,194,720 | 77,592,026 |
| Total Equity Attributable to Equity Holders of the Parent Company | | 95,120,069 | 92,916,680 |
| Noncontrolling Interests | 28 | 50,823,858 | 49,034,397 |
| Total Equity | | 145,943,927 | 141,951,077 |
| | | P224,809,352 | P227,165,025 |

See Notes to the Consolidated Financial Statements.

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

| | Note | Periods Ended June 30 | | Quarters Ended June 30 | |
|---|--------|-----------------------|---------------------|------------------------|---------------------|
| | | 2024 (Unaudited) | 2023 (Unaudited) | 2024 (Unaudited) | 2023 (Unaudited) |
| REVENUES | 19, 29 | | | | |
| Net sales | | P105,798,041 | P97,620,588 | P55,249,526 | P50,438,772 |
| Rent | | 613,026 | 560,255 | 304,316 | 264,868 |
| | | 106,411,067 | 98,180,842 | 55,553,842 | 50,703,640 |
| COST OF REVENUES | 20 | | | | |
| Cost of goods sold | | 84,495,929 | 78,698,033 | 44,369,851 | 40,965,223 |
| Cost of rent | | 423,900 | 316,319 | 218,390 | 162,167 |
| | | 84,919,829 | 79,014,352 | 44,588,241 | 41,127,390 |
| GROSS INCOME | | 21,491,237 | 19,166,491 | 10,965,600 | 9,576,251 |
| OTHER REVENUE | 19, 22 | 1,553,485 | 1,520,833 | 795,953 | 755,995 |
| TOTAL GROSS INCOME AND OTHER REVENUE | | 23,044,722 | 20,687,324 | 11,761,553 | 10,332,246 |
| OPERATING EXPENSES | 23 | 13,671,285 | 12,263,411 | 6,955,705 | 6,288,984 |
| INCOME FROM OPERATIONS | | 9,373,437 | 8,423,913 | 4,805,848 | 4,043,262 |
| OTHER INCOME (CHARGES) | | | | | |
| Interest expense | 17, 21 | (1,493,572) | (1,495,532) | (750,852) | (757,932) |
| Interest income | 4, 25 | 832,162 | 710,579 | 428,234 | 366,887 |
| Others - net | 24 | 121,718 | 41,282 | 22,270 | 59,168 |
| | | (539,691) | (743,670) | (300,348) | (331,878) |
| INCOME BEFORE INCOME TAX | | 8,833,746 | 7,680,242 | 4,505,500 | 3,711,384 |
| PROVISION FOR INCOME TAXES | 27 | 1,868,677 | 1,648,215 | 957,984 | 775,391 |
| NET INCOME | | P6,965,069 | P6,032,028 | P3,547,517 | P2,935,993 |
| Net income attributable to: | | | | | |
| Equity holders of the Parent Company | | P4,090,605 | P3,535,198 | P2,095,260 | P1,756,921 |
| Noncontrolling interests | 28 | 2,874,464 | 2,496,831 | 1,452,257 | 1,179,072 |
| | | P6,965,069 | P6,032,029 | P3,547,517 | P2,935,993 |
| Basic/diluted earnings per share attributable to equity holders of the Parent Company | 30 | P0.59637 | P0.51006 | P0.30547 | P0.25349 |

See Notes to the Consolidated Financial Statements.

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

| | | Periods Ended June 30 | |
|---|-------------|-----------------------------------|-----------------------------------|
| | Note | 2024 (Unaudited) | 2023 (Unaudited) |
| NET INCOME | | P6,965,069 | P6,032,028 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Items that will never be reclassified subsequently to profit or loss | | | |
| Remeasurement gain (loss) on retirement benefits | | (444) | 1,459 |
| Translation adjustment | | 2,594 | (6,495) |
| Unrealized loss on financial assets | 8 | | |
| Share in other comprehensive income (loss) of associates and joint ventures | | 415 | - |
| Income tax effect | ix | - | - |
| | | 2,564 | (5,037) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | P6,967,633 | P6,026,991 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | | P4,092,494 | P3,531,620 |
| Non-controlling interests | 28 | 2,875,139 | 2,495,372 |
| | | P6,967,633 | P6,026,991 |

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 | | | | | | Total | Non-controlling Interests | Total Equity |
|--|--|----------------------------|---------------------|-----------------------------|-----------------|--------------------|--------------------|---------------------------|---------------------|
| | Capital Stock | Additional Paid-in Capital | Treasury Shares | Retirement Benefits Reserve | Other Reserve | Retained Earnings | | | |
| Balance at December 31, 2022 | P7,405,264 | P9,640,491 | (P1,866,402) | P270,835 | P2,375 | P71,621,881 | P87,074,444 | P45,731,451 | P132,805,895 |
| Total comprehensive income for the period | | | | | | | | | |
| Net income for the period | - | - | - | - | - | 3,535,197 | 3,535,197 | 2,496,831 | 6,032,028 |
| Other comprehensive income | - | - | - | 1,459 | (6,494) | - | (5,035) | (1,459) | (6,494) |
| | - | - | - | 1,459 | (6,494) | 3,535,197 | 3,530,162 | 2,495,372 | 6,025,534 |
| Acquisition of treasury shares | - | - | (61,913) | - | - | - | (61,913) | - | (61,913) |
| Balance at June 30, 2023 | P7,405,264 | P9,640,491 | (P1,928,316) | P272,294 | (P4,120) | P75,157,078 | P90,542,692 | P48,226,825 | P138,769,515 |
| Balance at December 31, 2023 | P7,405,264 | P9,640,491 | (P1,866,402) | P270,835 | P2,375 | P71,621,881 | P87,074,444 | P45,731,451 | P132,805,895 |
| Total comprehensive income for the period | | | | | | | | | |
| Net income for the period | - | - | - | - | - | 4,090,605 | 4,090,605 | 2,874,464 | 6,965,069 |
| Other comprehensive income | - | - | - | (444) | 3,009 | - | 2,565 | - | 2,565 |
| | - | - | - | (444) | 3,009 | 4,090,605 | 4,093,170 | 2,874,464 | 6,967,634 |
| Acquisition of treasury shares | - | - | (401,868) | - | - | - | (401,868) | - | (401,868) |
| Non-controlling interest from business combination | - | - | - | - | - | - | - | 550,119 | 550,119 |
| Cash dividends | - | - | - | - | - | (1,487,911) | (1,487,911) | (1,635,123) | (3,123,034) |
| | - | - | - | - | - | (1,487,911) | 4,093,170 | (1,085,004) | 6,967,634 |
| Balance at June 30, 2024 | P7,405,264 | P9,640,491 | (P2,347,603) | P221,880 | P5,317 | P80,194,720 | P95,120,069 | P50,823,858 | P145,943,927 |

See Notes to the Consolidated Financial Statements.

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

| | | Periods Ended June 30 | |
|--|----------------|------------------------------|-------------|
| | | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| Note | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | | P8,833,746 | P7,680,243 |
| Adjustments for: | | | |
| Depreciation and amortization | 11, 12, 13, 21 | 2,750,555 | 2,387,063 |
| Interest expense | 17, 21 | 1,493,572 | 1,495,532 |
| Interest income | 4, 25 | (832,162) | (710,579) |
| Retirement benefits cost | 26 | 1,791 | 1,449 |
| Gain from pre-terminated lease contracts | 21, 24 | (3,666) | (1,829) |
| Unrealized foreign exchange loss | | (6,385) | 18,244 |
| Share in losses (income) of associates and joint ventures | 10, 24 | (108,322) | (45,045) |
| Loss (gain) from sale of financial assets through profit or loss | 7, 24 | - | (6,524) |
| Unrealized loss (gain) on financial assets at FVPL | 7, 24 | (642) | (4,937) |
| Dividend income | 25 | (1,451) | (1,099) |
| Gain on disposal of property and equipment | 24 | (554) | (352) |
| Loss (gain) on insurance claims | 24 | - | - |
| Operating income before changes in working capital | | 12,126,849 | 10,812,166 |
| Decrease (increase) in: | | | |
| Receivables | | 1,795,308 | 828,241 |
| Inventories | 1 | (3,356,351) | (1,638,504) |
| Prepaid expenses and other current assets | | (1,659,304) | 2,145,670 |
| Due from related parties | | (155) | (183) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | | (7,873,824) | (9,900,929) |
| Due to related parties | | (19,784) | (758,779) |
| Other current liabilities | | (255,511) | 99,954 |
| Other noncurrent liabilities | | (76,737) | (101,363) |
| Cash generated from operations | | 680,491 | 1,486,273 |
| Interest received | 4 | 832,162 | 710,579 |
| Income tax paid | | (1,978,952) | (1,954,530) |
| Retirement benefits paid | 26 | (6,046) | (2,801) |
| Net cash provided by operating activities | | (472,345) | 239,521 |

Forward

| | | Periods Ended June 30 | |
|--|-------------|------------------------------|--------------------|
| | | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| | Note | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Financial assets at fair value through profit or loss | 1 | P - | (P1,300,000) |
| Property and equipment | 11 | (3,578,902) | (3,367,128) |
| Investment properties | 12 | (56,528) | (142,767) |
| Intangibles | 13 | (33,970) | (223,858) |
| Deferred mineral and oil exploration | | (362) | (382) |
| Proceeds from (payments of): | | | |
| Sale of financial assets through profit or loss | 7 | - | 986,170 |
| Disposal of property and equipment | | 557 | 2,398 |
| Decrease (increase in) other noncurrent assets | | (513,499) | (920,662) |
| Acquisition of business/various assets, net of cash acquired | 1 | (531,234) | - |
| Dividends received | 25 | 1,451 | 1,099 |
| Net cash from (used in) investing activities | | (4,712,487) | (4,965,130) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Availment of long-term loans | 17 | P4,000,000 | P - |
| Payments of: | | | |
| Short-term loans | 17 | - | (130,000) |
| Long-term loans | 17 | (85,714) | - |
| Interest expense | 17 | (307,064) | (282,164) |
| Repayments of lease: | | | |
| Principal amount | 21 | (659,871) | (602,433) |
| Interest expense | 21 | (1,178,900) | (1,205,700) |
| Payment of amount due to related parties | 25 | - | (4,000,000) |
| Cash dividends paid | 28 | (6,045,756) | (2,668,718) |
| Buyback of capital stock | 28 | (401,868) | (61,913) |
| Net cash used in financing activities | | (4,679,173) | (8,950,928) |

Forward

| | | Periods Ended June 30 | |
|---|-------------|------------------------------|---------------------|
| | | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| | <i>Note</i> | | |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | | P6,385 | (P18,244) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (9,857,620) | (13,694,781) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 61,847,889 | 59,682,265 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <i>4</i> | P51,990,269 | P45,987,483 |

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

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 | | | |
|--|-----------------------------------|----------|--------|----------|
| | 2024 | | 2023 | |
| | Direct | Indirect | Direct | Indirect |
| Retail | | | | |
| Puregold Price Club, Inc. (PPCI) and Subsidiaries | 49.23 ¹ | - | 49.23 | - |
| ▪ Kareila Management Corporation (KMC) and Subsidiaries | - | 49.23 | - | 49.23 |
| • S&R Pizza (Harbor Point), Inc. | - | 49.23 | - | 49.23 |
| • S&R Pizza, Inc. | - | 49.23 | - | 49.23 |
| • PSMT Philippines, Inc. | - | 49.23 | - | 49.23 |
| ▪ PPCI Subic, Inc. (PSI) | - | 49.23 | - | 49.23 |
| ▪ Entenso Equities Incorporated (EEI) | - | 49.23 | - | 49.23 |
| ▪ Melilla Management Corporation | - | 49.23 | - | 49.23 |
| ▪ Purepadala, Inc. | - | 49.23 | - | 49.23 |
| Liquor Distribution | | | | |
| The Keepers Holding Inc. (TKHI) | 77.54 | - | 77.54 | - |
| Montosco, Inc. | - | 77.54 | - | 77.54 |
| Meritus Prime Distributions, Inc. | - | 77.54 | - | 77.54 |
| Premier Wine and Spirits, Inc. | - | 77.54 | - | 77.54 |
| Real Estate and Property Leasing | | | | |
| Nation Realty, Inc. | 100 | - | 100 | - |
| Patagonia Holdings Corp. | 100 | - | 100 | - |
| Ellimac Prime Holdings, Inc. (EPI) | 100 | - | 100 | - |
| Fertuna Holdings Corp. | 100 | - | 100 | - |
| Pure Petroleum Corp. | 100 | - | 100 | - |
| NE Pacific Shopping Centers Corporation (NPSCC) | 100 | - | 100 | - |
| Specialty Retail | | | | |
| Office Warehouse, Inc. and a Subsidiary | 100 | - | 100 | - |
| ▪ Office Warehouse (Harbor Point), Inc. | - | 100 | - | 100 |
| Canaria Holdings Corporation (CHC) and Subsidiaries ^(b) | 90 | - | 90 | - |
| Energy and minerals | | | | |
| Catuiran Hydropower Corporation | 60 | - | - | - |
| Alcorn Petroleum and Minerals Corporation (APMC) | 100 | - | 100 | - |

Transactions during the Period

COSCO

On March 25, 2024, Cosco Capital, Inc. (“Cosco”) finalized its acquisition of 60% outstanding shares of Catuiran Hydropower Corporation (Catuiran). Catuiran Hydro Power Corporation was incorporated and registered with the Securities and Exchange Commission on April 20, 2012, and is primarily engaged in the business of building, constructing, operating and maintaining power plant.

Catuiran has developed and is operating an Eight Megawatts (8MW) Hydropower plant located in the Municipality of Naujan, Oriental Mindoro; which started actual operations in 2019. This project is covered by the Department of Energy (DOE) under a Renewable Energy Service Contract.

PPCI

PPCI embarked on an aggressive multi-year push to further expand its market reach. On June 20, 2023, the Board of the Parent Company approved the acquisition of twenty-five (25) DiviMart supermarkets including its leasehold improvements, furniture, fixtures, equipment and merchandise inventory and executed an agreement to convert them into Puregold stores.

As at December 31, 2023, the consideration paid for 25 stores acquired amounted to P613.7 million was provisionally allocated to the following identifiable assets and liabilities:

| | |
|-------------------------------|------------------------|
| Merchandise Inventory | P67,715,693 |
| Property, plant and equipment | 326,900,343 |
| Right-of-use assets | 1,771,022,290 |
| Lease liabilities | (1,551,897,785) |
| Purchase price | P613,740,541 |

PSMT

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

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

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

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

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

TKHI

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

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

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

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

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

The share swap resulted in a dilution in Cosco’s effective ownership interest in Montosco, Meritus and Premier acquired from 100% to 97.75% while the FOO resulted in the dilution of Cosco’s ownership interest in TKHI to 77.54, which the equity holders of Cosco realized a net gain on dilution amounting to P1.6 billion.

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on August 12, 2024.

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 statement.

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 P593.6 million and P560.2 million in 2024 and 2023, 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 June 30, 2024 and December 31, 2023, the carrying amount of receivables amounted to P6.39 billion and P7.6 billion while the allowance for impairment losses amounted to P130.6 million, respectively.

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

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

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

The carrying amount of inventories amounted to P38.7 billion and P35.4 billion as at June 30, 2024 and December 31, 2023.

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 June 30, 2024 and December 31, 2023.

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, 2023 and 2022. These resulted in impairment losses on property and equipment of P160.0 million in 2020 and deferred oil and mineral exploration costs of P128.1 million in 2019 (see Notes 11 and 14).

As at June 30, 2024 and December 31, 2023, the following are the carrying amounts of nonfinancial assets:

| | Note | 2024 | 2023 |
|--|-------------|--------------------|-------------|
| Property and equipment - net | 11 | P48,708,007 | P44,682,210 |
| Right-of-use assets - net | 21 | 29,477,329 | 30,114,809 |
| Investment properties - net | 12 | 9,159,619 | 9,203,602 |
| Investments in associates and joint ventures | 10 | 5,860,854 | 5,737,702 |
| Computer software and licenses, and leasehold rights | 13 | 236,770 | 236,052 |

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 June 30, 2024 and December 31, 2023, the Group recognized net deferred tax assets amounting to P1.7 billion.

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 P2.1 as at June 30, 2024 and December 31, 2023.

3. Summary of Material 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 Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement

technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Company reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes)*. The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

- *International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12 Income Taxes)*. The amendments provide a temporary mandatory exception from accounting for deferred tax that arises from legislation implementing the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, including tax law that implements qualified domestic minimum top-up taxes described in those rules. Under the relief, a company:
 - discloses that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes;

- discloses separately its current tax expense (income) related to Pillar Two income taxes; and
- in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2023. However, the Company has not early adopted the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2024

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- *Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

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

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

- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*. The amendments introduce new disclosures about a company's supplier finance arrangements that would enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, a company discloses in aggregate for its supplier finance arrangements:
 - the terms and conditions of the arrangements;
 - beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and
 - the type and effect of non-cash changes in the carrying amounts.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. However, a company is not required to disclose comparative information for any prior reporting periods, information on carrying amounts for which suppliers already received payment and range of payment due dates as at the beginning of the annual reporting period the company first applies the amendments, and information for any interim period within the annual reporting period in which the company first applies those amendments.

Consolidation

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

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

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

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

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

Business Combinations

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

Common Control Business Combinations

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

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

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

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Retained earnings" account in the equity section of the statements of financial position; and

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

Statement of Cash Flows

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

Segment Reporting

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

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Assets at Amortized Cost

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

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

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

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

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

Financial Assets at FVOCI

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

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

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

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at June 30, 2024 and December 31, 2023.

Financial Assets at FVTPL

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

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

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

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

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

As of June 30, 2024 and December 31, 2023, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

Financial Liabilities

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

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

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

- (a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
- (d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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

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

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

Offsetting Financial Instruments

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

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

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.

Investment in Joint Arrangements and Associates

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

| | Number of Years |
|-------------------|-----------------|
| Land improvements | 25 |
| Buildings | 10 - 50 |

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

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

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

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

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

Construction in Progress

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

Assets Held for Sale

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders. Additional paid-in capital also includes excess of book value of the net assets acquired over the consideration paid for acquired entity.

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

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

Revenue Recognition

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

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.
- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.
- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.
- *Gift Certificates* - The Group recognizes revenue from the sale gift certificates when the gift certificate is redeemed by customer.
- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges

The interpretation issued by the Philippine Interpretations Committee (PIC) serves as a guidance on some implementation issues brought about by adoption of PFRS 15, *Revenue from Contracts with Customer's* on the real estate industry.

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

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.

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Foreign Currency Transactions and Translation

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to the common equity holders of the Parent Company 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:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|-------------------------|-------------|--------------------|-------------|
| Cash on hand | | P965,320 | P1,406,087 |
| Cash in banks | 31 | 23,292,429 | 33,570,677 |
| Money market placements | 31 | 27,732,521 | 26,871,125 |
| | | P51,990,269 | P61,847,889 |

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 4.4% to 5.8% in 2024 and 1.6% to 5.7% in 2023.

Interest income earned from cash in banks and money market placements amounted to P733.3 million and P619.1 million in 2024 and 2023, respectively.

5. Receivables

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|---|-------------|-------------------|------------|
| Trade receivables | | P3,922,301 | P3,610,200 |
| Non-trade receivables | | 1,797,330 | 3,282,740 |
| Interest receivable | 25 | 673,722 | 666,390 |
| Others | | 128,599 | 192,063 |
| | | 6,521,952 | 7,751,393 |
| Less allowance for impairment losses on trade receivables | | (130,646) | 130,646 |
| | 31, 32 | P6,391,306 | P7,620,747 |

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:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|----------------------------|-------------|-----------------|----------|
| Beginning balance | | P130,646 | P113,224 |
| Provisions during the year | 23 | - | 13,419 |
| Adjustment | | - | 12,851 |
| Reversal | | - | (8,848) |
| Ending balance | | P130,646 | P130,646 |

6. Inventories

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

The Group's merchandise inventories at cost amounted to P38.7 billion and P35.4 billion as at June 30, 2024 and December 31, 2023, respectively (see Note 34).

Inventories charged to cost of goods sold amounted to P84.5 billion and P78.70 billion in 2024 and 2023, respectively (see Notes 20 and 34).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

| | Note | 2024 | 2023 |
|-----------------------|-------------|-------------------|-------------|
| Held-for-trading: | <i>31</i> | | |
| Equity securities | | P38,332 | P37,690 |
| Government securities | | 4,588,450 | 4,588,450 |
| | | P4,626,782 | P4,626,140 |

The movements in these securities are as follows:

| <i>(In thousands)</i> | Note | 2024 | 2023 |
|---|-------------|-------------------|-------------|
| Cost | | P4,604,688 | P4,284,333 |
| Addition | | - | 1,300,000 |
| Disposal | | - | (979,645) |
| | | 4,604,688 | 4,604,688 |
| Valuation Adjustments | | | |
| Balance at beginning of year | | 21,452 | 15,047 |
| Unrealized valuation loss for the period/year | | 642 | 6,405 |
| Balance at end of period/year | | 22,094 | 21,452 |
| | <i>31</i> | P4,626,782 | P4,626,140 |

The Group recognized a loss on sale of government securities amounting to P6.52 million in 2023.

Interest income on government securities amounted to P98.9 million and P91.5 million in 2024 and 2023, respectively.

Dividend income on equity securities amounted to P1.4 million and P1.1 million in 2024 and 2023, respectively.

8. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|--------------------------------|-------------|---------------|--------|
| Investment in common shares | | | |
| Quoted | 31, 32 | P3,712 | P3,712 |
| Unquoted | 31, 32 | 2,304 | 2,304 |
| | | 6,016 | 6,016 |
| Investment in preferred shares | 31, 32 | 7,262 | 7,262 |
| | | 13,278 | 13,278 |
| Less current portion | | 5,399 | 5,399 |
| Non-current portion | | P7,879 | P7,879 |

The quoted shares are designated as FVOCI.

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

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

The movements in this account are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|--------------------------------------|----------------|---------|
| Balance at beginning of year | P13,897 | P15,068 |
| Unrealized fair value gains (losses) | - | (1,171) |
| Balance at end of period/year | P13,897 | P13,897 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|---|---------------|---------|
| Balance at beginning of year | P1,793 | P2,964 |
| Unrealized fair value gain (loss) during the year | - | (1,171) |
| Balance at end of period/year | P1,793 | P1,793 |

9. Prepaid Expenses and Other Current Assets

This account consists of:

| <i>(In thousands)</i> | 2024 | 2023 |
|------------------------------|-------------------|------------|
| Prepaid expenses | P2,480,525 | P1,035,992 |
| Advances to suppliers | 218,717 | 127,530 |
| Deferred input VAT - current | 40,552 | 130,519 |
| Input VAT | 141,668 | 150,520 |
| Creditable withholding tax | 58,534 | 20,685 |
| Others | 93,476 | 19,609 |
| | P3,033,472 | P1,484,855 |

Advances to suppliers will be applied against future purchases of inventory items.
Prepaid expenses consist of the following:

| <i>(In thousands)</i> | 2024 | 2023 |
|---------------------------|-------------------|------------|
| Taxes and licenses | P2,081,358 | P737,212 |
| Insurance | 175,722 | 152,362 |
| Advertising and promotion | 103,247 | 49,046 |
| Supplies | 13,694 | 23,442 |
| Repairs and maintenance | 28,211 | 21,902 |
| Rent | - | 369 |
| Others | 78,293 | 51,659 |
| | P2,480,525 | P1,035,992 |

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

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

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

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

10. Investment in Associates and Joint Ventures

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|-----------------------|-------------|-------------------|------------|
| Associates | | P564,231 | P566,432 |
| Joint ventures | | 5,296,623 | 5,171,270 |
| | <i>34</i> | P5,860,854 | P5,737,702 |

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

| <i>(In thousands)</i> | Percentage of Ownership | | Carrying Amount | |
|---|--------------------------------|------|------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Associates: | | | | |
| San Roque Supermarkets Retail Systems, Inc. ("SRS") | 49 | 49 | P422,745 | P422,745 |
| Pernod Ricard Philippines, Inc. ("PERNOD") | 30 | 30 | 141,486 | 143,687 |
| | | | 564,231 | 566,432 |
| Joint ventures: | | | | |
| Bodegas | 50 | 50 | 5,196,199 | 5,070,846 |
| Others | 50 | 50 | 100,424 | 100,424 |
| | | | 5,296,623 | 5,171,270 |
| | | | P5,860,854 | P5,737,702 |

All associates and joint ventures are incorporated in the Philippines except for Bodegas.

Investments in Associates

SRS

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

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

| <i>(In thousands)</i> | 2024 | 2023 |
|----------------------------------|-----------------|----------|
| Balance at beginning of the year | P422,745 | P446,277 |
| Share in net loss | - | (23,532) |
| Balance at end of year | P422,745 | P422,745 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|--|------------------|------------|
| Percentage of ownership | 49.34% | 49.34% |
| Current assets | P674,615 | P674,615 |
| Noncurrent assets | 728,202 | 728,202 |
| Current liabilities | (554,969) | (554,969) |
| Noncurrent liabilities | (546,259) | (546,259) |
| Net assets | 301,589 | 301,589 |
| Group’s share in net assets | 148,804 | 148,804 |
| Goodwill | 276,058 | 276,058 |
| Unrecognized share in net loss during the year | - | - |
| Other | (2,117) | (2,117) |
| Carrying amount of interest in associate | P422,745 | P422,745 |
| Net sales | P - | P3,852,491 |
| Net loss | - | (6,465) |
| Group’s share in net loss | P - | (P3,190) |

PERNOD

The Group entered into a Shareholder’s Agreement and Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of shares of Pernod Ricard Philippines, Inc. (“PERNOD”) for EUR 2.1 million in February 2019.

Investment in Joint Ventures

BODEGAS

In September 2022, the Group through The Keepers Holdings, Inc. acquired a total of 646,775 shares representing 50% equity interest in Bodegas Williams Humbert SA (“Bodegas”) for a total consideration of EUR 88.8 million.

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

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group’s share in net assets of such investee to the carrying amount of its investment as at June 30, 2024 and December 31, 2023:

| | 2024 | 2023 |
|---|-------------------|------------|
| Balance at beginning of year | P5,070,846 | P4,981,845 |
| Share in net income | 168,106 | 288,530 |
| Depreciation of excess fair value | (22,166) | (46,482) |
| Unrealized gross profit on unsold inventories | (35,417) | (89,079) |
| Dividends received | - | (64,608) |
| Foreign currency translation adjustment | 2,594 | 640 |
| Balance at end of period/year | P5,183,963 | P5,070,846 |
| | 2024 | 2023 |
| Percentage Ownership Interest | 50% | 50% |
| Current assets | P6,728,505 | P5,677,671 |
| Noncurrent assets | 2,124,715 | 2,101,254 |
| Current liabilities | 2,719,210 | 2,015,551 |
| Noncurrent liabilities | 276,715 | 220,894 |
| Net Assets | 5,857,295 | 5,542,480 |
| TKHI’s share of net assets | 2,928,648 | 2,771,240 |
| Goodwill | 1,996,128 | 1,996,128 |
| Fair value adjustment | 537,467 | 559,633 |
| Unrealized gross profit on unsold inventories | (300,540) | (265,123) |
| Translation adjustment | 4,916 | 2,323 |
| Foreign exchange differences | 17,343 | 6,645 |
| Carrying Amount of Investment in Joint Venture | P5,183,963 | P5,070,846 |

The following table shows the Group’s share in net income of the investee for the period and year ended June 30, 2024 and December 31, 2023:

| | 2024 | 2023 |
|---|-------------------|------------|
| Revenue | P4,425,732 | P8,430,839 |
| Depreciation | (45,511) | (162,695) |
| Interest income | 3,772 | 1,507 |
| Interest expense | (2,552) | (4,642) |
| Income tax expense | (13,420) | (172,459) |
| Net income | 336,211 | 577,061 |
| The Group’s share in net income at 50% | 168,106 | 288,530 |
| Unrealized gross profit on unsold inventories | (35,417) | (89,079) |
| Depreciation of excess fair value at 50% | (22,166) | (46,482) |
| | P110,523 | P152,969 |

Others

AyaGold Retailers, Inc.

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

The Group and its partner each initially invested P60 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1.0 par value and 54,000,000 redeemable preferred shares at P1.0 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.0 par value.

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

Pure Commerce, Inc.

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

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

On February 15, 2023, the Board approved to cease the Pure Commerce’s operations, effective March 31, 2023 and for the Company to remain dormant until new business plans are finalized. The carrying amount of the investment and advances in Pure Commerce amounted to nil as at March 31, 2024 and December 31, 2023.

11. Property and Equipment

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

| <i>(In thousands)</i> | Land | Buildings | Storage Tanks | Furniture and Fixtures | Office and Store Equipment | Transportation Equipment | Leasehold Improvements | Wells, Platform and other facilities | Construction in-Progress | Total |
|--|--------------------|-------------------|-----------------|------------------------|----------------------------|--------------------------|------------------------|--------------------------------------|--------------------------|--------------------|
| Cost | | | | | | | | | | |
| December 31, 2022 | P12,395,156 | P10,852,522 | P526,805 | 4,275,387 | P13,375,962 | P350,565 | P17,955,658 | P204,955 | P2,180,476 | P62,117,486 |
| Additions | 872,442 | 319,111 | 14,272 | 386,368 | 1,039,735 | 127,620 | 1,085,079 | - | 3,976,746 | 7,821,373 |
| Disposals | - | (875) | - | (2,260) | (39,965) | (4,010) | (127) | - | - | (47,237) |
| Reclassifications | 232,383 | 408,173 | - | 92,807 | 937,549 | - | 1,591,732 | - | (3,212,149) | 50,495 |
| December 31, 2023 | 13,499,981 | 11,578,931 | 541,077 | 4,752,302 | 15,313,281 | 474,175 | 20,632,342 | 204,955 | 2,945,073 | 69,942,117 |
| Additions | - | 64,843 | 1,872 | 99,797 | 435,841 | 38,635 | 313,113 | 125 | 2,624,678 | 3,578,904 |
| Disposals | - | - | - | (1,300) | (51,843) | (2,289) | - | - | - | (55,432) |
| Reclassifications | 11,072 | 8,935 | - | 31,342 | 496,427 | - | 1,317,948 | - | (1,838,395) | 27,329 |
| Transfer | 6,388 | - | - | 71 | 283 | - | - | 2,238,532 | - | 2,245,274 |
| June 30, 2024 | 13,517,441 | 11,652,709 | 542,949 | 4,882,209 | 16,193,990 | 510,521 | 22,263,404 | 2,443,612 | 3,731,353 | 75,738,188 |
| Accumulated Depreciation and Amortization | | | | | | | | | | |
| December 31, 2022 | - | 3,396,304 | 103,348 | 2,811,150 | 10,187,370 | 261,145 | 6,134,737 | 204,955 | - | 23,099,009 |
| Depreciation and amortization | - | 331,454 | 13,905 | 247,528 | 966,277 | 34,064 | 935,157 | - | - | 2,528,385 |
| Disposals | - | (875) | - | (1,923) | (34,949) | - | - | - | - | (37,747) |
| Reclassifications | - | - | - | (35,137) | 34,384 | - | (328,987) | - | - | (329,740) |
| December 31, 2023 | - | 3,726,883 | 117,253 | 3,021,618 | 11,153,082 | 295,209 | 6,740,907 | 204,955 | - | 25,259,907 |
| Depreciation and amortization | - | 172,538 | 7,066 | 113,057 | 540,336 | 23,889 | 485,913 | 45,231 | - | 1,388,030 |
| Disposals | - | - | - | (1,297) | (51,843) | (2,289) | - | - | - | (55,429) |
| Reclassifications | - | (864) | - | - | (124) | - | 988 | - | - | - |
| Transfer | - | - | - | 60 | 247 | - | - | 437,368 | - | 437,675 |
| June 30, 2024 | - | 3,898,557 | 124,318 | 3,133,437 | 11,641,697 | 316,809 | 7,227,809 | 687,554 | - | - |
| Carrying Amounts | | | | | | | | | | |
| December 31, 2023 | P13,499,981 | P7,852,048 | P423,824 | P1,730,684 | P4,160,199 | P178,966 | P13,891,435 | P - | P2,945,073 | P44,682,210 |
| June 30, 2024 | P13,517,441 | P7,754,152 | P418,631 | P1,748,772 | P4,552,293 | P193,712 | P15,035,595 | P1,756,058 | P3,731,353 | P48,708,007 |

Interest expense on loans capitalized as part of property and equipment amounted to P6.20 million and P4.0 million in 2024 and 2023 respectively (see Note 17).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P8.6 billion as at June 30, 2024 and December 31, 2023, respectively.

12. Investment Properties

This account consists of:

| <i>(In thousands)</i> | Land | Building | Construction in-Progress | Total |
|---------------------------------|-------------------|-------------------|-------------------------------------|-------------------|
| Cost | | | | |
| December 31, 2022 | P4,934,762 | P6,043,846 | P169,007 | P11,147,615 |
| Additions | 105,521 | 42,048 | 28,498 | 176,067 |
| Reclassifications | (232,383) | (86,468) | (106,034) | (424,885) |
| December 31, 2023 | 4,807,900 | 5,999,426 | 91,471 | 10,898,797 |
| Additions | 13,684 | 39,943 | 2,901 | 56,528 |
| Reclassifications | (11,072) | (20,386) | (2,537) | (33,995) |
| June 30, 2024 | 4,933,686 | 5,916,182 | 116,327 | 10,966,195 |
| Accumulated Depreciation | | | | |
| December 31, 2022 | - | 1,563,567 | - | 1,563,567 |
| Depreciation | - | 132,422 | - | 132,422 |
| Reclassification | - | (794) | - | (794) |
| December 31, 2023 | - | 1,695,195 | - | 1,695,195 |
| Depreciation | - | 66,516 | - | 66,516 |
| Reclassification | - | - | - | - |
| June 30, 2024 | - | 1,806,576 | - | 1,806,576 |
| Carrying Amounts | | | | |
| December 31, 2023 | P4,807,900 | P4,304,231 | P91,471 | P9,203,602 |
| June 30, 2024 | P4,933,686 | P4,109,606 | P116,327 | P9,159,619 |

Depreciation expense is charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property and equipment during the consolidation process. Total reclassifications amounted to P24.0 million and P424.9 million in 2024 and 2023, respectively.

As at June 30, 2024 and December 31, 2023, 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 P613.0 million and P560.2 million in 2024 and 2023, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P366.5 million and P316.3 million in 2024 and 2023, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

| <i>(In thousands)</i> | 2024 | 2023 |
|--------------------------------------|--------------------|-------------|
| Goodwill | P16,253,526 | P16,253,526 |
| Trademark | 3,709,661 | 3,709,661 |
| Customer relationships | 889,453 | 889,453 |
| Leasehold rights - net | 50,791 | 38,042 |
| Computer software and licenses - net | 185,979 | 198,010 |
| | P21,089,411 | P21,088,692 |

Goodwill

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

| <i>(In thousands)</i> | 2024 | 2023 |
|---|--------------------|-------------|
| Retail | | |
| Kareila | P12,079,474 | P12,079,474 |
| Budgetlane Supermarkets | 837,974 | 837,974 |
| Gant | 742,341 | 742,341 |
| Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI) | 685,904 | 685,904 |
| Company E | 358,152 | 358,152 |
| Black & White (B&W) Supermart | 187,204 | 187,204 |
| Puregold Junior Supermarket, Inc. (PJSI) | 11,374 | 11,374 |
| Specialty Retail | | |
| OWI | 893,790 | 893,790 |
| CHC | 9 | 9 |
| Real Estate and Property Leasing | | |
| NPSCC | 457,304 | 457,304 |
| | P16,253,526 | P16,253,526 |

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

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

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

VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 8.5% and 8.7% in 2023 and 11.1% in 2022. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5.0% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 3.6% 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) | |
|-------------------------|----------------------------------|-------|---|------|
| | 2024 | 2023 | 2024 | 2023 |
| Kareila | 8.6% | 8.6% | 3.6% | 3.6% |
| Budgetlane Supermarkets | 8.7% | 8.7% | 3.6% | 3.6% |
| Gant | 8.6% | 8.6% | 3.6% | 3.6% |
| DCI and FLSTCI | 8.5% | 8.5% | 3.6% | 3.6% |
| OWI | 11.1% | 11.1% | 5.4% | 5.4% |
| NPSCC | 11.1% | 11.1% | 5.4% | 5.4% |

As at December 31, 2023, 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 | 1.2% | 1.0% |

Computer Software and Licenses

The movements in computer software and licenses are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|---|-----------------|----------|
| Cost | | |
| Balance at January 1 | P628,490 | P533,795 |
| Additions | 18,970 | 94,695 |
| Adjustments | - | - |
| Balance at June 30/December 31 | 647,459 | 628,490 |
| Accumulated Amortization | | |
| Balance at January 1 | 430,480 | 373,772 |
| Amortization | 30,999 | 56,708 |
| Adjustment | - | - |
| Balance at June 30/December 31 | 461,479 | 430,480 |
| Carrying Amount at June 30/December 31 | P185,980 | P198,010 |

Leasehold Rights

The movements in leasehold rights are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|---|----------------|---------|
| Cost | | |
| Balance at January 1 | P75,955 | P75,355 |
| Additions | 15,000 | 600 |
| Balance at June 30/December 31 | 90,955 | 75,955 |
| Accumulated Amortization | | |
| Balance at January 1 | 37,913 | 34,037 |
| Amortization | 2,251 | 3,876 |
| Balance at June 30/December 31 | 40,164 | 37,913 |
| Carrying Amount at June 30/December 31 | P50,791 | P38,042 |

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

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

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

| <i>(In thousands)</i> | Note | Participating Interest | 2024 | 2023 |
|--|-------------|-----------------------------------|------------------|-------------|
| I. Oil Exploration Costs | | | | |
| SC 14: | <i>a</i> | | | |
| Block C2 (West Linapacan) | | 6.12% | P57,059 | P56,722 |
| Block D | | 5.84% | 8,143 | 8,113 |
| Block B1 (North Matinloc) | | 13.55% | 4,192 | 4,192 |
| | | | 69,394 | 69,027 |
| SC 6A: | <i>b</i> | 1.67% | | |
| Octon Block | | | 17,596 | 17,596 |
| North Block | | | 600 | 600 |
| SC 6B (Bonita) | <i>c</i> | 8.18% | 8,116 | 8,116 |
| | | | 26,312 | 26,312 |
| MPSA: | <i>d</i> | | | |
| Other oil projects | | | 32,817 | 32,817 |
| | | | 528 | 528 |
| | | | 33,345 | 33,345 |
| | | | 129,047 | 128,684 |
| Allowance for impairment loss | | | (127,471) | (127,471) |
| Balance at end of year | | | 1,215 | 1,215 |
| II. Mineral Exploration Costs | | | | |
| Nickel project | | 100.00% | 19,210 | 19,210 |
| Anoling gold project | | 3.00% | 13,817 | 13,817 |
| Gold projects | | 100.00% | 13,036 | 13,036 |
| Cement project | | 100.00% | 21,851 | 21,851 |
| Other mineral projects | | | 382 | 382 |
| | | | 68,296 | 68,296 |
| Accumulated for impairment losses | | | (56,046) | (56,046) |
| Balance at end of year | | | 12,250 | 12,250 |
| III. Other Deferred Charges | | | | |
| Allowance for impairment loss | | | (619) | (619) |
| Balance at year end | | | - | - |
| | | | P13,827 | P13,465 |

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, 2023 and 2022, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P127.4 million in 2023 and 2022.

a. SC 14 C2 - West Linapacan

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

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

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

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

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

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

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

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

The 2023 Work Program and Budget has been approved later part of the year and payment was made for the 2022 Training Fund obligation.

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

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

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

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

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

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

In 2021, additional deferred charges amounting to P0.02 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.

The Notice of Surrender of the Service Contract was approved by the Department of Energy (DOE) on September 5, 2022 while the new Service Contract over the same area under the Philippine conventional Energy Contracting Program (PCECP) is in process.

In March 2023, Alcorn has formally notify the Philodrill Corporation that it will not participate in the new Service Contract.

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

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

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

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

As at December 31, 2023, a Deed of Assignment is subject for finalization and for submission to the DOE for approval and increase of participating interest of Nido Petroleum.

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

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

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

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

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

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

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

On May 20, 2020, exploration permit for the project was for the two-year exploration period was granted, subject to the compliance of conditions set forth. Currently, the Group is in the process of fulfilling its obligations in relation to the renewed exploration permit.

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

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

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

In 2023, in addition to the regular payment of occupational fee and conduct of ISHES, there was site visit with PIMI in Isabel to Merida, Leyte MPSA 066-97-VIII to conduct a geological assessment and due diligence of MPSA. The new potential JV partner is in discussion with the Parent Company.

15. Other Noncurrent Assets

This account consists of mainly of security deposits, accrued rent income, deferred input VAT, prepaid rent and accrued rent income which pertains to the excess of rent income over billing to tenants in accordance with PAS 17, Leases, with carrying value amounting to P3.88 billion and P3.55 billion as at June 30, 2024 and December 31, 2023, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|----------------------------|-------------|--------------------|-------------|
| Trade payables | 25 | P12,138,238 | P18,497,088 |
| Non-trade payables | | 1,734,398 | 3,202,627 |
| Dividends payable | 28 | 16,139 | 2,938,863 |
| Due to government agencies | | 1,352,259 | 978,488 |
| Retention payable | | 17,074 | 5,301 |
| Construction bonds | | 20,128 | 24,113 |
| Advance rentals | | 45,741 | 54,480 |
| Accrued expenses: | | | |
| Manpower agency services | | 1,194,840 | 1,083,594 |
| Utilities | | 411,242 | 522,204 |
| Rent | | 200,770 | 229,488 |
| Fixed asset | 21 | 543,158 | 881,162 |
| Others | | 991,789 | 703,974 |
| | | P18,665,776 | P29,121,382 |

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

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

The accrued expenses for fixed assets include the remaining obligations for the purchase of a parcel of land amounting to P271.5 million. The total remaining obligation is P1.1 billion as at December 31, 2022 and payable until 2027. The noncurrent portion amounting to P430 million and P567.3 million as at June 30, 2024 and December 31, 2023 is included in the "Noncurrent liabilities" account in the consolidated statements of financial position.

17. Loans Payable

As at June 30, 2024 and December 31, 2023, the Group has the following outstanding loans:

a. Long-term Loans

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

| <i>(In thousands)</i> | | 2024 | 2023 |
|---------------------------------|---|--------------------|-------------|
| Fixed-rate peso-denominated: | | | |
| PPCI | a | P11,640,000 | P11,640,000 |
| KMC | b | 4,000,000 | - |
| Catuiran | c | 601,905 | - |
| Unamortized debt issuance costs | | (71,204) | (78,871) |
| | | 16,170,701 | 11,561,129 |
| Less current portion | | 220,000 | 120,000 |
| | | P15,950,701 | P11,441,129 |

a. *PPCI*

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

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Parent Company is compliant with the loan covenants as at December 31, 2023 and 2022.

b. *KMC*

In 2024, Kareila obtained a total bank loans amounting to P4.0 billion that has a 3-year tenor with interest rate of 5.75%.

c. *Catuiran*

In the prior years, Catuiran obtained secured long-term loans interest-bearing peso-denominated loan from a local bank with interest rate ranging from 5.10%-5.50 % per annum which are due on various dates.

Total interest expense charged to profit or loss amounted to P314.8 million and P289.8 million in 2024 and 2023, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P6.2 million and P4.0 million in 2024 and 2023, respectively (see Note 11).

The movements in debt issuance costs are as follows:

| | 2024 | 2023 |
|-----------------------------------|----------------|----------|
| Balance at beginning of the year | P78,871 | P94,207 |
| Additions | - | - |
| Amortizations | (7,668) | (15,336) |
| Balance at end of the period/year | P71,204 | P78,871 |

18. Other Current Liabilities

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

| <i>(In thousands)</i> | Note | 2024 | 2023 |
|------------------------------|-------------|-----------------|-------------|
| Customers' deposits | 21, 31, 32 | P414,652 | P454,106 |
| Promotional discount | | 158,332 | 177,793 |
| Unredeemed gift certificates | | 151,428 | 187,213 |
| Output VAT | | 169,563 | 307,898 |
| Others | 31, 32 | 72,105 | 72,491 |
| | | P965,990 | P1,199,501 |

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 June 30, 2024 and December 31, 2023. 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:

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|------------------|-------------|
| Beginning balance | P187,213 | P189,893 |
| Add receipts | 147,252 | 379,667 |
| Less sales recognized | (183,037) | (382,347) |
| Ending balance | P151,428 | P187,213 |

19. Revenues

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

| <i>(In thousands)</i> | 2024 | 2023 |
|--|---------------------|-------------|
| Revenue from Contracts with Customers | | |
| <i>Revenues</i> | | |
| Grocery | P98,497,538 | P91,230,530 |
| Wine and liquor | 6,133,813 | 5,351,335 |
| Office and technology supplies | 994,202 | 1,038,722 |
| Sale of electricity | 172,487 | - |
| | 105,798,040 | 97,620,587 |
| <i>Other Revenue</i> | | |
| Concession fee income | 739,984 | 780,716 |
| Membership income | 378,803 | 346,191 |
| Miscellaneous | 189,653 | 164,387 |
| | 1,308,440 | 1,291,294 |
| Lease revenue | | |
| <i>Revenues</i> | | |
| Real estate and property leasing | 613,026 | 560,255 |
| <i>Other Revenue</i> | | |
| Retail (<i>Other revenue</i>) | 245,045 | 229,539 |
| | 858,071 | 789,794 |
| | P107,964,551 | P99,701,675 |

20. Cost of Revenues

Cost of goods sold consists of:

| <i>(In thousands)</i> | 2024 | 2023 |
|--------------------------------|--------------------|-------------|
| Beginning inventory | P35,385,340 | P34,697,639 |
| Purchases | 87,851,244 | 80,343,032 |
| Total goods available for sale | 123,236,583 | 115,040,672 |
| Ending inventory | 38,740,654 | 36,342,639 |
| | P84,495,929 | P78,698,033 |

Cost of rent consists of:

| <i>(In thousands)</i> | 2024 | 2023 |
|-------------------------|-----------------|----------|
| Depreciation | P187,642 | P136,488 |
| Security services | 46,301 | 41,328 |
| Taxes and licenses | 45,618 | 44,420 |
| Repairs and maintenance | 40,171 | 29,511 |
| Management fees | 32,915 | 22,067 |
| Janitorial services | 31,900 | 27,373 |
| Insurance | 13,506 | 10,132 |
| Rental | 2,786 | 2,682 |
| Utilities | 4,452 | 339 |
| Others | 18,600 | 1,979 |
| | P423,891 | P316,319 |

21. Leases

As Lessee

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

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

| <i>(In thousands)</i> | 2024 | 2023 |
|---|--------------------|-------------|
| Cost | | |
| Balance at January 1 | P45,179,990 | P41,191,525 |
| Additions | 621,613 | 4,645,774 |
| Modifications | (67,655) | (164,580) |
| Terminations | (20,948) | (130,455) |
| End of lease term | (51,471) | (362,274) |
| Balance at June 30/December 31 | 45,661,528 | 45,179,990 |
| Accumulated Depreciation | | |
| Balance, January 1 | 15,065,181 | 12,812,652 |
| Depreciation | 1,262,759 | 2,347,559 |
| Terminations | (5,102) | (28,248) |
| End of lease term | (51,471) | (83,487) |
| Others | (87,168) | 16,705 |
| Balance, June 30/December 31 | 16,184,199 | 15,065,181 |
| Carrying amount at June 30/December 31 | P29,477,329 | P30,114,809 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|--------------------|-------------|
| Due within one year | P1,467,146 | P1,432,914 |
| Due beyond one year | 36,721,508 | 36,759,766 |
| | P38,188,654 | P38,192,680 |

The movements in lease liabilities are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|--------------------|-------------|
| January 1 | P38,192,680 | P35,926,028 |
| Additions | 621,613 | 3,700,808 |
| Accretion of interest | 1,178,900 | 2,361,467 |
| Repayments | (659,871) | (3,330,500) |
| Terminations | (19,513) | (134,279) |
| Modifications | (1,125,155) | (330,844) |
| June 30/December 31 | P38,188,654 | P38,192,680 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|--------------------|-------------|
| Less than one year | P4,290,144 | P4,081,407 |
| One to five years | 16,672,859 | 15,824,790 |
| More than five years | 56,241,188 | 51,622,714 |
| | P77,204,191 | P71,528,911 |

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 P819.7 million and P793.8 million as at June 30, 2024 and December 31, 2023, composed of current and noncurrent portion, broken down as follows:

| <i>(In thousands)</i> | Note | 2024 | 2023 |
|-----------------------|-------------|-----------------|----------|
| Current | 18 | P414,652 | P454,106 |
| Noncurrent | | 405,083 | 339,651 |
| | | P819,735 | P793,757 |

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 P613.0 million and P560.2 million in 2024 and 2023, respectively.

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

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|--------------------|-------------|
| Less than one year | P1,356,438 | P1,348,030 |
| One to two years | 1,239,597 | 1,250,724 |
| Two to three years | 959,039 | 932,487 |
| Three to four years | 929,967 | 908,232 |
| Four to five years | 755,689 | 747,083 |
| More than five years | 6,041,850 | 6,037,320 |
| | P11,282,580 | P11,223,876 |

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 P245.0 million and P229.5 million, in 2024 and 2023, respectively (see Note 22).

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

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|-------------------|------------|
| Less than one year | P324,334 | P315,926 |
| One to two years | 248,450 | 259,577 |
| Two to three years | 132,560 | 106,009 |
| Three to four years | 109,981 | 88,247 |
| Four to five years | 80,442 | 71,837 |
| More than five years | 1,191,780 | 1,187,251 |
| | P2,087,549 | P2,028,847 |

22. Other Revenue

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|-----------------------|-------------|-------------------|-------------|
| Concession fee income | | P739,984 | P780,716 |
| Membership income | | 378,803 | 346,191 |
| Rent income | 19,21 | 245,045 | 229,539 |
| Miscellaneous | | 189,653 | 164,387 |
| | | P1,553,485 | P1,520,833 |

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

23. Operating Expenses

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|-------------------------------------|----------------|--------------------|-------------|
| Depreciation and amortization | 11, 12, 13, 21 | P2,552,843 | P2,233,614 |
| Manpower agency | | 2,444,419 | 2,093,050 |
| Communication, light and water | | 1,662,597 | 1,685,497 |
| Salaries and wages | | 1,924,376 | 1,686,986 |
| Outside services | | 741,518 | 668,880 |
| Taxes and licenses | | 696,978 | 638,878 |
| Advertising and marketing | | 517,677 | 415,800 |
| Repairs and maintenance | | 475,717 | 404,639 |
| Rent | 21, 25 | 389,432 | 360,852 |
| Store and office supplies | | 363,698 | 403,048 |
| Transportation | | 322,039 | 287,605 |
| Credit card charges | | 279,677 | 263,782 |
| Distribution Costs | | 275,660 | 231,500 |
| SSS/Medicare and HDMF contributions | | 185,670 | 151,703 |
| Insurance | | 159,908 | 148,261 |
| Fuel and oil | | 92,713 | 75,951 |
| Representation and entertainment | | 82,471 | 120,974 |
| Input VAT allocable to exempt sales | | 78,335 | 72,922 |
| Professional fees | | 54,332 | 40,214 |
| Royalty expense | 25 | 32,945 | 31,039 |
| Retirement benefits cost | 26 | 1,791 | 1,449 |
| Others | | 336,488 | 246,767 |
| | | P13,671,285 | P12,263,411 |

24. Other Income (Charges)

This account consists of:

| <i>(In thousands)</i> | <i>Note</i> | 2024 | 2023 |
|---|-------------|-----------------|-------------|
| Gain from sale of securities investment | | P - | P6,524 |
| Gain from lease terminations | 21 | 3,666 | 1,829 |
| Foreign exchange gain (loss) | | 6,385 | (18,244) |
| Share in income (losses) of joint ventures and associates | 10 | 108,322 | 45,045 |
| Unrealized valuation loss on financial assets | 7 | 642 | 4,937 |
| Bank charges | | (774) | (804) |
| Gain on disposal of property and equipment | | 554 | 352 |
| Gain (loss) on insurance claim | | - | - |
| Miscellaneous | | 2,924 | 1,644 |
| | | P121,718 | P41,282 |

25. Related Party Transactions

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

| Related Party | Year | Note | Amount of Transactions for the Year | Cash and Cash Equivalents/ Receivables | Due from Related Parties | Trade Payables | Lease Liabilities | Due to Related Parties | Terms | Conditions |
|---|-------------|------|-------------------------------------|--|--------------------------|----------------|-------------------|------------------------|--|-----------------------|
| Under Common and Joint Control | | | | | | | | | | |
| ▪ Loans receivable | | | | | | | | | | |
| Interest | 2024 | | - | P669,133 | P - | P - | P - | P - | | |
| Interest | 2023 | | - | 666,390 | - | - | - | - | | |
| ▪ Advances for working capital requirements | 2024 | | - | - | - | - | - | 363,263 | Due and demandable; non-interest bearing | Unsecured; unimpaired |
| | 2023 | | - | - | - | - | - | 363,146 | | |
| ▪ Purchase of (advances for) inventories | 2024 | | - | - | - | - | - | - | Due and demandable | Unsecured |
| | 2023 | | - | - | - | - | - | - | | |
| ▪ Management fees | 2024 | a | - | - | - | - | - | - | Due and demandable; non-interest bearing | Unsecured |
| | 2023 | | - | - | - | - | - | - | | |
| ▪ Rent income | 2024 | b | - | - | - | - | - | - | Due and demandable; non-interest bearing | Unsecured |
| | 2023 | | - | - | - | - | - | - | | |
| Associates | | | | | | | | | | |
| ▪ Concession fee expense | 2024 | | - | - | - | - | - | - | Due and demandable; non-interest bearing | Unsecured |
| | 2023 | | - | - | - | - | - | - | | |
| ▪ Advances for working capital Requirements | 2024 | | 80 | - | 60,671 | - | - | 474,137 | Due and demandable; non-interest bearing | Unsecured; unimpaired |
| | 2023 | | 186,346 | - | 60,502 | - | - | 458,789 | non-interest bearing | |
| ▪ Royalty expense | 2024 | d | 32,945 | - | - | - | - | 32,945 | Due and demandable; non-interest bearing | Unsecured |
| | 2023 | | 53,270 | - | - | - | - | 53,270 | | |
| Key Management Personnel | | | | | | | | | | |
| ▪ Short-term benefits | 2024 | | 50,064 | - | - | - | - | - | | |
| | 2023 | | 50,064 | - | - | - | - | - | | |
| Total | 2024 | | | P669,133 | P60,671 | P - | P - | P870,345 | | |
| Total | 2023 | | | P666,390 | P60,502 | P - | P - | P875,105 | | |

a. 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.

b. 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.

c. 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.

d. License Agreement

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

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

26. Retirement Benefits Cost

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

On January 23, 2023, the PPCI adopted a formal retirement plan with updates on the compulsory retirement benefit and the voluntary retirement benefit scheme. The plan provides retirement benefits upon the compulsory retirement at the age of sixty-five (65) or upon voluntary retirement at age sixty (60) or more but not more than age sixty-five (65) with at least five (5) years in service. This is a multi-employer retirement plan, non-contributory, which provides a retirement benefit ranging from 22.5 days pay up to 45 days pay for every year of service.

The retirement benefits liability recognized in the consolidated statements of financial position as at June 30 and December 31 are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|--|-------------------|------------|
| Present value of defined benefits obligation | P2,119,934 | P2,123,518 |
| Fair value of plan assets | (30,869) | (30,869) |
| | P2,089,065 | P2,092,649 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|---|-------------------|------------|
| Balance at beginning of year | P2,123,518 | P1,376,417 |
| Included in Profit or Loss | | |
| Current service cost | 1,791 | 244,167 |
| Interest cost | - | 113,154 |
| Amendment | - | 561,387 |
| | 1,791 | 918,708 |
| Included in Other Comprehensive Income | | |
| Remeasurements gain: | | |
| Financial assumptions | - | (365,154) |
| Experience adjustments | - | 201,016 |
| | - | (164,138) |
| Benefits paid | (6,046) | (7,682) |
| Effect of business combination | 672 | 213 |
| Balance at end of period/year | P2,119,934 | P2,123,518 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|---|----------------|---------|
| Balance at beginning of year | P30,869 | P29,502 |
| Interest income | - | 2,130 |
| Return on plan asset excluding interest | - | (763) |
| Balance at end of period/year | P30,869 | P30,869 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|-------------------------------------|----------------|---------|
| Cash in banks | P592 | P592 |
| Debt instruments - government bonds | 16,418 | 16,418 |
| Trust fees payable | (10) | (10) |
| Other | 13,869 | 13,869 |
| | P30,869 | P30,869 |

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

| | 2024 | 2023 |
|-------------------------|----------------------|---------------|
| Discount rate | 6.1% to 6.9% | 6.1% to 6.9% |
| Future salary increases | 5.0% to 10.0% | 5.0% to 10.0% |

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

The weighted average duration of the defined benefit obligation as June 30, 2024 and December 31, 2023 is 17.6 years and 17.6 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:

2024

| <i>(In thousands)</i> | Increase | Decrease |
|---|-------------------|------------------|
| Discount rate (1% movement) | (P410,198) | P315,474 |
| Future salary increase rate (1% movement) | 397,894 | (313,197) |

2023

| <i>(In thousands)</i> | Increase | Decrease |
|---|------------|-----------|
| Discount rate (1% movement) | (P410,198) | P315,474 |
| Future salary increase rate (1% movement) | 397,894 | (313,197) |

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

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

Funding Arrangements

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

The 10-year maturity analysis of the benefit payments:

| | 2024 (In thousands) | | | | |
|----------------------------|----------------------------|-------------------------------|----------------------|---------------------------|----------------------------|
| | Carrying Amount | Contractual Cash Flows | Within 1 Year | Within 1 - 5 Years | Within 5 - 10 Years |
| Defined benefit obligation | P2,295,125 | P463,280 | P75,743 | P65,157 | P322,380 |

| | 2023 (In thousands) | | | | |
|----------------------------|----------------------------|-------------------------------|----------------------|---------------------------|----------------------------|
| | Carrying Amount | Contractual Cash Flows | Within 1 Year | Within 1 - 5 Years | Within 5 - 10 Years |
| Defined benefit obligation | P2,295,125 | P463,280 | P75,743 | P65,157 | P322,380 |

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 2024.

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 2024.

27. Income Taxes

The provision for income tax consists of:

| <i>(In thousands)</i> | 2024 | 2023 |
|-----------------------|-------------------|-------------|
| Current | P1,954,909 | P1,734,150 |
| Deferred | (86,232) | (85,935) |
| | P1,868,677 | P1,648,215 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|--|-------------------|------------|
| Income before income tax | P8,833,746 | P7,680,243 |
| Income tax expense at the statutory income tax rate: | | |
| Regular - 25% | P2,160,857 | P1,883,229 |
| - 5% | 7,300 | 6,734 |
| Income tax effects of: | | |
| Deduction from gross income due to optional standard deduction | (122,042) | (114,045) |
| Interest income subject to final tax | (199,400) | (169,328) |
| Changes in unrecognized DTA | 3,123 | 5,492 |
| Non-deductible expenses | 6,490 | 14,573 |
| Non-deductible interest expense | 44,717 | 37,072 |
| Other income subject to final tax | (3,412) | (4,251) |
| Share in income of associates and joint ventures | (28,956) | (18,196) |
| Unrealized gross profit | - | 6,934 |
| | P1,868,677 | P1,648,215 |

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

Net deferred tax assets as at June 30 and December 31:

| <i>(In thousands)</i> | 2024 | 2023 |
|---|--------------------|-------------|
| Deferred tax assets (liabilities) on: | | |
| Excess of lease liabilities over ROU assets | P2,754,635 | P2,663,476 |
| Fair value of intangible assets from business combination | (1,149,778) | (1,149,778) |
| Retirement benefits liability | 685,083 | 685,334 |
| Remeasurement on defined benefits liability | (160,102) | (160,102) |
| Accrued rent income | (328,022) | (264,918) |
| Allowance for impairment losses on receivables | 8,404 | 8,335 |
| Advance rent | (36,112) | - |
| Unrealized foreign exchange loss (gain) | (1,326) | (1,187) |
| Others | 5,111 | (40,366) |
| | P1,777,892 | P1,740,794 |

The aggregate current and deferred tax relating to items recognized directly in equity amounted to P3.4 billion in 2024 and 2023, respectively.

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 June and December are as follows:

| <i>(In thousands)</i> | 2024 | 2023 |
|---|-----------------|----------|
| Impairment of property, plant and equipment | P40,009 | P40,009 |
| NOLCO | 80,511 | 80,511 |
| MCIT | 65 | 65 |
| PFRS 16 | - | - |
| Retirement Liability | - | - |
| Unrealized foreign exchange gain (loss) | (218) | (218) |
| | P120,367 | P120,367 |

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

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

| Year Incurred | Amount Incurred | Expired/Applied During the Year | Remaining Balance | Expiration Date |
|---------------|-----------------|---------------------------------|-------------------|-----------------|
| 2020 | P2,298 | P - | P2,298 | 2025 |
| 2021 | 250,535 | - | 250,535 | 2026 |
| 2022 | 58,962 | - | 58,962 | 2025 |
| 2023 | 88,098 | - | 88,098 | 2026 |
| | P399,893 | P - | P399,893 | |

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 |
|---------------|-----------------|---------------------------------|-------------------|-----------------|
| 2020 | P377 | P - | P377 | 2023 |
| 2023 | 49,199 | - | 49,199 | 2026 |
| | P49,576 | P - | P49,576 | |

28. Equity

Capital Stock

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

| | 2024 | | 2023 | |
|------------------------------|------------------|-------------|------------------|-------------|
| | 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 | 7,405,264,000 | P7,405,264 | 7,405,264,000 | P7,405,264 |
| Less treasury shares | 567,431,265 | 2,347,603 | 476,223,865 | 1,945,735 |
| Outstanding | 6,837,832,735 | P5,057,661 | 6,921,192,835 | P5,459,529 |
| Treasury shares: | | | | |
| Balance at beginning of year | 484,071,165 | P1,945,735 | 466,926,165 | P1,866,402 |
| Buy back of shares | 83,360,100 | 401,868 | 17,145,000 | 79,333 |
| Balance at end of year | 567,431,265 | P2,347,603 | 484,071,165 | P1,945,735 |

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1.0 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2024 and 2023, the Company renewed its program to buy back its shares for another year up to P2.0 billion, respectively.

Retained Earnings

Declaration of Cash Dividends

In 2024, 2023, 2022 and 2021, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

| Type | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|------|---------------------|------------------|------------------|--------------------|
| Cash | December 18, 2020 | January 8, 2021 | January 29, 2021 | 0.08 |
| Cash | December 18, 2020 | January 15, 2021 | February 9, 2021 | 0.04 |
| Cash | December 18, 2020 | January 8, 2021 | January 29, 2021 | 0.04 |
| Cash | December 21, 2021 | January 10, 2022 | February 3, 2022 | 0.08 |
| Cash | December 21, 2021 | January 10, 2022 | February 3, 2022 | 0.04 |
| Cash | December 21, 2022 | January 18, 2023 | January 28, 2023 | 0.14 |
| Cash | December 21, 2022 | January 18, 2023 | January 28, 2023 | 0.05 |
| Cash | December 14, 2023 | January 2, 2024 | January 23, 2024 | 0.20 |
| Cash | May 14, 2024 | May 29, 2024 | June 21, 2024 | 0.21 |

As of June 30, 2024 and December 31, 2023, unpaid cash dividends on common shares amounting to P16.2 million and P2.9 billion, respectively, are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

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:

| <i>(In thousands)</i> | Segment Revenues | | Segment Profit | |
|---|-------------------------|-------------|-----------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Grocery retail | P98,497,538 | P91,230,530 | P4,949,112 | P4,399,690 |
| Liquor distribution | 7,718,631 | 6,500,329 | 1,426,217 | 1,157,739 |
| Specialty retail | 995,353 | 1,040,334 | 39,003 | 35,296 |
| Real estate and property leasing | 1,007,523 | 952,449 | 537,628 | 463,397 |
| Energy and minerals | 172,487 | - | 95,016 | - |
| Parent | - | - | 2,364,161 | (24,095) |
| Total | 108,391,532 | 99,723,643 | 9,411,137 | 6,032,028 |
| Eliminations of intersegment revenue/profit | 1,980,466 | 1,542,801 | 2,446,069 | - |
| | P106,411,066 | P98,180,842 | P6,965,069 | P6,032,028 |

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

| <i>(In thousands)</i> | 2024 | 2023 |
|--|---------------------|-------------|
| Grocery retail: | | |
| From external customers | P98,497,538 | P91,230,530 |
| Liquor distribution: | | |
| From external customers | 6,133,813 | 5,351,335 |
| From intersegment sales | 1,584,817 | 1,148,994 |
| | 7,718,630 | 6,500,329 |
| Specialty retail: | | |
| From external customers | 994,202 | 1,038,722 |
| From intersegment sales | 1,151 | 1,612 |
| | 995,353 | 1,040,334 |
| Real estate and property leasing: | | |
| From external customers | 613,025 | 560,255 |
| From intersegment sales | 394,498 | 392,195 |
| | 1,007,523 | 952,449 |
| Energy and minerals | | |
| From external customers | 172,487 | - |
| Total revenue from external customers | P106,411,066 | P98,180,842 |
| Total intersegment revenue | P1,980,466 | P1,542,801 |

No single customer contributed 10% or more to the Group's revenue in 2024 and 2023.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities

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

| <i>(In thousands)</i> | 2024 | 2023 |
|----------------------------------|---------------------|--------------|
| Segment assets: | | |
| Grocery retail | P166,666,317 | P171,720,522 |
| Specialty retail | 1,121,040 | 1,158,660 |
| Liquor distribution | 19,126,770 | 19,014,417 |
| Real estate and property leasing | 26,559,272 | 26,162,843 |
| Energy and minerals | 2,445,311 | - |
| Parent | 116,604,721 | 118,276,181 |
| Total segment assets | 332,523,431 | 336,332,623 |
| Intercompany assets | 107,714,079 | 109,167,598 |
| Total assets | P224,809,352 | P227,165,025 |
| Segment liabilities: | | |
| Grocery retail | P75,926,351 | P83,350,641 |
| Specialty retail | 579,541 | 655,539 |
| Liquor distribution | 3,857,771 | 3,723,769 |
| Real estate and property leasing | 8,088,149 | 8,229,010 |
| Energy and minerals | 974,998 | - |
| Parent | 5,136,657 | 7,282,587 |
| Total segment liabilities | 94,563,467 | 103,241,546 |
| Intercompany liabilities | 15,698,042 | 18,027,598 |
| Total liabilities | P78,865,425 | P85,213,948 |

30. Earnings Per Share

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

| <i>(In thousands except per share data)</i> | 2024 | 2023 |
|--|-------------------|------------|
| Net income attributable to common equity holders of the Parent Company (a) | P4,090,605 | P3,535,197 |
| Weighted average number of common shares (b) | 6,859,128 | 6,930,900 |
| Basic/diluted EPS (a/b) | P0.5964 | P0.5101 |

There were no potential dilutive common shares in 2024 and 2023.

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

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

| <i>(In thousands)</i> | Note | 2024 | 2023 |
|--|-------------|--------------------|-------------|
| Cash and cash equivalents ⁽¹⁾ | 4 | P51,024,949 | P60,441,802 |
| Receivables - net | 5 | 6,391,306 | 7,620,747 |
| Financial assets at FVPL | 7 | 4,626,782 | 4,626,140 |
| Security deposits ⁽²⁾ | 15 | 2,914,851 | 2,815,838 |
| Due from related parties | 25 | 60,671 | 60,502 |
| Financial assets at FVOCI | 8 | 5,399 | 5,399 |
| | | P65,023,958 | P75,570,428 |

⁽¹⁾ Excluding cash on hand.

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

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

| <i>(In thousands)</i> | June 30, 2024 | | | |
|---|----------------------|-------------------|-----------------|--------------------|
| | Grade A | Grade B | Grade C | Total |
| Financial Assets at Amortized Cost | | | | |
| Cash and cash equivalents ⁽¹⁾ | P51,024,949 | P - | P - | P51,024,949 |
| Receivables | 4,496,119 | 1,895,188 | 130,646 | 6,521,952 |
| Due from related parties | 60,671 | - | - | 60,671 |
| Security deposits ⁽²⁾ | - | 2,914,851 | - | 2,914,851 |
| Financial Assets at FVPL | | | | |
| Investments in trading securities | 4,626,782 | - | - | 4,626,782 |
| Financial Assets at FVOCI | | | | |
| Investments in preferred shares | 7,262 | - | - | 7,262 |
| Investment in common shares | | | | |
| Quoted | 3,712 | - | - | 3,712 |
| Unquoted | 2,304 | - | - | 2,304 |
| | P60,221,799 | P4,810,039 | P130,646 | P65,162,483 |

⁽¹⁾ Excluding cash on hand.

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

| <i>(In thousands)</i> | December 31, 2023 | | | |
|---|--------------------------|-------------------|-----------------|--------------------|
| | Grade A | Grade B | Grade C | Total |
| Financial Assets at Amortized Cost | | | | |
| Cash and cash equivalents ⁽¹⁾ | P60,441,802 | P - | P - | P60,441,802 |
| Receivables | 5,850,326 | 1,639,775 | 130,646 | 7,620,747 |
| Due from related parties | 60,502 | - | - | 60,502 |
| Security deposits ⁽²⁾ | - | 2,815,838 | - | 2,815,838 |
| Financial Assets at FVPL | | | | |
| Investments in trading securities | 4,626,140 | - | - | 4,626,140 |
| Financial Assets at FVOCI | | | | |
| Investments in preferred shares | 7,262 | - | - | 7,262 |
| Investment in common shares | | | | |
| Quoted | 3,712 | - | - | 3,712 |
| Unquoted | 2,304 | - | - | 2,304 |
| | P70,992,048 | P4,455,613 | P130,646 | P75,578,307 |

⁽¹⁾ Excluding cash on hand.

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

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

- a. Cash in banks and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.
- b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.
- c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.
- d. Security deposits were assessed as high grade since these have a high probability of collection and there is no history of default.
- e. Due from related parties and security deposits were assessed as high grade since these have a high probability of collection and there is no history of default.

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

Liquidity Risk

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

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

| June 30, 2024 | | | | | |
|--|--------------------|-----------------------|--------------------|-----------------------------|--------------------|
| <i>(In thousands)</i> | Carrying Amount | Contractual Cash Flow | 1 Year or Less | More than 1 Year to 5 Years | More than 5 Years |
| Other Financial Liabilities | | | | | |
| Accounts payable and accrued expenses ⁽¹⁾ | P17,313,518 | P17,313,518 | P17,313,518 | P - | P - |
| Short-term loans | - | - | - | - | - |
| Lease liabilities | 38,188,654 | 78,444,573 | 4,229,684 | 16,973,086 | 57,241,803 |
| Due to related parties | 870,345 | 870,345 | 870,345 | - | - |
| Long-term loans ⁽²⁾ | 15,950,701 | 19,275,739 | 944,750 | 12,914,785 | 5,416,204 |
| Accrued fixed assets | 701,562 | 881,169 | 320,425 | 560,744 | - |
| Customers' deposits ⁽³⁾ | 819,735 | 819,735 | 819,735 | - | - |
| | P73,844,515 | P117,605,079 | P24,498,457 | P30,448,615 | P62,658,007 |

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current, non-current portion and future interest payment.

⁽³⁾ Including current and non-current portion.

| December 31, 2023 | | | | | |
|--|--------------------|-----------------------|--------------------|-----------------------------|--------------------|
| <i>(In thousands)</i> | Carrying Amount | Contractual Cash Flow | 1 Year or Less | More than 1 Year to 5 Years | More than 5 Years |
| Other Financial Liabilities | | | | | |
| Accounts payable and accrued expenses ⁽¹⁾ | P28,142,894 | P28,142,894 | P28,142,894 | P - | P - |
| Short-term loans | - | - | - | - | - |
| Lease liabilities | 38,192,680 | 71,528,912 | 4,081,407 | 15,824,790 | 51,622,715 |
| Due to related parties | 875,105 | 875,105 | 875,105 | - | - |
| Long-term loans ⁽²⁾ | 11,441,129 | 14,107,817 | 617,377 | 8,524,242 | 4,966,198 |
| Accrued fixed assets | 844,303 | 1,041,381 | 320,425 | 720,956 | - |
| Customers' deposits ⁽³⁾ | 793,757 | 793,757 | 793,757 | - | - |
| | P80,289,868 | P116,489,866 | P34,830,965 | P25,069,988 | P56,588,913 |

⁽¹⁾ Excluding due to government agencies.

⁽²⁾ Including current, non-current portion and future interest payment.

⁽³⁾ Including current and non-current portion.

Market Risk

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

The Group is mainly subject to interest rate risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

Capital Management

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

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

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

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

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

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at June 30, 2024 and December 31, 2023.

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

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

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

Security Deposits

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

Financial Assets at FVPL (Level 2)

The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)

The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

Financial Assets at FVOCI - Unquoted

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

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties

The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits

The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

Fair Value Hierarchy

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

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

As at June 30, 2024 and December 31, 2023, 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.