CR04126-2021

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - ○ Preliminary Information Statement
   - ◉ Definitive Information Statement
2. Name of Registrant as specified in its charter
   Cosco Capital, Inc.
3. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
4. SEC Identification Number
   147669
5. BIR Tax Identification Code
   000-432-378
6. Address of principal office
   No. 900 Romualdez St., Paco, Manila
   Postal Code
   1007
7. Registrant's telephone number, including area code
   (632) 8522-8801 to 04
8. Date, time and place of the meeting of security holders
   June 25, 2021, 10am, via live - stream
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Jun 4, 2021
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    We are not asking for Proxy Solicitations
    Address and Telephone No.
    N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	7,193,938,064

13. Are any or all of registrant's securities listed on a Stock Exchange?
    - ◉ Yes ○ No

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

Philippine Stock Exchange, Inc. , common shares

Cosco Capital, Inc.
COSCO

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 25, 2021
Type (Annual or Special)	Annual
Time	10:00am
Venue	via live - stream
Record Date	Apr 22, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Apr 23, 2021
End date	Apr 26, 2021

Other Relevant Information
Please see attached Definitive Information Statement of Cosco Capital, Inc.

Filed on behalf by:

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

June 4, 2021

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

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

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

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

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

Gentlemen:

For submission is the **Definitive Information Statement (DIS) of Cosco Capital, Inc.** for its 2021 Annual Stockholders' Meeting to be held on June 25, 2021, 10 am, via live stream.

Please see below Cosco's Response/Compliance to SEC Comments:

Proof of Publication of Notice of Meeting	Annex "J" and "K" of DIS
Date, Time, Place of Meeting	Page 5 of DIS
Certification that none of the directors or officers works in the government	Annex "I" of DIS
Election of Directors	Page 7 and Page 11 of DIS
Independent Directors	Page 11 of DIS
Summary Compensation Table	Page 17 of DIS
Rotation of External Auditor	Page 18 of DIS
Market where Registrant's Equity is traded	Pages 24 – 26 of DIS
Compliance with Section 49 of the RCC	Pages 23 – 24 of DIS

The notice of meeting and explanation of the agenda were published in Philippine Daily Inquirer and Philippine Star on May 26 and 27, 2021.

The following documents are attached to the Information Statement:

1. Annex A – 2020 Consolidated Audited Financial Statements
2. Annex B – 2020 Management Discussion and Analysis
3. Annex C – 1st Quarter Financial Report 2021
4. Annex D – Voting Form
5. Annex E – Guidelines to Participate in the Meeting

6. Annex F – Certificate of Independent Director – Robert Y. Cokeng
7. Annex G – Certificate of Independent Director – Oscar S. Reyes
8. Annex H - Certificate of Independent Director – Bienvenido E. Laguesma
9. Annex I – Certification No Directors or Employees working in Government
10. Annex J – Proof of Publication of Notice of Meeting in Philippine Daily Inquirer
11. Annex K - Proof of Publication of Notice of Meeting in Philippine Star
12. Annex L – Proof of Payment

The Company will upload the Definitive Information Statement on its website and the PSE Edge. The Company will send a link to access the uploaded DIS to SEC – MSRD immediately after uploading the DIS.

Thank you,

Candy H. Dacanay – Datuon
Compliance Officer

COVER SHEET

0 0 0 0 0 1 4 7 6 6 9

SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

CANDY H. DACANAY-DATUON

(02) 8522-8801 to 04

(Company Telephone Number)

1 2	3 1	SEC FORM 20-IS	0 6	2 5
Month	**Day**	(Form Type)	**Month**	**Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

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

2. Name of Registrant as specified in its charter: **COSCO CAPITAL, INC.**

3. **No. 900 Romualdez St., Paco, Manila**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **147669**

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

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

7. Registrant's telephone number, including area code: **02-8523-3055**

8. **Via live – stream**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 4, 2021**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Share	**7,196,479,564**

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

    Yes [x] No [ ]

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Our Stockholders:

Please be informed that the Annual Stockholders' Meeting of **COSCO CAPITAL, INC.** will be on **June 25, 2021, 10:00 am**, via live stream.

AGENDA

1. Call to Order

2. Certification of Notice and Quorum

3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management since the last stockholders' meeting

4. Annual Report and Approval of the 2020 Audited Financial Statements

5. Election of Directors and Confirmation of the Eligibility of Independent Directors for Election

6. Re-appointment of External Auditor and fixing its remuneration

7. Other Matters

8. Adjournment

Only stockholders on record as of April 22, 2021 are entitled to notice and vote in the meeting.

Considering the COVID 19 pandemic, the stockholders may only participate in the meeting by remote communication, *in absentia* or by appointing the Chairman of the meeting as their proxy. The requirements and procedures in participating *in absentia* or by remote communication is attached in the Information Statement as Annex "E".

The Information Statement will be accessible on the company website www.coscocapital.com starting June 4, 2021.

The stockholders who are attending by proxies should e-mail their duly accomplished proxies to corporate.governance@coscocapital.com on or before June 22, 2021. The company's stock transfer agent, RCBC Stock Transfer, will validate the votes on June 23, 2021, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Manila, June 4, 2021.

Candy H. Dacanay – Datuon
Assistant Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order

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

2. Certification of Notice and Quorum

The Assistant Corporate Secretary, Atty. Candy H. Dacanay - Datuon, will certify that notice of the meeting to stockholders was posted in the Philippine Stock Exchange Edge platform and duly published according to the Notice of the Securities and Exchange Commission dated March 16, 2021. She will also certify that there is a quorum to transact business in the meeting.

3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management

The Minutes of the August 18, 2020 Annual Meeting is posted on the company website. A resolution presenting the said Minutes and the ratification of the Board of Directors and Management's acts and resolutions since the last stockholders' meeting will be presented to the stockholders for approval.

4. Annual Report and Approval of the 2020 Consolidated Audited Financial Statements

The Company will show a video presentation to present the Company's 2020 Annual Report and Consolidated Audited Financial Statements to the stockholders. A resolution ratifying the Annual Report and the 2020 Consolidated Audited Financial Statements will be presented to the stockholders for their approval.

5. Election of Directors including independent directors

The Chairman of the meeting will announce the names of the nominees for the election of directors and will open the floor for stockholders' voting. The Chairman will also ask the stockholders to approve the eligibility of two independent directors, Mr. Oscar Reyes and Mr. Robert Cokeng, to be nominated and elected as independent directors for another two years despite the lapse of their 9-year term. However, the Board of Directors decided to extend their term for another two years for the following reason:

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

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

6. Re-appointment of External Auditor and fixing its remuneration

A resolution for R.G. Manabat & Company (KPMG) re-appointment and its proposed remuneration of up to P8 million as External Auditor of the Company and its subsidiaries for the year 2021 will be presented to the stockholders for approval.

7. Other Matters

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

PART 1: INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) June 25, 2021, 10:00 AM, via live stream
Principal Office: No. 900 Romualdez St., Paco, Manila 1007

(b) The Information Statement, together with all the attachments and Voting Form (*Annex "D"* hereof), will be available on the company's website www.coscocapital.com beginning on June 4, 2021.

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

Item 2. Dissenters' Right of Appraisal

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of outstanding shares as of record date April 22, 2021:

7,196,479,564 common shares

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

(b) All stockholders on record as of April 22, 2021 shall be entitled to participate and vote in the meeting.

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

On April 6, 2021 special board meeting of the company, the board allows the stockholders to attend and vote *in absentia*, details of which are provided in the notice of the meeting and in the Guidelines hereto attached as Annex “E”.

(d) Security Ownership of Certain Beneficial Owners and Management

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

Title of Class	Name, address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Lucio L. Co, No. 2 Pili Avenue, South Forbes Park, Makati City	Chairman	Direct	Filipino	2,380,741,492	33.08%
Common	Susan P. Co, No. 2, Pili Avenue, South Forbes Park, Makati City	Vice-Chairman	Direct	Filipino	1,780,182,230	24.73%

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

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

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

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

5. Foreign ownership level as of April 30, 2021:

961,096,467 common shares or 13.36% of the outstanding capital stock.

Item 5. Directors and Executive Officers

(A) Presented below are the business profile of the company's Directors, Executive Officers and Key Officers.

(1) Directors

The board of directors of the company is composed of nine members, eight males and one female. No director of the company concurrently serves as a director in five or more listed companies.

The following directors are the nominees for directorship in the ensuing year 2021 to 2022.

The business experience of the directors are as follows:

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

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

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

He is one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Copy of the Certificate of Independent Director of Mr. Cokeng is attached as *Annex "F".*

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

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

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

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

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

Copy of the Certificate of Independent Director of Mr. Reyes is attached as *Annex "G".*

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

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

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

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

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

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

Copy of the Certificate of Independent Director of Mr. Laguesma is attached as *Annex “H”.*

The above-named Independent Directors are also the same nominees for Independent Directors in the Annual Stockholders Meeting for the term 2021 - 2022. They were nominated by the Chairman, Mr. Lucio L. Co. The Chairman is not related to any of the Independent Directors.

The Corporate Governance Committee is performing the functions of the Nomination Committee in selecting nominees for election of directors. The Chairman of the Corporate Governance Committee is Mr. Oscar S. Reyes (ID) and the members are Mr. Bienvenido E. Laguesma (ID), Mr. Roberto Juanchito T. Dispo and Mr. Leonardo B. Dayao.

(2) Executive Officers

Every after the annual stockholders' meeting, the board convenes for an organizational meeting and appoint officers who will assume the positions of President, Treasurer, Corporate Secretary, Compliance Officer, Lead Independent Director, Internal Auditor, and the members of the committee.

For the year 2020, the organizational meeting took place on August 18, 2020. The board renewed the appointment of the following officers:

TEODORO A. POLINGA, Filipino, 62 years old,
Group Comptroller

Mr. Polinga joined Cosco Capital in July 2014 as Group Comptroller. In April 2015, he was concurrently appointed as Comptroller of Puregold Price Club, Inc. where he previously had a brief engagement as Senior Manager, Office of the President seconded as Head of Accounting Department from February-October 2013.

From November 2013 to June 2014, he was involved with another business development project as the founding President and Director of MTM Ship Management (Philippines), Inc., to provide ship crewing and management services for MTM Ship Management - Singapore.

Prior to his joining the Cosco Capital Group, he was involved as founding Executive Director and Chief Finance Officer of Alchem Energy Limited in Singapore from 2010 to 2012 following a two-years engagement as Deputy CFO of the Libyan Operations of an Indonesian EPC company, Citramega Karya Gemilang (CKG), based in Tripoli, Libya from May 2008 to April 2010.

Mr. Polinga was a member of the Board of Directors and Chief Finance Officer of Phoenix Petroleum Philippines, Inc. from February 2007 to February 2008 when Phoenix became the first publicly listed independent oil company under the deregulated oil industry regime in the Philippines. Prior to joining Phoenix Petroleum, he had more than 6 years experience in the petroleum retail industry as Senior Vice President/Executive Vice President of Citadel Commercial Group, one of the largest multi-brand petroleum retail dealers in the Philippines.

Mr. Polinga started his career in public accountancy at SGV & Company from June 1979 to May 1981 which became his springboard in pursuing a career in international controllership as well as corporate financial management in the next two decades in the fields of international construction, oil exploration, real estate development, agribusiness and ship management.

Mr. Polinga is a Sustaining Life Member of the Philippine Institute of Certified Public Accountants (PICPA), Member/Past Director of the Rotary Club of Makati – Legazpi and Director & Vice President of B.F. International Homeowners Association.

Mr. Polinga graduated with honors, magna cum laude, from the Holy Name University (Formerly Divine Word College of Tagbilaran City) with a degree of Bachelor of Science in Commerce, major in Accounting in 1978 and completed a Management Development Program from the Asian Institute of Management in 1990.

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

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

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

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished

Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

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

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

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

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

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

***Andres S. Santos,** Filipino, 71 years old,*
Legal Counsel since 2004

Atty. Santos has been the company's Legal Counsel since 2010. Before joining the company, he worked as a practicing lawyer in Jose S. Santos, Jr. & Associates. Atty. Santos graduated with a degree of Bachelor of Arts from Arellano University in 1974. He took Bachelor of Laws from the University of the East and graduated in 1978. Atty. Santos passed the bar examination in 7th place.

(3) Key Officers in Subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

JP is currently the President of Premier Wines and Spirits, Inc. - one of the leading companies in the imported wine and spirits industry - and a company he helped co-found in 1996.

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

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

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

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

(B) Significant Employees

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

(C) Family Relationships

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Pamela Justine P. Co are children of Mr. and Mrs. Co.

(D) Involvement in Certain Legal Proceedings

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

(1) Bankruptcy case.

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

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

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

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

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

(G) The company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.

Item 6. Compensation of Directors and Executive Officers

The company pays a fixed monthly compensation to all its employees subject to periodic performance review. The members of the board receive per diem allowances of P50,000.00 per attendance in board meetings and P20,000 per attendance in committee meetings. No director participates in any discussion regarding his or her compensation.

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

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Lucio L. Co, Chairman				
Susan P. Co, Vice-Chairman				
Leonardo B. Dayao, President				
Teodoro A. Polinga, Comptroller				
Andres S. Santos, Legal Counsel				
Aggregate compensation of the President and the four most highly compensated officers	2019	P7,200,000.00	-	-
	2020	P7,005,415.34	-	-
	2021 Projected	P7,005,415.34	-	-
Aggregate compensation paid to all other officers and managers	2019	P3,960,000.00	-	-
	2020	P3,139,196.00	-	-
	2021 Projected	P2,952,000.00	-	-

(B) Standard Arrangements

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

(C) Other Arrangements

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

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

All employees, including executive and principal officers, have employment contracts with the company, which are consistent with the existing labor laws of the country. The company has a retirement plan for its employees that is also in concordance with current labor laws.

(E) Warrants and Options

None.

Item 7. Independent Public Accountants

(a) The company's external auditor for 2020 is:

Mr. Dindo Marco M. Dioso

Handling Audit Partner
CPA License No. 0095177
SEC Accreditation No. 95177 (Group A) valid until 2023
R.G. Manabat & Co.
The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines 1226
+63 (2) 885 7000

(b) Upon the favorable recommendation of the Audit Committee, the board is recommending the same principal accountant for the year 2021.

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

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

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

(f) The company paid the independent accountant the following fees:

Cosco Group	2018	2019	2020
	Php8,780,500	Php8,360,500	Php8,010,500

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

(g) The company is compliant with Part 3 B (ix) of the Revised SRC Rule 68 on the rotation of external auditors or signing partner after every five (5) years of engagement. Mr. Dioso was engaged as handling audit partner in 2018. Prior to Mr. Dioso, Mr. Darwin Virocel was the handling external auditor of the company.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken up with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the company during the meeting.

Item 10. Modification or Exchange of Securities

No action is to be taken up with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Attached hereto are the following:

Annex "A"	2020 Consolidated Audited Financial Statements
Annex "B"	Management Discussion and Analysis
Annex "C"	First Quarter - 2021 Financial Report

Item 12. Mergers, Consolidations, Acquisitions and Similar Matter

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

No action is to be taken up with respect to the restatement of any asset, capital, or surplus account of the company during the meeting.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Minutes of the 2020 Annual Stockholders' Meeting including the President's Report and the 2020 Consolidated Audited Financial Statements.

(b) Annual Report including the 2020 Consolidated Audited Financial Statements.

Item 16. Matters Not Required to be Submitted

No action is to be taken up with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken up with respect to any amendment of charter or bylaws.

Item 18. Other Proposed Action

(a) Ratification of all the acts and resolutions of the board of directors and management from the date of the previous stockholders' meeting.

Date	Items approved by the board of directors
June 9, 2020	2019 Audited Financial Statements and 1Q Financial Report 2020
July 10, 2020	Details of 2020 Annual Stockholders Meeting
August 11, 2020	2Q Financial Report 2020
August 18, 2020	Organizational Meeting
November 6, 2020	3Q Financial Report
December 18, 2020	Cash Dividend Declaration and Renewal of Buy Back Program

(b) Re-election of the following regular directors and Confirmation of the Eligibility of Mr. Robert Cokeng and Mr. Oscar Reyes.

Mr. Lucio L. Co
Mrs. Susan P. Co
Mr. Leonardo B. Dayao
Mr. Levi B. Labra
Mr. Roberto Juanchito T. Dispo
Mr. Jaime J. Bautista
Mr. Bienvenido E. Laguesma

On April 6, 2021, the board of directors approved to extend the term of Mr. Robert Cokeng and Mr. Oscar Reyes to serve as independent directors for another two years. Mr. Cokeng and Mr. Reyes' 9-year term as independent directors would have ended this year, 2021. The justification for the extension is as follows:

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

(c) Re-appointment of RG Manabat & Company as external auditor and fixing its audit service fees at P8 million.

Item 19. Voting Procedures

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

(b) The stockholders may cast their votes by sending proxies, or *in absentia* by any means of remote communication. The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date.

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

All votes of the stockholders must be submitted by email to corporate.governance@coscocapital.com on or before June 22, 2021.

(c) The company will engage the services of its Stock Transfer Agent, RCBC Transfer Agent, to count and validate the votes of the stockholders.

E. CORPORATE GOVERNANCE

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

(b) The Company has three independent directors to ensure that the management has independent views and is abreast of the practices of other companies in keeping good corporate governance.
(c) There has been no report of violation of Revised Manual on Corporate Governance since the board adopted it.

(d) Prior to the pandemic, the Company conducted an annual corporate governance training for all its directors and officers, the details are as follows:

Year	Date	Time	Venue	Seminar Provider
2015	June 22	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2016	March 4	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2017	February 28	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2018	February 23	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2019	May 14	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company

(e) The Company's directors act on a fully informed basis, with due diligence and care required from them by law and taking into consideration all the stakeholders.

(f) The board regularly approves Company objectives and plans and monitors its implementation.

(g) It is headed by a competent and qualified Chairman who has more than 40 years of experience in retail operations.

(h) The board meets at least six times a year and schedules the meetings before the start of the financial year. In 2020, the board held meetings on February 3, June 9, August 11, August 18, November 6 and December 18.

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

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

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

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

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

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

(l) Committee Membership

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

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

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

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

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

In the conduct of 2021 annual meeting, the company will endeavor to present the following items to the stockholders, either during the actual meeting or by presenting them to the Information Statements, for their information and guidance.

1. Minutes of the most recent regular meeting; the voting and vote tabulation procedures used in the previous meeting; the opportunity given to stockholders to ask questions and a record of questions asked and answers given; the matters discussed and resolutions reached; record of voting results for each agenda item; list of directors, officers and stockholders who attended the meeting.

2. Material information on the current stockholders and their voting rights.

3. Detailed, descriptive and balanced and comprehensible assessment of the company's performance.

4. Annual Financial Statement for the preceding year.

5. Dividend Policy of the company and the fact of payment of dividends.

6. Qualifications, relevant experience, length of service, and trainings and continuing education of directors.

7. Attendance Report of the directors.

8. Appraisal and performance reports for the board of directors.

9. Compensation Report of the directors.

10. Director disclosure on self-dealings and related party transactions.

11. Profile of directors nominated for re-election.

In the previous stockholders' meeting held on August 18, 2020, stockholders representing 6,331,155,334 common shares or 88% of the outstanding capital stock attended the meeting via live stream and voted as follows:

	FOR	AGAINST	ABSTAIN	TOTAL VOTES
1. Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management since the last stockholders' meeting.	6,308,269,134	0	22,886,200	6,331,155,334
2. Annual Report and Approval of the 2019 Audited Financial Statements	6,303,975,334	0	27,180,000	6,331,155,334
3. Re-appointment of RG Manabat & Company as External Auditor for the year 2020 and up to the total amount of P2.6 million as audit fee	6,308,269,134	0	22,886,200	6,331,155,334
4.a. Election of Lucio L. Co	6,233,313,319	74,955,815	22,886,200	6,331,155,334
4.b. Election of Susan P. Co	5,987,063,281	321,205,853	22,886,200	6,331,155,334
4.c. Election of Leonardo B. Dayao	6,242,433,419	65,835,715	22,886,200	6,331,155,334
4.d. Election of Roberto Juanchito T. Dispo	5,998,880,796	309,388,338	22,886,200	6,331,155,334
4.e. Election of Levi B. Labra	6,055,477,196	252,791,938	22,886,200	6,331,155,334
4.f. Election of Jaime J. Bautista	6,282,101,234	26,167,900	22,886,200	6,331,155,334
4.g. Election of Robert Y. Cokeng - ID	6,016,887,296	291,381,838	22,886,200	6,331,155,334
4.h. Election of Oscar S. Reyes - ID	5,876,717,581	431,551,553	22,886,200	6,331,155,334
4.i. Election of Bienvenido E. Laguesma - ID	6,072,517,096	235,752,038	22,886,200	6,331,155,334

After all the agenda items, the Chairman of the meeting proceeded to the Open Forum to allow any stockholder to ask the Board or the management any question. However, no stockholder raised a question.

For disclosures on self-dealings and related party transactions, please refer to 2020 Audited Financial Statements hereto attached as *Annex "A".*

F. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

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

Stockholders

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

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

1	CO, LUCIO L.	2,380,741,492.00	33.08%
2	CO, SUSAN P.	1,780,182,230.00	24.73%
3	CITIBANK N.A	339,504,141.00	4.72%
4	THE HSBC	256,640,427.00	3.57%
5	DEUTSCHE BANK MANILA-CLIENTS A/C	248,252,107.00	3.45%
6	ELLIMAC PRIME HOLDINGS, INC.	244,228,990.00	3.39%
7	CO, FERDINAND VINCENT P.	225,141,822.00	3.13%
8	CO, PAMELA JUSTINE P.	225,120,671.00	3.13%
9	STANDARD CHARTERED BANK	221,443,676.00	3.08%
10	VFC LAND RESOURCES, INC.	220,066,929.00	3.06%
11	KMC REALTY COPORATION	150,832,231.00	2.10%
12	CO, CAMILLE CLARISSE P.	106,838,231.00	1.48%
13	ANSALDO GODINEZ & CO., INC.	92,911,736.00	1.29%
14	KATRINA MARIE P. CO	58,884,384.00	0.82%
15	SPC RESOURCES, INC.	58,500,000.00	0.81%
16	COL FINANCIAL GROUP, INC.	48,508,968.00	0.67%
17	BDO SECURITIES CORPORATION	39,477,371.00	0.55%
18	ABACUS SECURITIES CORPORATION	30,198,766.00	0.42%
19	FIRST METRO SECURITIES BROKERAGE CORP.	28,425,277.00	0.39%
20	SB EQUITIES, INC.	28,372,535.00	0.39%

Dividends

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

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

**In Philippine Peso*

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

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

Recent Sales of Securities

None.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, we hereby certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila, Philippines on June 4, 2021.

COSCO CAPITAL, INC.

By:

Candy H. Dacanay – Datuon
Assistant Corporate Secretary

ANNEX "A"

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 8 1 3 7 5 4

COMPANY NAME

C O S C O C A P I T A L , I N C . A N D
S U B S I D I A R I E S

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

9 0 0 R o m u a l d e z S t r e e t
P a c o , M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

900 Romualdez, Street, Paco, Manila

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

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

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **COSCO CAPITAL, INC. AND SUBSIDIARIES** (the "Group"),- is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature ____________________
LUCIO L. CO/Chairman of the Board

Signature ____________________
LEONARDO B. DAYAO/ President

Signature ____________________
TEODORO A. POLINGA/ Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ______ day of APR 1 9 2021 affiants exhibiting to me their respective Tax Identification Number, as follows:

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

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

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

Signed this ___day of APR 1 9 2021, 2021

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

Revenue Recognition (P180.5 billion)
Refer to Notes 3 and 19 to the consolidated financial statements.

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

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

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

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

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

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

May 5, 2021
Makati City, Metro Manila

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

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P48,867,746**	P24,402,014
Receivables - net	*5*	**10,308,181**	16,637,892
Inventories	*6, 20*	**24,914,272**	24,722,271
Financial assets at fair value through profit or loss	*7*	**2,411,375**	34,921
Financial assets at fair value through other comprehensive income	*8*	**8,365**	9,209
Due from related parties	*25*	**184,852**	192,068
Prepaid expenses and other current assets	*9*	**1,450,993**	2,000,500
Total Current Assets		**88,145,784**	67,998,875
Noncurrent Assets			
Investments in associates and joint ventures	*10*	**729,910**	741,175
Right of use of assets - net	*21*	**24,270,253**	21,700,103
Property and equipment - net	*11*	**28,683,979**	27,927,953
Investment properties - net	*12*	**11,145,393**	11,125,998
Goodwill and other intangibles - net	*13*	**21,074,975**	21,089,717
Deferred tax assets - net	*27*	**902,719**	566,284
Deferred oil and mineral exploration costs - net	*14*	**-**	-
Other noncurrent assets	*15*	**3,236,811**	3,299,789
Total Noncurrent Assets		**90,044,040**	86,451,019
		P178,189,824	P154,449,894

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P16,667,022**	P15,127,981
Income tax payable		**1,534,051**	1,164,727
Lease liabilities due within one year	*21, 25*	**1,035,180**	567,682
Short-term loans	*17*	**42,000**	871,124
Current maturities of long-term loans due within one year	*17*	**3,766,957**	43,685
Due to related parties	*25*	**762,031**	1,343,460
Other current liabilities	*18*	**662,449**	596,992
Total Current Liabilities		**24,469,690**	19,715,651

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2020**	2019	2018
NET INCOME		**P10,008,926**	P15,393,207	P8,481,804
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits		**(250,368)**	(316,310)	231,525
Unrealized gain (loss) on financial assets	*8*	**(844)**	2,182	(1,592)
Income tax effect		**74,806**	96,421	(69,081)
		(176,406)	(217,707)	160,852
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P9,832,520**	P15,175,500	P8,642,656
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**5,811,794**	P11,419,798	P5,465,351
Non-controlling interests	*28*	**4,020,726**	3,755,702	3,177,305
		P9,832,520	P15,175,500	P8,642,656

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retirement Benefits Reserve	Other Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2017	P7,405,264	P9,634,644	(P628,203)	P28,365	P5,012	P37,394,017	P53,839,099	P23,212,338	P77,051,437
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,381,485	5,381,485	3,100,319	8,481,804
Other comprehensive income (loss)	-	-	-	85,457	(1,592)	-	83,865	76,987	160,852
	-	-	-	85,457	(1,592)	5,381,485	5,465,350	3,177,306	8,642,656
Acquisition of treasury shares	-	-	(569,524)	-	-	-	(569,524)	-	(569,524)
Balance at December 31, 2018	7,405,264	9,634,644	(1,197,727)	113,822	3,420	42,775,502	58,734,925	26,389,644	85,124,569
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	11,597,381	11,597,381	3,795,826	15,393,207
Other comprehensive income (loss)	-	-	-	(108,410)	2,182	-	(106,228)	(111,479)	(217,707)
	-	-	-	(108,410)	2,182	11,597,381	11,491,153	3,684,347	15,175,500
Issuance of shares by a subsidiary									
Gain on dilution of ownership interest	-	-	-	-	-	1,313,808	1,313,808	-	1,313,808
Increase in noncontrolling interests	-	-	-	-	-	-	-	3,321,772	3,321,772
	-	-	-	-	-	1,313,808	1,313,808	3,321,772	4,635,580
Acquisition of treasury shares	-	-	(206,247)	-	-	-	(206,247)	-	(206,247)
Cash dividends	-	-	-	-	-	(1,519,479)	(1,519,479)	(1,149,139)	(2,668,618)
Balance at December 31, 2019	7,405,264	9,634,644	(1,403,974)	5,412	5,602	54,167,212	69,814,160	32,246,624	102,060,784
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Other comprehensive loss	-	-	-	(87,557)	(844)	-	(88,401)	(88,005)	(176,406)
	-	-	-	(87,557)	(844)	5,900,195	5,811,794	4,020,726	9,832,520
Acquisition of treasury shares	-	-	(248,887)	-	-	-	(248,887)	-	(248,887)
Cash dividends	-	-	-	-	-	(1,151,721)	(1,151,721)	(713,368)	(1,865,089)
Balance at December 31, 2020	**P7,405,264**	**P9,634,644**	**(P1,652,861)**	**(P82,145)**	**P4,758**	**P58,915,686**	**P74,225,346**	**P35,553,982**	**P109,779,328**

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P13,833,533**	P18,914,672	P11,767,666
Adjustments for:				
Depreciation and amortization	*11, 12, 13, 21*	**4,195,584**	3,423,159	3,537,746
Interest expense	*17, 21*	**2,198,570**	2,076,648	1,922,956
Interest income	*4, 25*	**(696,110)**	(837,882)	(200,434)
Retirement benefits cost	*26*	**235,531**	136,099	171,120
Impairment loss on property and equipment	*11*	**160,037**	-	-
Impairment loss on receivables	*5*	**64,689**	8,649	12,798
Gain from sale of financial assets through profit or loss	*7, 24*	**(36,230)**	-	-
Gain from pre-terminated lease contracts	*21, 24*	**(29,811)**	(42,460)	(37,850)
Unrealized foreign exchange loss (gain)		**19,482**	(28,805)	(24,200)
Share in losses (income) of joint ventures and associate	*10, 24*	**15,313**	(11,044)	(17,142)
Unrealized loss on financial assets at FVPL	*7, 24*	**7,407**	1,582	10,385
Gain on disposal of property and equipment	*11, 24*	**(739)**	-	(15,815)
Dividend income	*25*	**(652)**	(652)	(680)
Gain on insurance claims	*24*	**(513)**	(3,503)	(3,383)
Gain on sale of subsidiary/joint venture	*10, 33*	**-**	(6,073,605)	(362,810)
Impairment loss on deferred oil and mineral exploration costs	*14, 23*	**-**	128,090	-
Operating income before changes in working capital		**19,966,091**	17,690,948	16,760,357
Decrease (increase) in:				
Receivables		**129,711**	1,883,294	268,339
Inventories		**(192,002)**	(790,614)	(3,264,295)
Prepaid expenses and other current assets		**369,275**	608,230	(297,664)
Due from related parties		**7,216**	(144,097)	(23,398)
Increase (decrease) in:				
Accounts payable and accrued expenses		**2,344,714**	1,362,540	2,077,246
Due to related parties		**(581,429)**	(22,403)	578,828
Other current liabilities		**65,457**	162,091	(70,506)
Other noncurrent liabilities		**19,013**	(40,123)	(705,043)
Cash generated from operations		**22,128,046**	20,709,866	15,323,864
Income taxes paid	*27*	**(3,714,508)**	(3,566,714)	(3,137,784)
Interest received	*4*	**459,065**	485,892	200,434
Retirement benefits paid	*26*	**(8,839)**	(4,085)	(1,675)
Net cash provided by operating activities		**18,863,764**	17,624,959	12,384,839

Forward

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

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

2. Basis of Preparation

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

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

Historical cost is used as the measurement basis except for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimates

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

Estimating Allowance for Impairment Losses on Receivables (Note 5)

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

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

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

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

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

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

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 13)

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

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

Impairment of Other Non-Financial Assets

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

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

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

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

- significant negative industry or economic trends.

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

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

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

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

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

As at December 31, 2020 and 2019, the Group recognized net deferred tax assets amounting to P758.1 million and P437.7 million, respectively.

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

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective June 1, 2020

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

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

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

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

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

Effective January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2023

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

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

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

Consolidation

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

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

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

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

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

Business Combinations

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

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

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

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

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

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

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

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

Segment Reporting

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

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

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

Financial Instruments

Financial Assets

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

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

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

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

- The contractual cash flow characteristics of the financial asset

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020 and 2019, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Properties

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

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

	Number of Years
Land improvements	25
Buildings	10 - 50

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

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

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

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

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

Construction in Progress

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

Assets Held for Sale

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

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

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

Intangible Assets

Goodwill and Impairment of Goodwill

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

Other Intangible Assets

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

Impairment of Non-current Assets Other than Goodwill

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

<u>Equity</u>

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrowing Costs

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

Income Taxes

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

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

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

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

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

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

5. Receivables

This account consists of:

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

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

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

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

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

6. Inventories

This account consists of:

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

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

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

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

The movements in these securities are as follows:

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

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

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

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

The quoted shares are designated as FVOCI.

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

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

The movements in this account are as follows:

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

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

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

9. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

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

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

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

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

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

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

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

10. Investments in Associates and Joint venture

This account consists of:

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

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

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

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

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

PERNOD

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

The changes in the carrying amounts of are as follows:

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

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

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

Investment in Joint Ventures

AyaGold Retailers, Inc.

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

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

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

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

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

**Unrecognized share in net income*

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

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

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

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

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

11. Property and Equipment

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

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

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

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

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

12. Investment Properties

This account consists of:

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

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

As at December 31, 2020 and 2019, the fair value of the investment properties amounted to P38.0 billion based on independent appraisals obtained in 2019. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 3 under the fair value hierarchy.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P1.3 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively (see Note 29).

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

13. Goodwill and Other Intangibles

This account consists of:

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

Goodwill

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

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

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

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

VIU

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

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

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

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

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

Computer Software and Licenses

The movements in computer software and licenses are as follows:

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

Leasehold Rights

The movements in leasehold rights are as follows:

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

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

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

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

Forward

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

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

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

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

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

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

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

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

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

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

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

b. <u>SC 14 C2 - West Linapacan</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Other Noncurrent Assets

This account consists of:

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

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

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

16. Accounts Payable and Accrued Expenses

This account consists of:

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

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

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

17. Loans Payable

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

a. Short-term Loans

Details of short-term loans follow:

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

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

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

b. Long-term Loans

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

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

a. *Cosco*

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

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

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

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

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

b. *PPCI*

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

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

In 2019, PPCI fully paid the outstanding balance.

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

c. *KMC*

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

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

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

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

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

The movements in debt issuance costs are as follows

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

Changes in Liabilities Arising from Financing Activities:
The movements and balances of this account are as follows:

	Short Term Loans Payable	Long Term Loans Payable	Dividend Payable (Notes 16 and 28)	Lease Liabilities (Note 21)	Total
Balance at January 1, 2020	**P871,124**	**P5,138,262**	**P1,356,031**	**P26,666,941**	**P34,034,358**
Changes from financing cash flows:					
Peymant of loans	**(829,124)**	**(450,000)**	-	-	**(1,279,124)**
Availment of loans	-	**12,000,000**	-	-	**12,000,000**
Paymant of debt issuance cost	-	**(129,000)**	-	-	**(129,000)**
Lease payments	-	-	-	**(540,950)**	**(540,950)**
Payment of dividends	-	-	(1,356,031)	-	(1,356,031)
Total changes from financing cash flows	**(829,124)**	**11,421,000**	**(1,356,031)**	**(540,950)**	**8,694,695**
Other Changes					
Liability-related					
Additions	-	-	-	**2,693,706**	**2,693,706**
Amortization of debt issuance cost	-	**10,438**	-	-	**10,438**
Other lease adjustments	-	-	-	**1,362,673**	**1,362,673**
Declaration of dividends	-	-	**2,180,396**	-	**2,180,396**
Total liability-related changes	-	10,438	**2,180,396**	**4,056,379**	**6,247,213**
Belence et December 31, 2020	P42,000	**P16,569,700**	**P2,180,396**	**P30,184,370**	**P48,976,466**

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

18. Other Current Liabilities

This account as at December 31 consists of:

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

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

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2020 and 2019. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

(In thousands)	**2020**	2019
Beginning balance	**P157,477**	P127,912
Add receipts	**724,624**	481,759
Less sales recognized	**671,713**	452,194
Ending balance	**P210,388**	P157,477

19. Revenues

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

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

Forward

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

20. Cost of Revenues

Cost of goods sold consists of:

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

Cost of rent consists of:

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

21. Leases

As Lessee

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

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

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

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

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

The movements in lease liabilities are as follows:

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

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

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

The following are the amounts recognized in profit or loss:

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

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

Low-value assets pertain mainly to credit card terminals, G4s cash solutions technology and office spaces.

As Lessor

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

The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there are no outstanding charges against the tenant. Customers' deposits amounted to P684.4 million and P638.0 million as at December 31, 2020 and 2019, composed of current and noncurrent portion, broken down as follows:

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

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

Rent income recognized as part of "Revenues" account in profit or loss amounted to P1.2 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively.

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

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

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

Rent income recognized as part of "Other revenue" account in profit or loss amounted to P277.0 million, P463.9 million and P407.3 million, in 2020, 2019 and 2018, respectively (see Note 22).

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

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

22. Other Revenue

This account consists of:

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

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

23. Operating Expenses

This account consists of:

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

24. Other Income (Charges)

This account consists of:

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

25. Related Party Transactions

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

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

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2% to 4.75%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was rolled over for another year at market interest rate.

b. Money Market Placements

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

c. Consignment and Concession

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Management Agreement

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

e. Lease Agreement - As a Lessor

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

f. Lease Agreement - As a Lessee

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

g. License Agreement

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

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

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2020 and 2019 are as follows:

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

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

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

b Receivables from subsidiaries to their fellow subsidiaries

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

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

c Sale of goods of the subsidiaries within the Group

(In thousands)	Amount of Transactions	Outstanding Balance
2020	**P2,220,832**	**P667,167**
2019	3,087,297	517,722

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

d Sale of services of the subsidiaries within the Group

(In thousands)	Amount of Transactions	Outstanding Balance
2020	**P630,285**	**P119,582**
2019	524,610	132,033

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

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

(In thousands)	Amount of Transactions	Outstanding Balance
2020	**P884,890**	**P1,779,604**
2019	1,228,737	1,829,061

Cash dividends are due on payment date.

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

(In thousands)	Amount of Transactions	Outstanding Balance
2020	**P39,077**	**P39,077**
2019	54,494	29,755

Cash dividends are due on payment date.

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

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

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

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

Right-of-Use assets

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

Lease liabilities

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

Prepayments

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

i Loan receivable issued by the Parent Company to a subsidiary

(In thousands)	Amount of Transactions	Outstanding Balance
2020	**P204,643**	**P3,224,572**
2019	-	3,429,215

26. Retirement Benefit Costs

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

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

(In thousands)	**2020**	2019
Present value of defined benefits obligation	**P1,461,778**	P984,469
Fair value of plan assets	**(30,018)**	(28,651)
	P1,431,760	P955,818

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P984,469**	P534,446
Included in profit or loss:		
Current service cost	**184,082**	96,429
Interest cost	**51,449**	39,670
	235,531	136,099
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**326,771**	348,338
Experience adjustments	**(76,154)**	(24,886)
	250,617	323,452
Benefits paid	**(8,839)**	(4,085)
Reclass to liabilities directly related to assets held-for-sale	**-**	(5,443)
Balance at end of year	**P1,461,778**	P984,469

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

(In thousands)	**2020**	2019
Balance at beginning of year	**P28,651**	P25,913
Interest income	**1,285**	1,936
Return on plan asset excluding interest	**82**	802
Balance at end of year	**P30,018**	P28,651

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

(In thousands)	**2020**	2019
Cash in banks	**P3,294**	P2,460
Debt instruments - government bonds	**26,527**	25,927
Trust fees payable	**(14)**	(14)
Other	**411**	278
	P30,218	P28,651

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

	2020	2019
Discount rate	**3.95% to 3.96%**	5.21% to 7.5%
Future salary increases	**5% to 8%**	5% to 8%

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 reporting period is 21.5 years and 25.8 years, respectively.

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

2020

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**340,315**	**(266,233)**
Future salary increase rate (1% movement)	**323,561**	**(260,132)**

2019

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

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

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

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

Maturity analysis of the benefit payments:

	2020 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,431,760**	**P274,196**	**P39,176**	**P55,524**	**P179,496**

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

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

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

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

The Group has no expected future contribution for 2021.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2020**	2019	2018
Current	**P4,098,535**	P3,803,735	P3,553,864
Deferred	**(273,928)**	(282,270)	(268,002)
	P3,824,607	P3,521,465	P3,285,862

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

(In thousands)	**2020**	2019	2018
Income before income tax	**P13,833,533**	P18,914,672	P11,767,666
Income tax expense at the statutory income tax rate:			
30%	**P4,061,370**	P5,884,228	P3,755,047
5%	**14,782**	19,441	20,412
Income tax effects of:			
Deduction from gross income due to availment of optional standard deduction	**(164,980)**	(349,350)	(265,138)
Interest income subject to final tax	**(137,720)**	(201,719)	(68,571)
Non-deductible interest expense	**35,537**	68,406	10,044
Changes in unrecognized DTA	**33,932**	(88,277)	(170,486)
Other income subject to final tax	**(10,869)**	(1,700)	(33,000)
Non-deductible expenses	**(9,424)**	(89,061)	105,750
Share in income of associates and joint ventures	**7,450**	(3,313)	(6,240)
Non-taxable income	**(5,848)**	(2,738)	(3,004)
Excess of MCIT over RCIT	**377**	10,060	8,733
NOLCO utilized	**-**	97,570	39,047
Gain on sale of investment subject to capital gains tax	**-**	(1,822,082)	(108,843)
Penalties	**-**	-	2,111
	P3,824,607	P3,521,465	P3,285,862

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

Net Deferred Tax Assets

(In thousands)	**2020**	2019
Items recognized in profit or loss		
Net deferred tax assets on:		
Excess of lease liabilities over ROU assets	**P1,772,390**	P1,554,391
Retirement benefits liability	**373,369**	303,651
NOLCO	**49,750**	49,750
Allowance for impairment of deferred oil and mineral exploration costs	**38,427**	38,427
Allowance for impairment losses on receivables	**5,454**	5,119
Accrued rent expense	**1,702**	3,120
Advance rentals	**2,211**	1,740
Recognition of DTA on merger transaction	**117**	117
Unrealized foreign exchange loss	**-**	984
	2,243,420	1,957,299
Deferred tax liabilities on:		
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(10,831)**	(11,677)
Unrealized foreign exchange gain	**(593)**	(742)
	(1,391,158)	(1,392,153)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**50,457**	1,138
	P902,719	P566,284

Net Deferred Tax Liabilities

(In thousands)	**2020**	2019
Items recognized in profit or loss		
Net deferred tax assets on:		
Retirement benefits liability	**P1,469**	P1,469
Excess of lease liabilities over ROU assets	**956**	914
Unrealized foreign exchange loss	**366**	366
	2,791	2,749
Deferred tax liabilities on:		
Accrued rent income	**(76,502)**	(52,666)
Excess of ROU assets over lease liabilities	**(54,339)**	(63,104)
Borrowing cost	**(13,109)**	(13,359)
Advance rentals	**-**	(1,591)
	(143,950)	(130,720)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**(4,429)**	(615)
	(P144,588)	(P128,586)

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

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

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

(In thousands)	**2020**	2019
Impairment of property, plant and equipment	**P48,011**	P -
NOLCO	**26,356**	50,918
MCIT	**10,481**	73
Unrealized foreign exchange gain (loss)	**75**	-
	P84,923	P50,991

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

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	P -	P165,833	2022
2020	2,298	-	2,298	2025
	P168,131	P -	P168,131	

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

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2017	P3,593	(P3,593)	P -	2020
2018	8,733	-	8,733	2021
2019	10,060	-	10,060	2022
2020	377	-	377	2023
	P22,763	(P3,593)	P19,170	

28. Equity

Capital Stock

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

	2020		2019	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less: Treasury shares	**(451,238,890)**	**(1,652,861)**	(410,738,990)	(1,403,974)
Outstanding	**6,954,024,674**	**P5,752,403**	6,994,524,574	P6,001,290
Treasury shares:				
Balance at beginning of year	**410,738,990**	**P1,403,974**	381,629,190	P1,197,727
Buy back of shares	**40,499,900**	**248,887**	29,109,800	206,247
Balance at end of year	**451,238,890**	**P1,652,861**	410,738,990	P1,403,974

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2020 and 2019, the Company renewed its program to buy back its shares for another year up to P2.0 billion.

Retained Earnings

Declaration of Cash Dividends

In 2020 and 2019, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

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

As of December 31, 2020 and 2019, unpaid cash dividends on common shares amounting to P2.2 billion and P1.3 billion, respectively, are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

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

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

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

	2020		2019	
(In thousands)	PPCI	CHC	PPCI	CHC
NCI percentages	**51%**	**10%**	51%	10%
Carrying amounts of NCI	**P34,826,274**	**P727,708**	P31,469,630	P776,994
Current assets	**P59,475,057**	**P12,046,531**	P40,040,355	P12,242,909
Noncurrent assets	**72,205,359**	**-**	68,594,443	-
Current liabilities	**17,102,485**	**4,769,453**	15,490,809	4,472,966
Noncurrent liabilities	**46,076,211**	**-**	31,244,639	-
Net assets	**P68,501,720**	**P7,277,078**	P61,899,350	P7,769,943
Net income attributable to NCI	P4,101,176	**P7,556**	P3,454,122	P301,582*
Other comprehensive attributable to NCI	(P88,005)	P -	(P111,829)	P -
Revenue	P168,632,329	**P237,044**	P154,490,309	P -
Net income	**P8,066,828**	**P75,557**	P6,772,788	P7,993,116
Other comprehensive loss	(173,102)	-	(219,273)	-
Total comprehensive income	**P7,893,726**	**P75,557**	P6,553,515	P7,993,116
Net cash flows provided by (used in):				
Operating	**P14,702,750**	**P75,557**	P15,072,887	P -
Investing	**(5,755,872)**	**-**	(3,772,907)	11,980,106
Financing	**6,693,756**	-	(4,903,880)	-
Net increase in cash and cash equivalents	**P15,640,634**	**P75,557**	P6,396,100	P11,980,106

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

29. Segment Information

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

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

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

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

Segment Revenue and Results

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

(In thousands)	Segment Revenues 2020	2019	2018	Segment Profit 2020	2019	2018
Grocery retail	**P168,632,329**	P154,490,309	P141,139,261	**P8,066,828**	P6,772,788	P6,199,500
Liquor distribution	**8,167,404**	10,717,397	8,747,207	**1,179,844**	1,212,453	738,366
Specialty retail	**1,671,656**	2,451,217	19,179,888	**55,817**	97,033	691,815
Real estate and property leasing	**1,696,027**	2,146,777	2,030,790	**699,556**	1,225,477	1,085,959
Holding, oil and mining	**-**	-	-	**1,343,392**	9,397,287	403,650
Total	**180,167,416**	169,805,700	171,097,146	**11,345,437**	18,705,038	9,119,290
Eliminations of intersegment revenue/profit	**2,851,117**	3,738,988	2,886,789	**1,336,511**	3,311,831	637,486
	P177,316,299	P166,066,712	P168,210,357	**P10,008,926**	P15,393,207	P8,481,804

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

(In thousands)	**2020**	2019	2018
Grocery retail:			
From external customers	**P168,632,329**	P154,490,309	P141,139,261
Liquor distribution:			
From external customers	**5,949,178**	7,630,100	6,514,654
From intersegment sales	**2,218,226**	3,087,297	2,232,553
	8,167,404	10,717,397	8,747,207
Specialty retail:			
From external customers	**1,669,050**	2,447,877	19,176,554
From intersegment sales	**2,606**	3,340	3,334
	1,671,656	2,451,217	19,179,888
Real estate and property leasing:			
From external customers	**1,065,742**	1,498,426	1,379,888
From intersegment sales	**630,285**	648,351	650,902
	1,696,027	2,146,777	2,030,790
Oil and mining:			
From external customers	**-**	-	-
Total revenue from external customers	**P177,316,299**	P166,066,712	P168,210,357
Total intersegment revenue	**P2,851,117**	P3,738,988	P2,886,789

No single customer contributed 10% or more to the Group's revenue in 2020, 2019 and 2018.

The Group's reportable segments are all domestic operations.

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

(In thousands)	**2020**	2019	2018
Segment assets:			
Grocery retail	**P131,593,509**	P108,634,798	P100,849,855
Specialty retail	**1,191,517**	1,225,214	6,619,617
Liquor distribution	**8,739,767**	8,776,038	7,240,181
Real estate and property leasing	**25,596,172**	25,651,342	24,723,835
Oil and mining	**106,061,232**	105,902,079	96,874,958
Total segment assets	**273,182,197**	250,189,471	236,308,446
Intercompany assets	**94,992,373**	95,739,577	96,770,905
Total assets	**P178,189,824**	P154,449,894	P139,537,541
Segment liabilities:			
Grocery retail	**P63,090,940**	P46,735,448	P47,838,033
Specialty retail	**792,646**	2,475,886	2,363,770
Liquor distribution	**2,273,073**	3,299,462	3,033,318
Real estate and property leasing	**8,995,981**	9,403,470	9,636,227
Oil and mining	**11,285,978**	10,531,184	8,974,933
Total segment liabilities	**86,438,618**	72,445,450	71,846,281
Intercompany liabilities	**18,028,122**	20,056,340	17,433,309
Total liabilities	**P68,410,496**	P52,389,110	P54,412,972

30. Earnings Per Share

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

(In thousands except per share data)	**2020**	2019	2018
Net income attributable to equity holders of the Parent Company (a)	**P5,900,195**	P11,597,381	P5,381,485
Weighted average number of common shares (b)	**7,054,850**	7,010,161	7,083,275
Basic/diluted EPS (a/b)	**P0.84**	P1.65	P0.76

There were no potential dilutive common shares in 2020, 2019 and 2018.

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

31. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

(In thousands)	***Note***	**2020**	2019
Cash and cash equivalents [1]	*4*	**P48,085,044**	P23,015,623
Receivables - net	*5*	**10,308,181**	16,637,892
Financial assets at FVPL	*7*	**2,411,375**	34,921
Security deposits [2]	*15*	**2,260,918**	2,231,789
Due from related parties	*25*	**184,852**	192,068
Financial assets at FVOCI	*8*	**16,860**	17,704
		P63,267,230	P42,129,997

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

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

(In thousands)	December 31, 2020 Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P48,085,044**	**P -**	**P -**	**P48,085,044**
Receivables	**8,051,166**	**2,190,085**	**66,930**	**10,308,181**
Due from related parties	**184,852**	**-**	**-**	**184,852**
Security deposits[2]	**-**	**2,260,918**	**-**	**2,260,918**
Financial Assets at FVPL		**-**	**-**	
Investments in trading securities	**2,411,375**	**-**	**-**	**2,411,375**
Financial Assets at FVOCI		**-**	**-**	
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares		**-**	**-**	
Quoted	**7,294**	**-**	**-**	**7,294**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P58,749,297	**P4,451,003**	**P66,930**	**P63,267,230**

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

(In thousands)	December 31, 2019 Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P23,015,623	P -	P -	P23,015,623
Receivables	14,194,010	2,394,935	48,947	16,637,892
Due from related parties	192,068	-	-	192,068
Security deposits[2]	-	2,231,789	-	2,231,789
Financial Assets at FVPL				
Investments in trading securities	34,921	-	-	34,921
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares				
Quoted	8,138	-	-	8,138
Unquoted	2,304	-	-	2,304
	P37,454,326	P4,626,724	P48,947	P42,129,997

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

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

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

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

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

Liquidity Risk

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

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

	December 31, 2020				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	**P15,934,243**	**P15,934,243**	**P15,934,243**	**P -**	**P -**
Short-term loans	**42,000**	**42,000**	**42,000**	**-**	**-**
Lease liabilities	**30,184,370**	**46,284,125**	**2,626,930**	**10,543,066**	**33,114,129**
Due to related parties	**762,031**	**762,031**	**762,031**	**-**	**-**
Long-term loans[2]	**16,569,700**	**16,569,700**	**395,338**	**168,550**	**16,005,812**
Customers' deposits[3]	**684,436**	**684,436**	**365,753**	**239,012**	**79,671**
	P64,176,780	**P80,276,535**	**P20,126,295**	**P10,950,628**	**P49,199,612**

[1] *Excluding due to government agencies.*
[2] *Including current and non-current portion.*
[3] *Including current and non-current portion.*

	December 31, 2019				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P14,383,106	P14,383,106	P14,383,106	P -	P -
Short-term loans	871,124	871,124	871,124	-	-
Lease liabilities	26,668,941	26,666,941	567,652	2,838,260	23,263,029
Due to related parties	1,343,460	1,343,460	1,343,460	-	-
Long-term loans[2]	5,138,262	5,138,262	43,685	5,094,577	-
Customers' deposits[3]	638,032	638,032	351,509	214,892	71,631
	P49,042,925	P49,042,925	P17,560,536	P6,147,729	P23,334,660

[1] *Excluding due to government agencies.*
[2] *Including current and non-current portion.*
[3] *Including current and non-current portion.*

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

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

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

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

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.
The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

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

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

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

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

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

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

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

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

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

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

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

As at December 31, 2020 and 2019, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

33. Sale of Subsidiaries

On October 19, 2018, Canaria Holdings, Inc., a 90%-owned subsidiary of Cosco, the Parent Company executed a Share Purchase Agreement (SPA) with Fernwood Holdings, Inc. for the sale of its entire equity interests in LPC and CPHI.

The Philippine Competition Commission subsequently granted its approval to the share purchase transaction on January 17, 2019, which paved the way for the completion and closing of the transaction between the parties on October 19, 2018.

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

(In thousands)	2019
Selling price	P13,100,000
Transaction costs	(1,729,020)
Proceeds	11,370,980
Cost of investment	(3,428,451)
Gain on sale before the effect of share in income recognized	7,942,529
Share in income recognized (date of acquisition to date of sale)	(1,868,924)
Gain on sale	P6,073,605

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

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

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

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

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

34. Events After Reporting Period

Share Swap Transaction

On a special meeting on February 22, 2021, the Board of Directors of Cosco Capital, Inc. has approved the acquisition of controlling interest in Da Vinci Capital Holdings, Inc. ("DAVIN") by way of share-swap transaction, wherein the latter shall issue 11.25 billion common shares of stock valued at P2 per share, to Cosco Capital, Inc., and in exchange and as consideration thereof, Cosco shall assign 100% of its shares in the following subsidiaries in favor of DAVIN:

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

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.0 million and with total assets not exceeding P100.0 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Group will be lowered from 30% to 25% for large corporations on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	**P4,180,890**	**(P348,408)**	**P3,832,483**
Deferred tax expense (benefit)	**(356,283)**	**(29,690)**	**(326,593)**
Net income for the year	**10,008,926**	**(378,025)**	**9,630,828**
Statement of Financial Position			
Deferred tax asset	**902,719**	**(150,453)**	**752,266**
Income tax payable	**1,534,051**	**(348,408)**	**1,185,644**
Deferred tax liability	**144,588**	**(24,098)**	**120,490**
Statement of Changes in Equity			
Retirement Benefits Reserve	**(82,145)**	**13,691**	**(68,454)**

ANNEX "C"

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Cosco Capital, Inc. and Subsidiaries** (the "Group") as at and for the year ended December 31, 2020, on which we have rendered our report dated May 5, 2021.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group's management.

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

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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

May 5, 2021
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated May 5, 2021.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measure of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

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

KPMG

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

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

May 5, 2021
Makati City, Metro Manila

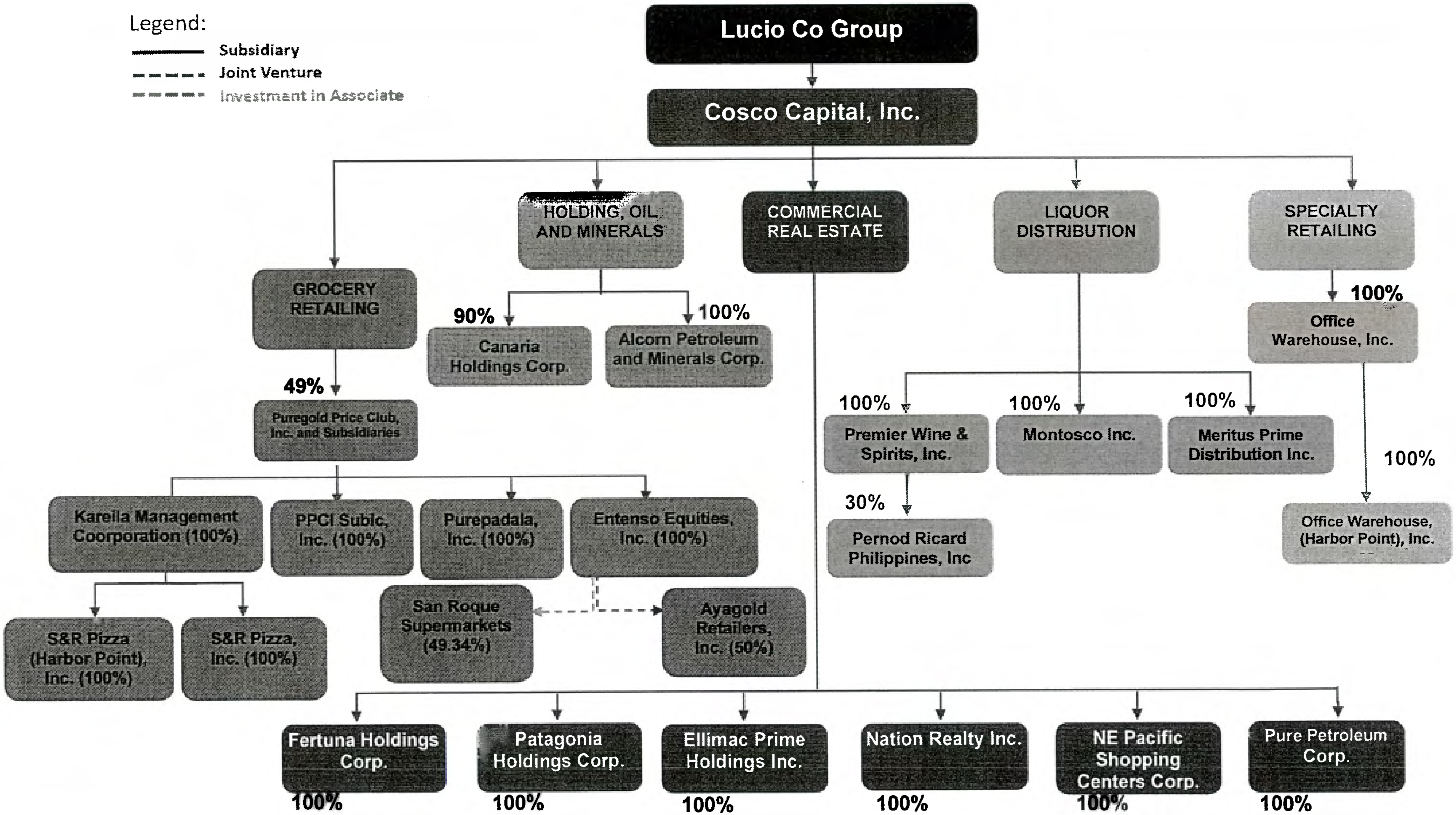
Cosco Capital Inc. and Subsidiaries
As of December 31, 2020

Ratio	Formula	Years ended December 31	
		2020	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P88,145,784 Divide by: Total current liabilities 24,469,690 3.60	3.60	3.45
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total current assets P88,145,784 Less: Inventories 24,914,272 Other current assets 1,450,993 Quick assets 61,780,519 Divide by: Total current liabilities 24,469,690 Acid-test ratio 2.52	2.52	2.09
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P10,008,926 Add: Depreciation and amortization 4,195,584 Total 14,204,510 Divide by: Total liabilities 68,410,496 Solvency ratio 0.21	0.21	0.36
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity) Total liabilities P68,410,496 Divide by: Total equity 109,779,328 0.62	0.62	0.51
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P178,189,824 Divide by: Total equity 109,779,328 1.62	1.62	1.51

Ratio	Formula	Years ended December 31	
		2020	2019
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P16,032,103 Divide by interest expense 2,198,570 7.29	7.29	10.11
Return on equity	Return on Equity (Net Income by Total Equity) Net income P10,008,926 Divide by: Total equity 109,779,328 9%	9%	15%
Return on assets	Return on Assets (Net Income by Total Assets) Net income P10,008,926 Divide by: Total assets 178,189,824 6%	6%	10%
Net profit margin	Net profit margin (Profit over net sales) Net income P10,008,926 Divide by: Net sales 177,316,299 5.64%	5.64%	9.27%
Other ratios	Operating profit margin (Operating profit over net sales) Operating profit P15,305,300 Divide by: Net sales 177,316,299 8.63%	8.63%	8.43%

COSCO CAPITAL, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2020



COSCO CAPITAL, INC.
SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2020
(Amounts in Thousands)

		Figures are based from Parent Company's Financial Statements
Unappropriated Retained Earnings, as adjusted, beginning		**P1,327,066**
Adjustments in previous year's reconciliation		**(1,124,149)**
Unappropriated Retained Earnings, as adjusted, beginning		**(202,917)**
Net Income based on the face of audited financial statements	P1,440,988	
Add: Non-actual losses		
Deferred tax expense	448	
Net income actually earned during the period		**1,440,540**
Add (Less):		
Dividends declared during the year		**(1,151,721)**
Additions to treasury shares		**(248,887)**
Unappropriated Retained Earnings, as adjusted, ending		**P242,849**

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS

(Amounts in Thousands, except Number of Shares Principal amounts of Bonds and Notes)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Cash in banks and cash equivalents - various banks	N/A	P48,085,044	P48,085,044	P696,110*
Receivables - net - various creditors debtors	N/A	10,308,181	10,308,181	237,045
Government securities - Bureau of Treasury	2,290,000,000	2,383,862	2,383,862	2,538**
Financial assets at FVPL - various Publicly-listed Companies	1,002,192	27,513	27,513	(7,407)**
Financial assets at FVOCI - various Publicly-listed Companies	95,999	16,860****	16,860	652***
Due from related parties - Related parties outside the Group	N/A	184,852	184,852	-
Security deposits - various lessors	N/A	2,260,918	2,260,918	-
		P63,267,230	P63,267,230	P928,938

Notes:

*This represents interest income earned, net of final tax
** This represents unrealized valuation (loss) on trading securities
***This represents dividend income
****P8,495 is presented as part of "Other Noncurrent Assets" in Balance Sheet

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Lucio L. Co - Chairman	P192,068	P826,132	P668,884	P -	P349,316	P -	P349,316
Various Employees	12,758	6,545	8,170	-	11,133	-	11,133
	P204,826	P832,677	P677,054	P -	P360,449	P -	P360,449

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Advances							
Premier Wines and Spirits, Inc.	P86,000	P -	P86,000	P -	P -	P -	P -
Ellimac Prime Holdings, Inc.	3,934,975	-	207,781	-	3,727,194	-	3,727,194
Fertuna Holdings Corporation	104,441	-	-	-	104,441	-	104,441
Patagonia Holdings Corporation	917,808	-	-	-	917,808	-	917,808
Nation Realty, Inc.	300,966	-	-	-	300,966	-	300,966
Alcorn Petroleum and Minerals Corporation	390,017	-	3,774	-	386,243	-	386,243
Kareila Management Corporation	500,000	-	500,000	-	-	-	-
Canaria Holdings Corporation	74,641	-	74,641	-	-	-	-
Dividends							
Puregold Price Club, Inc.	564,347	634,890	564,347	-	634,890	-	634,890
NE Pacific Shopping Centers Corp.	140,000	-	100,000	-	40,000	-	40,000
Nation Realty, Inc.	179,714	-	70,000	-	109,714	-	109,714
Patagonia Holdings Corporation	260,000	-	-	-	260,000	-	260,000
Ellimac Prime Holdings, Inc.	315,446	-	30,446	-	285,000	-	285,000
Fertuna Holdings Corporation	100,000	-	-	-	100,000	-	100,000
Pure Petroleum Corporation	120,000	50,000	120,000	-	50,000	-	50,000
Montosco, Inc.	50,000	200,000	50,000	-	200,000	-	200,000
Premier Wines and Spirits, Inc.	100,000	-	-	-	100,000	-	100,000
Trade and other receivables							
Meritus Prime Distributions Inc	315,600	-	315,600	-	-	-	-
Montosco, Inc.	163	-	163	-	-	-	-
Nation Realty, Inc	48,500	6,742	-	-	55,242	-	55,242
Premier Wines and Spirits, Inc..	106,700	-	-	-	106,700	-	106,700
Canaria Holdings Corporation	703,036	155,552	76,632	-	781,956	-	781,956
Fertuna Holdings Corporation	-	2,089	-	-	2,089	-	2,089
Ellimac Prime Holdings, Inc.	-	83,494	-	-	83,494	-	83,494
NE Pacific Shopping Center Corp.	-	8	-	-	8	-	8
Alcorn Petroleum and Minerals Corporation	-	202	-	-	202	-	202
Patagonia Holdings Corporation	-	20,559	-	-	20,559	-	20,559
Kareila Management Corporation	-	8,449	1,655	-	6,794	-	6,794
Note receivable							
Canaria Holdings Corporation	3,429,215	-	204,643	-	3,224,572	-	3,224,572
	P12,741,569	**P1,161,985**	**P2,405,682**	**P -**	**P11,497,872**	**P -**	**P11,497,872**

COSCO CAPITAL INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
(Amount in Thousands)

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Land Bank of the Philippines	P939,641	P939,641	P -	5.267%	7	May 2021
	Rizal Commercial Banking Corporation	939,641	939,641	-	5.267%	7	May 2021
	Maybank Philippines	469,641	469,641	-	5.267%	7	May 2021
	Robinsons Bank Corporation	469,641	469,641	-	5.267%	7	May 2021
	Security Bank Corporation	469,641	469,641	-	5.267%	7	May 2021
	United Coconut Planter's Bank	469,641	469,641	-	5.267%	7	May 2021
	The Insular Life Insurance Company, Ltd.	468,365	4,555	463,810	5.579%	10	May 2024
	Security Bank Corporation	468,366	4,556	463,810	5.579%	10	May 2024
	China Banking Corporation	3,442,719	-	3,442,719	4.500%	N/A	October 2030
	Development Bank of the Philippines	2,975,411	-	2,975,411	4.000%	N/A	October 2027
	Keb Hana Bank	496,384	-	496,384	4.000%	N/A	October 2027
	Land Bank of the Philippines	1,487,705	-	1,487,705	4.000%	N/A	October 2030
	Land Bank of the Philippines	1,487,850	-	1,487,850	4.500%	N/A	October 2030
	Metropolitan Bank & Trust Co	992,286	-	992,286	4.000%	N/A	October 2030
	Shinhan Bank	496,384	-	496,384	4.000%	N/A	October 2030
	The Insular Life Assurance Company, Ltd.	496,384	-	496,384	4.000%	N/A	October 2030
Totals		P16,569,700	P3,766,957	P12,802,743			

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,738,524	4,169,784,269	2,512,740,771

Management's Discussion and Analysis of Operations

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2020 audited consolidated financial statements and notes attached herewith as Annex "B".

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage

The table below shows the key performance indicators for the past three years:

Performance Indicators	**2020**	**2019**	**2018**
Return on investment	**9.45%**	16.60%	10.47%
Profit margin	**5.64%**	9.27%	5.04%
EBITDA to interest expense	**8.98x**	8.65x	8.64x
Current ratio	**3.60:1**	3.45:1	2.47:1
Asset turnover	**1.07:1**	1.13:1	1.25:1
Asset to equity	**1.62:1**	1.54:1	1.64:1
Debt to equity ratio	**0.62:1**	0.54:1	0.64:1

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

Comparative Years 2020 and 2019

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2020 and 2019.

(In Thousands)	FY2020	%	FY2019	%0	INCREASE (DECREASE)	%2
REVENUES	**177,316,299**	***100.00%***	166,066,712	*100.00%*	***11,249,586***	***6.77%***
COST OF SALES/SERVICES	**145,021,136**	***81.79%***	136,177,667	*82.00%*	***8,843,470***	***6.49%***
GROSS PROFIT	**32,295,163**	***18.21%***	29,889,045	*18.00%*	***2,406,116***	***8.05%***
OTHER OPERATING INCOME	**3,157,850**	***1.78%***	3,262,853	*1.96%*	***(105,003)***	***-3.22%***
GROSS OPERATING INCOME	**35,453,013**	***19.99%***	33,151,898	*19.96%*	***2,301,113***	***6.94%***
OPERATING EXPENSES	**20,147,712**	***11.36%***	19,147,089	*11.53%*	***1,000,623***	***5.23%***
INCOME FROM OPERATIONS	**15,305,300**	***8.63%***	14,004,809	*8.43%*	***1,300,489***	***9.29%***
OTHER INCOME (CHARGES) - net	**(1,471,766)**	***-0.83%***	4,909,863	*2.96%*	***(6,381,629)***	***129.98%***
INCOME BEFORE INCOME TAX	**13,833,534**	***7.80%***	18,914,672	*11.39%*	***(5,081,140)***	***-26.86%***
INCOME TAX EXPENSE	**3,824,607**	***2.16%***	3,521,465	*2.12%*	***303,142***	***8.61%***
NET INCOME FOR THE YEAR	**10,008,926**	***5.64%***	15,393,207	*9.27%*	***(5,384,282)***	***-34.98%***
CORE NET INCOME	**10,008,926**	***5.38%***	9,319,603	***5.61%***	***689,324***	***7.40%***
CORE NET PATMI	**5,900,195**	***3.28%***	5,871,259	***3.54%***	***28,936***	***0.49%***
PATMI	**5,900,195**	***3.33%***	11,597,381	*6.98%*	***(5,697,186)***	***-49.12%***
Non-controlling interests	**4,108,731**	***2.32%***	3,795,826	*2.29%*	***312,904***	***8.24%***
	10,008,926	***5.64%***	15,393,207	*9.27%*	***(5,384,282)***	***-34.98%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P177.31 Billion during the year ended December 31, 2020 which reflects an increase by P11.25 Billion or 6.77% compared to last year's revenue of P166.07 Billion.

The revenue growth was largely contributed by the grocery retail segment primarily attributed to the continued organic expansion as well as robust SSSG performance of both the supermarket and the warehouse club brands which registered a consolidated year on year growth of 9.2% in 2020.

The revenues from the group's commercial real estate, liquor and wine distribution and specialty retail business segments have continued to experience varying degrees of declines during the year 2020 compared to their 2019 levels particularly during the second and third quarters primarily resulting from the business and social disruptions due to the global Covid-19 pandemic. However, said business segments started to recover during the third quarter due to gradual easing in government restrictions in economic activities. The extent of the business impacts on the respective business segments are more fully described in the specific segment operating and financial highlights section.

Growth in Net Income

During the year, the Group realized a consolidated net income of P10.0 Billion which is lower by P5.38 Billion representing a decline of 34.98% year on year as compared to last year's net income of P15.39 Billion.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.14 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2020 would show a growth by 7.40%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2020 amounted to about P5.90 Billion which decreased by about P5.70 Billion or 49.12% as compared to the 2019 PATMI amounting to P11.60 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2020 would grew by 0.49% which is approximately the same PATMI in 2019.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2020, the Group's flagship grocery retail business segment registered a consolidated revenue contribution amounting to P168.63 Billion which grew by about 9.20% year on year as compared to the segment's revenue contribution of P154.59 Billion in 2019 in spite of the effects of the current Covid-19 pandemic on consumption spending in the country.

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

During the year 2020, the segment continued to experience growth in sales performance by around 9.20% accounting for 95% of the Group's consolidated revenues and providing a cushion to compensate the revenue declines experienced by the commercial real estate, liquor and wine distribution as well as the specialty retail business segments resulting from the Covid-19 pandemic.

Consolidated net income contribution in 2020 amounted to P8.07 Billion which increased by P1.29 Billion or 19.11% as compared to the net income contribution of P6.77 Billion in the same year in 2019.

Real Estate Segment

The commercial real estate business segment contributed P1.06 Billion to the Group's consolidated revenue in 2020 but experienced a decline of 28.88% from the segment's revenue contribution in 2019 amounting to P1.50 Billion. This was mainly attributable to the management's decision to extend rental reliefs to by way of rental waivers and/or reduced rentals to about 50% of the tenants portfolio directly affected during the temporary closures of all malls and commercial assets in response to the Philippine Government's enhanced community quarantine restrictions.

Consolidated net income contribution in 2020 amounted to about P762.88 Million which decreased by about P408.87 Million or 34.89% as compared to the net income contribution of P1.17 Billion in 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P5.95 Billion to the Group's consolidated revenue during the year 2020 representing a decline of 22.03% from the 2019 revenue contribution of P7.63 Billion. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020. The continuing mobility restrictions that affected the travel and tourism sectors nationwide has likewise contributed to the decline in the segment's revenue during the year.

Consolidated net income contribution in 2020 amounted to about P1.18 Billion which slightly decreased by P31.77 Million or 2.62% compared to the net income contribution in 2019 amounting to P1.21 Billion despite the decrease in revenue and this is mainly due to strategic cost-saving measures implemented by the segment.

Specialty Retail

Office Warehouse, Inc. contributed about P1.67 Billion to the Group's consolidated revenue during the nine-month period of 2020 representing a decrease by about P622.06 Million or 31.82% lower as compared to the 2019 revenue contribution of P2.45 Billion.

The decline was mainly attributable to the government-imposed lockdown and enhanced community quarantine restrictions starting on March 16, 2020 and the related temporary closure of the company's store outlets during the ECQ periods having been classified as non-essential business.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.21 Million or 42.48% as compared to the net income contribution in 2019 amounting to P97.03 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2020, the Grocery Retail segment posted a consolidated net sales of P168,632 million for an increase of P14,142 million or a growth of 9.2% compared to P154,490 million in 2019. New organic stores put up in 2019 were fully operating in 2020 increasing consolidated net sales. In addition, like for like stores sales posted an increase as well as revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the Grocery Retail segment for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**2.4%**	**8.7%**
Net Ticket	**49.4%**	**10.4%**
Traffic	**-31.5%**	**-1.5%**

Gross Profit

For the year ended December 31, 2020, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P25,951 million in 2019 at 16.8% margin to P29,156 million at 17.3% margin in 2020, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income decreased by P108 million or 3.3% from P3,263 million in 2019 to P3,155 million in 2020. This is attributable to decrease in rent income brought about by decrease in rent rate and rent free periods given to tenants, in consideration to those affected by the pandemic.

Operating Expenses
Operating expenses increased by P1,123 million or 6.3% from P17,830 million in December 31, 2019 to P18,953 million in 2020. The increase in operating expenses were mainly attributable to depreciation expense, taxes and licenses, advertising and promotion and credit card charges principally related to the establishment and operation of new organic stores. Utilities and manpower expenses are declining due to the lockdown period enforced by the government and the skeletal workforce being implemented by the Grocery Retail segment.

Other Expense - net
Other expenses net of other income amounted to P1,925 million and P1,804 million in December 31, 2020 and 2019, respectively. Interest income increased in December 2020 due to higher placement in short-term investment as compared to placements made in 2019. Interest expense on loans also increased due to issuance of corporate bonds during the year.

Net Income
For the year ended December 31, 2020, the Grocery Retail segment earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019.. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

<u>Commercial Real Estate</u>

The Group's Real Estate Segment posted P1.69 Billion in revenues for the year ended December 31, 2020 or a 21.0% decrease from P2.15 Billion in 2019. This was mainly attributable to the temporary closures of all malls and commercial assets due to the enhanced community quarantine lockdown imposed by the national government and the management's response to extend rental reliefs by way of rental waivers and/or reduced rentals and other charges for all directly affected mall tenants representing about 50% of the tenants portfolio starting in the second quarter and which continued to the third and fourth quarters subject to management reviews on a quarterly basis.

Income from operations before depreciation decreased by P448.80 Million or 33.03% Million from P1.36 Billion in 2019 to P909.83 Million for the year ended December 31, 2020.

Net income for the year amounted to P699.51 Million or a 42.92% decrease from last year's P1.22 Billion brought about by decline in rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment decreased to P8.17 Billion during 2020 or 23.79% decline from last year's P10.72 Billion amidst a decline of 17% in volume (no. of cases) of sales.

The decline in revenue which was principally experienced in the first half directly resulted from the government imposed liquor bans as part of the government's enhanced community quarantine and related lockdown restrictions in response to the Covid-19 pandemic.

Sales performance during the period was still principally driven by its brandy portfolio which continued to account for more than 70% of sales mix augmented by the strong performance of the other spirits as well as wines and specialty beverages categories.

Income from operations, however, decreased to P52.13 Million in 2020 or 3.10% decline from last year's P1.68 Billion

Net income for the year 2020 decreased by only P32.61 Million or 2.69%, from P1.21 Million in 2019 to P1.18 Billion in 2020, due to strategic cost management measures.

Specialty Retail

Office Warehouse

Sales revenues in 2020 declined by 31.80% to P1.67 Billion as compared to the 2019 revenues of P2.45 Billion mainly attributable to the temporary closure of all the company's store outlets due to the enhanced community quarantine and related lockdown restrictions imposed by the government which started on March 16, 2020 that lasted until May 31, 2020 which resulted to a negative SSSG of 32.19% during the year. The continuing general community quarantine and related mobility restrictions particularly in the National Capital Region and other key regions and/or cities throughout the year contributed to the decline in business volume during the year.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.22 Million or 42.50% decline as compared to the net income contribution in 2019 amounting to P97.03 Million, due principally to the decline in level of business traffic and related sales revenue.

Consolidated Statements of Financial Position

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

(In Thousands)	FY2020	%	FY2019	%	INCREASE (DECREASE)	%
ASSETS						
Cash and cash equivalents	**48,867,746**	**27.42%**	24,402,014	15.80%	**24,465,732**	**100.26%**
Receivables - net	**10,308,181**	**5.78%**	16,637,892	10.77%	**(6,329,711)**	**-38.04%**
Financial asset at FVOCI	**8,365**	**0.00%**	9,209	0.01%	**(844)**	**-9.16%**
Financial asset at FVPL	**2,411,375**	**1.35%**	34,921	0.02%	**2,376,455**	**-**
Inventories	**24,914,272**	**13.98%**	24,722,271	16.01%	**192,002**	**0.78%**
Due from related parties	**184,852**	**0.10%**	192,068	0.12%	**(7,216)**	**-3.76%**
Prepayments and other current assets	**1,450,993**	**0.81%**	2,000,503	1.30%	**(549,510)**	**-27.47%**
Total current assets	**88,145,784**	**49.47%**	67,998,877	44.03%	**20,146,907**	**29.63%**
Property and equipment - net	**28,683,979**	***16.10%***	27,927,953	*18.08%*	**756,025**	**2.71%**
Right-of-use assets	**24,270,253**	***13.62%***	21,700,103	*14.05%*	**2,570,150**	**11.84%**
Investment properties - net	**11,145,393**	***6.25%***	11,125,998	*7.20%*	**19,396**	**0.17%**
Intangibles and goodwill - net	**21,074,976**	***11.83%***	21,089,717	*13.65%*	**(14,741)**	**-0.07%**
Investments	**729,909**	***0.41%***	741,175	*0.48%*	**(11,266)**	**-1.52%**
Deferred tax assets-net	**902,719**	***0.51%***	566,284	*0.37%*	**336,435**	**59.41%**
Other non-current assets	**3,236,813**	***1.82%***	3,299,789	*2.14%*	**(62,976)**	**-1.91%**
Total noncurrent assets	**90,044,042**	***50.53%***	86,451,018	*55.97%*	**3,593,024**	**4.16%**
Total Assets	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,931**	**15.37%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**16,667,022**	***9.35%***	15,127,981	*9.79%*	**1,539,042**	**10.17%**
Income tax payable	**1,534,051**	***0.86%***	1,164,727	*0.75%*	**369,324**	**31.71%**
Short-term loans payable	**42,000**	***0.02%***	871,124	*0.56%*	**(829,124)**	**-95.18%**
Current portion of long-term borrowing	**3,766,957**	***2.11%***	43,685	*0.03%*	**3,723,272**	**-**
Lease liability	**1,035,180**	***0.58%***	567,682	*0.37%*	**467,499**	**82.35%**
Due to related parties	**762,031**	***0.43%***	1,343,460	*0.87%*	**(581,429)**	**-43.28%**
Other current liabilities	**662,449**	***0.37%***	596,992	*0.39%*	**65,457**	**10.96%**
Total current liabilities	**24,469,690**	***13.73%***	19,715,651	*12.77%*	**4,754,039**	**24.11%**
Retirement benefit liability	**1,431,760**	***0.80%***	955,818	*0.62%*	**475,942**	**49.79%**
Lease liability-net of current portion	**29,149,190**	***16.36%***	26,101,259	*16.90%*	**3,047,932**	**11.68%**
Deferred tax liabilities	**144,588**	***0.08%***	128,586	*0.08%*	**16,003**	**12.45%**
Long term loans payable - net of debt issue cost	**12,802,743**	***7.18%***	5,094,577	*3.30%*	**7,708,166**	**151.30%**
Other non-current liabilities	**412,525**	***0.23%***	393,219	*0.25%*	**19,306**	**4.91%**
Total noncurrent liabilities	**43,940,807**	***24.66%***	32,673,459	*21.15%*	**11,267,348**	**34.48%**
Total Liabilities	**68,410,496**	***38.39%***	52,389,110	*33.92%*	**16,021,386**	**30.58%**
EQUITY						
Capital stock	**7,405,264**	***4.16%***	7,405,264	*4.79%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***5.41%***	9,634,644	*6.24%*	**-**	**-**
Remeasurement of retirement liability - net of tax	**(82,145)**	***-0.05%***	5,412	*0.00%*	**(87,557)**	**-**
Reserve for fluctuations in value of financial assets at FVOC	**4,759**	***0.00%***	5,603	*0.00%*	**(844)**	**-15.06%**
Treasury shares	**(1,652,861)**	***-0.93%***	(1,403,974)	*-0.91%*	**(248,887)**	**17.73%**
Retained earnings	**58,915,686**	***33.06%***	54,167,213	*35.07%*	**4,748,474**	**8.77%**
Total Equity Attributable to Equity Holders of Parent Company	**74,225,347**	***41.66%***	69,814,161	*45.20%*	**4,411,186**	**6.32%**
Non-controlling interest	**35,553,982**	***19.95%***	32,246,624	*20.88%*	**3,307,358**	**10.26%**
Total Equity	**109,779,329**	***61.61%***	102,060,785	*66.08%*	**7,718,544**	**7.56%**
Total Liabilities and Equity	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,930**	**15.37%**

Current Assets

Cash and cash equivalents amounted to P48.88 Billion as at December 31, 2020 with an increase of P24.46 Billion or 100.26% from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, loan availments and settlements and payments for capital expenditures during the year.

Receivables decreased by 38.04% from December 31, 2019 balance of P16.64 Billion to this year's balance of P10.31 Billion due mainly to the net effect of collections made on trade and non-trade receivables as well as loans granted to companies under common control.

Financial assets at fair value through comprehensive income (FVOC) decreased by 9.16% from December 31, 2019 balance of P9.21 Million to this year's balance of P8.36 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) increased by 2.38 Billion from December 31, 2019 balance of P34.92 Million to this year's balance of P2.41 Billion due mainly to the recognition of investments in marketable debt securities made by the Grocery Retail segment.

Inventories increased by 0.78% from 2019 balance of P24.72 Billion to this year's balance of P24.91 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P20.92 Billion.

Prepaid expenses and other current assets decreased by P549.51 Million or 27.47% at the end of December 2020, mainly due to amortization of prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties decreased by P7.22 Million at the end of December 2020, due primarily to settlement of advances.

Non-current Assets

As at December 31, 2020 and 2019, total non-current assets amounted to P90.04 Billion or 50.53% of total assets, and P86.45 Billion or 55.97% of total assets, respectively, for an increase of P3.59 Billion or 4.16%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P756.02 Million from P27.93 Billion in December 2019 to P28.68 Billion in December 2020 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P2.57 Billion from P21.70 Billion in December 2019 to P24.27 Billion in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P19.40 Million from P11.12 Billion in December 2019 to P11.14 Billion in December 2020.

Investments decreased by P11.27 Million from P741.17 Million in December 2019 to P729.91 Million in December 2020 representing the share in results of operations of investees.

Intangibles and goodwill-net decreased by P14.74 Million from P21.09 Billion in December 2019 to P21.07 Billion in December 2020 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P336.43 Million or 59.41% from P566.28 Million in December 2019 to P902.72 Million in December 2020 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets decreased by P62.97 Million from P3.30 Billion in December 2019 to P3.24 Billion in December 2020. About 77% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to additional security deposits, advance payment to contractors, accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17 and application of deferred input VAT.

Current Liabilities

As at December 31, 2020 and 2019, total current liabilities amounted to P24.47 Billion and P19.71 Billion respectively, for an increase of P4.75 Billion or 24.11%.

About 78% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P1.54 Billion or 10.17% was primarily due to increase of trade and non-trade liabilities and accrual of cash dividends by the Grocery Retail segment and Parent Company in December 2020.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P369.24 Million from P1.16 Billion as at December 2019 to P1.53 Billion as at December 31, 2020 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P829.12 Million mainly due to settlements made by the Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing increased by P3.72 Billion mainly due to the reclassification of long term loans of the Parent Company maturing in 2021.

Lease liabilities due within one year account increased by P467.50 Million from P567.68 Million in December 2019 to P1.03 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Due to related parties decreased by P581.43 Million mainly due to the settlements made.

Other current liabilities decreased by 10.96% from P596.99 Million as at December 31, 2019 to P662.45 Million as at December 31, 2020 relatively due to deposits from tenants by the Real Estate segment and sale of gift certificates during the year by the Grocery Retail segment

Noncurrent Liabilities

As at December 31, 2020 and 2019, total non-current liabilities amounted to P43.94 Billion and P32.67 Billion, respectively, for an increase of P11.27 Billion or 34.48%.

Long-term loans payable-net of current portion increased by P7.71 Billion mainly due to the availment of long term corporate notes by the Grocery Retail segment net of reclassification to current portion of maturing long term corporate notes by the Parent Company.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P3.05 Billion from P26.10 Billion in December 2019 to P29.15 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P475.94 Million mainly due to the net effect of recognition of additional benefit cost during 2020 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P19.31 Million or 4.91% from P393.22 Million in December 2019 to P412.52 Million as at December 31, 2020 recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2020 and December 31, 2019, total equity amounted to P109.78 Billion and P102.06 Billion, respectively, for an increase of P7.72 Billion or 7.56%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020, the account decreased by P87.56 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P248.89 million from P1.40 Billion in December 2019 to P1.65 Billion as at December 31, 2020 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback program.

Retained earnings increased by P4.75 Billion or 8.77% from P54.17 Billion in December 2019 to P58.91 Billion as at December 31, 2020 due to profit realized by the Group, net of cash dividend declaration.

Non-controlling interest increased by P3.31 Billion or 10.26% from P32.24 Billion in December 2019 to P35.55 Billion as at December 31, 2020 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2020**	2019
Net cash flows from operating activities	**P18,567,985**	P17,596,154
Net cash flows used in investing activities	**(469,433)**	(5,030,032)
Net cash flows used in financing activities	**6,406,190**	(5,006,579)
Net increase in cash and cash equivalents	**P24,465,778**	P7,617,153

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail, Real Estate and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash f used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, collection of loans receivable, investments in bonds and proceeds from the eventual sale thereof.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2019 and 2018

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2019 and 2018.

(In Thousands)	FY2019	%	FY2018	%	*INCREASE (DECREASE)*	%
REVENUES	**166,066,712**	***100.00%***	168,210,357	*100.00%*	***(2,143,644)***	***-1.27%***
COST OF SALES/SERVICES	**136,177,666**	***82.00%***	139,809,619	*83.12%*	***(3,631,953)***	***-2.60%***
GROSS PROFIT	**29,889,046**	***18.00%***	28,400,738	*16.88%*	***1,488,308***	***5.24%***
OTHER OPERATING INCOME	**3,262,853**	***1.96%***	2,994,765	*1.78%*	***268,088***	***8.95%***
GROSS OPERATING INCOME	**33,151,900**	***19.96%***	31,395,503	*18.66%*	***1,756,397***	***5.59%***
OPERATING EXPENSES	**19,147,089**	***11.53%***	18,326,809	*10.90%*	***820,280***	***4.48%***
INCOME FROM OPERATIONS	**14,004,811**	***8.43%***	13,068,694	*7.77%*	***936,117***	***7.16%***
OTHER INCOME (CHARGES) - net	**4,909,862**	***2.96%***	(1,301,028)	*-0.77%*	***6,210,890***	***477.38%***
INCOME BEFORE INCOME TAX	**18,914,673**	***11.39%***	11,767,667	*7.00%*	***7,147,007***	***60.73%***
INCOME TAX EXPENSE	**3,521,465**	***2.12%***	3,285,862	*1.95%*	***235,604***	***7.17%***
NET INCOME FOR THE YEAR	**15,393,208**	***9.27%***	8,481,805	*5.04%*	***6,911,403***	***81.49%***
Equity Holders of the Parent Company	**11,597,381**	***6.98%***	5,381,485	*3.20%*	***6,215,896***	***115.51%***
Non-controlling interests	**3,795,827**	***2.29%***	3,100,319	*1.84%*	***695,508***	***22.43%***
	15,393,208	***9.27%***	8,481,805	*5.04%*	***6,911,404***	***81.49%***
EARNINGS PER SHARE (EPS)	**1.65437**		0.75975			***117.75%***
CORE EPS	**0.83754**		0.73362			***14.16%***

<u>Growth in Revenues</u>

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P166.06 Billion during the year ended December 31, 2019 which reflects a decrease by P2.14 Billion or 1.27% compared to last year's revenue of P168.21 Billion.

The 2019 revenue figures do not anymore include the revenue contributions from Liquigaz in view of the divestment of the group's equity interests which was closed and completed on February 13, 2019. Excluding Liquigaz's revenue contribution in 2018 amounting to about P17.09 Billion, for like for like comparability, consolidated revenues of all the business segments in 2019 would reflect a normalized growth of 9.89% year on year over 2018 performance.

<u>Growth in Net Income</u>

During the same year, the Group realized a consolidated net income of P15.39 Billion which is higher by P6.91 Billion representing a growth of 81.49% as compared to last year's net income of P8.48 Billion which was restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments' net income.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.07 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2019 amounted to P9.32 Billion at 5.61% net margin and for a growth of 14.79%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2019 amounted to about P11.60 Billion which increased by about P6.21 Billion or 115.51% as compared to the 2018 PATMI amounting to P5.38 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2019 would amount to P5.87 Billion which is 13.0% higher than the 2018 PATMI of P5.19 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2019, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P154.49 Billion or an increase of P13.35 Billion or about 9.46% growth as compared to the segment's revenue contribution of P141.14 Billion of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2019 amounted to P6.77 Billion which increased by P573.29 Million or 9.25% as compared to the net income contribution of P6.20 Billion in 2018. This includes the one-time gain amounting to around P363 Million realized from the sale of shares in PG Lawson. Excluding this non-recurring item, core consolidated net income amounted to P6.75 Billion which registered a growth of 16.0% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.49 Billion to the Group's consolidated revenue in 2019 representing a growth of about P118.54 Million or 8.59% of the segment's revenue contribution in 2018 amounting to P1.38 Billion. This was mainly attributable to the additional leasable area from the new mall assets added to the portfolio during the first quarter of 2018 and in 2019, sustained higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2018 amounted to about P1.17 Billion which increased by about P85.79 Million or 7.90% as compared to the net income contribution of P1.08 Billion in 2018, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.63 Billion to the Group's consolidated revenue in 2019 representing an increase by about P1.11 Billion or 17.12% higher as compared to the 2018 revenue contribution of P6.51 Billion mainly attributable to its continued strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the period.

Consolidated net income contribution in 2019 amounted to about P1.21 Billion which increased by P470.15 Million or 63.26% as compared to the net income contribution in 2018 amounting to P743.18 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

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

Office Warehouse, Inc. contributed about P2.45 Billion to the Group's consolidated revenue during the fiscal year 2019 representing an increase by about P361.83 Million or 17.35% higher as compared to the 2018 revenue contribution of P2.08 Billion mainly attributable to its strong same store sales growth (SSSG) of 12.19% and its enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48.0% as compared to 2018 amounting to P65.58 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales
For the year ended December 31, 2019, the Grocery Retail Segment posted a consolidated net sales of P154,490 million for an increase of P13,351 million or a growth of 9.5% compared to P141,139 million in 2018. New organic stores put up in 2018 were fully operating in 2019 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**4.6%**	**8.3%**
Net Ticket	**8.5%**	**7.3%**
Traffic	**-3.5%**	**0.9%**

Gross Profit
For the year ended December 31, 2019, the Grocery Retail Segment realized an increase of 8.5% in consolidated gross profit from P23,929 million in 2018 at 17.0% margin to P25,951 million at 16.8% margin in 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly declined during the current period accounting primarily to lower supplier support in relation to product cost.

Other Operating Income
Other operating income increased by P322 million or 10.9% from P2,941 million in 2018 to P3,263 million in 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

Operating Expenses
Operating expenses increased by P1,191 million or 7.2% from P16,639 million in December 31, 2018 to P17,830 million in 2019. The incremental operating expenses were mainly attributable to depreciation expense, taxes and licenses, repairs and maintenance, advertising and promotion, credit card charges and manpower expenses principally related to the establishment and operation of new organic stores.

Other Expense - net
Other expenses net of other income amounted to P1,804 million and P1,528 million in December 31, 2019 and 2018, respectively. Interest income increased in December 2019 due to higher placement in short-term investment as compared to placements made in 2018. Interest expense comprised bulk of the account as a result of adoption of the new accounting standard, PFRS 16 – Leases.

Net Income
For the year ended December 31, 2019, the Grocery Retail Segment earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the Grocery Retail Segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

Commercial Real Estate

The Group's Real Estate Segment posted P2.14 Billion in revenues for the year ended December 31, 2019 or a 5.71% increase from P2.03 Billion from 2018. This was mainly attributable to the additional leasable area from its new mall assets added to its portfolio in early 2018 and 2019, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P69.43 Million or 4.5% from P1.53 Billion in 2018 to P1.60 Billion for the year ended December 31, 2019.

Net income for the year ended December 31, 2019 amounted to P1.22 Billion or a 12.8% increase from last year's P1.08 Billion brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P10.72 Billion in 2019 or 22.52% growth from last year's P8.74 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 43%. The strong sales performance is still principally driven by its brandy portfolio which accounts for more than 70% of sales augmented by the strong performance of the other spirits sector.

Income from operations increased to P1.68 Billion in 2019 or 66.63% higher from last year's P1.01 Billion.

Net income for the 2019 period increased by P474.09 Million from P738.36 Million in 2018 to P1.21 Billion in 2019 or 64.20% growth.

Specialty Retail

Office Warehouse

As at December 31, 2019, the company had expanded its retail network to 89 stores from 46 stores at acquisition date sometime in May 2014. Net selling area also increased to 15,589 sq.m. or a cumulative growth by 41.25% from the date of acquisition. Sales revenues increased to P2.45 Billion in 2019 or 17.3% higher as compared to the 2018 revenue of P2.09 Billion mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 12.19% during the fiscal year 2019. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48% as compared to the net income contribution in 2018 amounting to P65.58 Million

Liquigaz

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

The sale of investment in Liquigaz resulted to a one-time gain of P6.07 Billion, net of capital gains tax.

Revenues generated in 2018 amounted to P17.09 Billion and net income of P626.23 Million.

Consolidated Statements of Financial Position

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

(In Thousands)	2019	%	2018 (As Restated)	%	INCREASE (DECREASE)	%
Current Assets						
Cash and cash equivalents	**24,402,014**	**15.80%**	16,784,861	12.03%	**7,617,153**	**45.38%**
Receivables - net	**16,637,892**	**10.77%**	6,630,927	4.75%	**10,006,966**	**150.91%**
Financial asset at FVOCI	**9,209**	**0.01%**	7,026	0.01%	**2,182**	**31.06%**
Financial asset at FVPL	**34,921**	**0.02%**	36,503	0.03%	**(1,582)**	**-4.33%**
Inventories	**24,722,271**	**16.01%**	23,931,657	17.15%	**790,614**	**3.30%**
Due from related parties	**192,068**	**0.12%**	47,971	0.03%	**144,096**	**300.38%**
Prepayments and other current assets	**2,000,502**	**1.30%**	2,609,348	1.87%	**(608,846)**	**-23.33%**
	67,998,876	**44.03%**	50,048,292	35.87%	**17,950,584**	**35.87%**
Assets of disposal group classified as held for sale	**-**	**-**	7,320,895	5.25%	**(7,320,895)**	**-100.00%**
Total current assets	**67,998,876**	**44.03%**	57,369,187	41.11%	**10,629,689**	**18.53%**
Noncurrent Assets						
Property and equipment - net	**27,927,953**	***18.08%***	26,343,793	*18.88%*	**1,584,160**	**6.01%**
Right-of-use assets	**21,700,103**	***14.05%***	20,082,426	*14.39%*	**1,617,676**	**8.06%**
Investment properties - net	**11,125,998**	***7.20%***	10,836,618	*7.77%*	**289,379**	**2.67%**
Intangibles and goodwill - net	**21,089,717**	***13.65%***	21,095,502	*15.12%*	**(5,786)**	**-0.03%**
Investments	**741,175**	***0.48%***	603,175	*0.43%*	**138,000**	**22.88%**
Deferred oil and mineral exploration costs		***0.00%***	123,365	*0.09%*	**(123,365)**	**-100.00%**
Deferred tax assets-net	**566,284**	***0.37%***	96,263	*0.07%*	**470,021**	**488.27%**
Other non-current assets	**3,299,789**	***2.14%***	2,987,211	*2.14%*	**312,578**	**10.46%**
Total noncurrent assets	**86,451,018**	***55.97%***	82,168,354	*58.89%*	**4,282,665**	**5.21%**
Total Assets	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,354**	**10.69%**
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**15,127,981**	***9.79%***	13,016,166	*9.33%*	**2,111,814**	**16.22%**
Income tax payable	**1,164,727**	***0.75%***	930,909	*0.67%*	**233,818**	**25.12%**
Short-term loans payable	**871,124**	***0.56%***	4,866,300	*3.49%*	**(3,995,176)**	**-82.10%**
Current portion of long-term borrowing	**43,685**	***0.03%***	49,999	*0.04%*	**(6,314)**	**-12.63%**
Lease liabilities due within one year	**567,682**	***0.37%***	725,846	*0.52%*	**(158,164)**	**-21.79%**
Due to related parties	**1,343,460**	***0.87%***	1,365,863	*0.98%*	**(22,403)**	**-1.64%**
Other current liabilities	**596,992**	***0.39%***	434,901	*0.31%*	**162,091**	**37.27%**
	19,715,651	***12.77%***	21,389,984	*15.33%*	**(1,674,333)**	**-7.83%**
Liabilities of disposal group classified as held for sale	**-**	***-***	1,834,651	*1.31%*	**(1,834,651)**	**-100.00%**
Total current liabilities	**19,715,651**	***12.77%***	23,224,635	*16.64%*	**(3,508,984)**	**-15.11%**
Noncurrent Liabilities						
Retirement benefit liability	**955,818**	***0.62%***	508,533	*0.36%*	**447,285**	**87.96%**
Lease liabilities	**26,101,259**	***16.90%***	23,496,626	*16.84%*	**2,604,632**	**11.09%**
Deferred tax liabilities	**128,586**	***0.08%***	177,626	*0.13%*	**(49,040)**	**-27.61%**
Long term loans payable - net of debt issue cost	**5,094,577**	***3.30%***	6,572,209	*4.71%*	**(1,477,632)**	**-22.48%**
Other non-current liabilities	**393,219**	***0.25%***	433,342	*0.31%*	**(40,123)**	**-9.26%**
Total noncurrent liabilities	**32,673,459**	***21.15%***	31,188,337	*22.35%*	**1,485,123**	**4.76%**
Total Liabilities	**52,389,110**	***33.92%***	54,412,971	*39.00%*	**(2,023,861)**	**-3.72%**
EQUITY						
Capital stock	**7,405,264**	***4.79%***	7,405,264	*5.31%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***6.24%***	9,634,644	*6.90%*	**-**	**-**
Retirement benefits reserve	**5,412**	***0.00%***	113,822	*0.08%*	**(108,410)**	**-95.25%**
Other reserve	**5,602**	***0.00%***	3,420	*0.00%*	**2,182**	**63.78%**
Treasury shares	**(1,403,974)**	***-0.91%***	(1,197,727)	*-0.86%*	**(206,247)**	**17.22%**
Retained earnings	**54,167,212**	***35.07%***	42,775,502	*30.66%*	**11,391,710**	**26.63%**
Total Equity Attributable to Equity Holders of Parent Company	**69,814,160**	***45.20%***	58,734,925	*42.09%*	**11,079,235**	**18.86%**
Non-controlling interest	**32,246,624**	***20.88%***	26,389,644	*18.91%*	**5,856,980**	**22.19%**
Total Equity	**102,060,784**	***66.08%***	85,124,569	*61.00%*	**16,936,215**	**19.90%**
Total Liabilities and Equity	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,353**	**10.69%**

Current Assets

Cash and cash equivalents amounted to P24.40 Billion as at December 31, 2019 with an increase of P7.62 Billion or 45.38% from December 31, 2018 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the year.

Receivables increased by 150.91% from December 31, 2018 balance of P6.63 Billion to this year's balance of P16.64 Billion due mainly to the net effect of collections made and the loans granted to companies under common control.

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

Financial assets at fair value through comprehensive income (FVOC) increased by 31.06% from December 31, 2018 balance of P7.02 Million to this year's balance of P9.21 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) decreased by 4.33% from December 31, 2018 balance of P36.50 Million to this year's balance of P34.92 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 3.30% from 2018 balance of P23.93 Billion to this year's balance of P24.72 Billion due additional stocking requirement of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.53 Billion.

Prepaid expenses and other current assets decreased by P608.85 Million or 23.33% at the end of December 2019, mainly due to amortization of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties increased by P144.09 Million at the end of December 2019, due primarily to additional advances made.

Non-current Assets

As at December 31, 2019 and 2018, total non-current assets amounted to P86.41 Billion or 55.96% of total assets, and P82.17 Billion or 58.89% of total assets, respectively, for an increase of P4.24 Billion or 5.17%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.58 Billion from P26.34 Billion in December 2018 to P27.93 Billion in December 2019 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P1.62 Billion from P20.08 Billion in December 2018 to P21.70 Billion in December 2019 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P289.38 Million from P10.84 Billion in December 2018 to P11.12 Billion in December 2019.

Investments increased by P138 Million from P603.17 Million in December 2018 to P741.17 Million in December 2019 representing the additional equity investments by the Liquor Distribution segment in Pernod Philippines.

Intangibles and goodwill-net decreased by P5.78 Million from P21.09 Billion in December 2018 to P21.09 Billion in December 2019 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P432.59 Million or 448.35% from P96.26 Million in December 2018 to P527.86 Million in December 2019 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P312.58 Million from P2.99 Billion in December 2018 to P3.30 Billion in December 2019. About 73% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2019 and 2018, total current liabilities amounted to P19.71 Billion and P23.22 Billion respectively, for a decrease of P3.51 Billion or 15.11%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P2.11 Billion or 16.22% was primarily due to increase of trade and non-trade liabilities and declaration of dividends by the Grocery Retail segment and Parent Company in 2019.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P233.82 Million from P930.31 Million as at December 2018 to P1.16 Billion as at December 31, 2019 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2019 in relation to the same period in 2018.

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

Short-term loans payable account decreased by P3.99 Billion mainly due to settlements made by the Grocery Retail, Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing decreased by P6.1 Million mainly due to amortization of debt issue cost.

Lease liabilities due within one year account increased by P82.35 Million from P643.49 Million in December 2018 to P725.85 Million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P22.40 Million mainly due to the settlements made.

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

Noncurrent Liabilities

As at December 31, 2019 and December 31, 2018, total non-current liabilities amounted to P32.67 Billion and P31.19 Billion, respectively, for an increase of P1.48 Billion or 4.76%.

Long-term loans payable-net of current portion decreased by P1.48 Billion mainly due to the settlements by the Grocery Retail segment of its long term bank loans.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P2.60 Billion from P23.50 Billion in December 2018 to P26.10 Billion in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P447.28 Million mainly due to the net effect of recognition of additional benefit cost during 2019 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities decreased by P40.12 Million or 9.26% from P433.34 Million in December 2018 to P393.22 Million as at December 31, 2019 due to application of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2019 and December 31, 2018, total equity amounted to P102.02 Billion and P85.12 Billion, respectively, for an increase of P16.90 Billion or 19.85%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2019, the account decreased by P108.41 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P206.25 million from P1.20 Billion in December 2018 to P1.40 Billion as at December 31, 2019 due to additional buyback by the Parent Company during the year in relation to its existing buyback program.

Retained earnings increased by P11.39 Billion or 26.63% from P42.77 Billion in December 2018 to P54.17 Billion as at December 31, 2019 due to profit realized by the Group, net of cash dividend declaration and the effect of adoption of PFRS 16, *Leases*.

Non-controlling interest increased by P5.85 Billion or 22.19% from P26.39 Billion in December 2018 to P32.25 Billion as at December 31, 2019 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2019**	2018
Net cash flows from operating activities	**P17,139,067**	P12,184,405
Net cash flows used in investing activities	**(4,544,140)**	(5,259,386)
Net cash flows used in financing activities	**(5,006,579)**	(5,517,456)
Net increase in cash and cash equivalents	**P7,617,153**	P1,431,763

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment and the proceeds from divestment of Liquigaz.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2018 and 2017

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2018 and 2017.

(In Thousands)	**2018**	*%*	2017	*%*	***INCREASE (DECREASE)***	*%*
REVENUES	**168,210,357**	***100.00%***	145,638,800	*100.00%*	***22,571,556***	***15.50%***
COST OF SALES/SERVICES	**139,809,619**	***83.12%***	120,260,991	*82.57%*	***19,548,628***	***16.26%***
GROSS PROFIT	**28,400,738**	***16.88%***	25,377,809	*17.43%*	***3,022,929***	***11.91%***
OTHER OPERATING INCOME	**2,994,765**	***1.78%***	2,760,841	*1.90%*	***233,924***	***8.47%***
GROSS OPERATING INCOME	**31,395,503**	***18.66%***	28,138,650	*19.32%*	***3,256,853***	***11.57%***
OPERATING EXPENSES	**18,326,809**	***10.90%***	15,854,229	*10.89%*	***2,472,580***	***15.60%***
INCOME FROM OPERATIONS	**13,068,694**	***7.77%***	12,284,421	*8.43%*	***784,273***	***6.38%***
OTHER INCOME (CHARGES) - net	**(1,301,028)**	***-0.77%***	(1,638,282)	*-1.12%*	***337,254***	***20.59%***
INCOME BEFORE INCOME TAX	**11,767,667**	***7.00%***	10,646,139	*7.31%*	***1,121,527***	***10.53%***
INCOME TAX EXPENSE	**3,285,862**	***1.95%***	3,175,439	*2.18%*	***110,423***	***3.48%***
NET INCOME FOR THE YEAR	**8,481,805**	***5.04%***	7,470,701	*5.13%*	***1,011,104***	***13.53%***
Net Income Attributable to:						
Equity holders of the Parent Company	**5,381,485**	***3.20%***	4,731,617	*3.25%*	***649,869***	***13.73%***
Non-controlling interests	**3,100,319**	***1.84%***	2,739,084	*1.88%*	***361,235***	***13.19%***
	8,481,805	***5.04%***	7,470,701	*5.13%*	***1,011,104***	***13.53%***
EPS	**0.75975**		0.66364			***14.48%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P168.21 Billion for the year ended December 31, 2018 which reflects an increase by P22.57 Billion or representing a growth of 15.50% compared to last year's revenue of P145.64 Billion.

The growth in consolidated revenues in 2018 was largely driven by a combination of the Group's sustained organic growth from its grocery retail segment; sustained revenue growth from the LPG business unit driven by the gradual recovery of global petroleum and gas prices and on the back of a very strong growth in sales volume; increase revenue contributions from the real estate segment with its consistent high capacity utilization of its rental assets portfolio coupled by additional leasable spaces from new commercial assets; and the robust sales performance and growth in revenue contributions from the liquor and wine distribution business segment.

Growth in Net Income

During the same period, the Group realized a consolidated net income of P8.48 Billion which is higher by P1.01 Billion representing a 13.53% increase as compared to last year's consolidated net income of P7.47 Billion which were restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments' net income.. Net income attributable to equity holders of the parent company (PATMI) amounted to P5.38 Billion in 2018 which increased by about P649.87 Million or 13.73% as compared to the 2017 PATMI amounting to P4.73 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2018, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P141.14 Billion or an increase of P16.43 Billion or about 13.18% growth as compared to the segment's revenue contribution of P124.70 Billion of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2018 amounted to P6.2 Billion which increased by P705.38 Million or 12.84% as compared to the net income contribution of P5.49 Billion in 2017, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard. This includes the one-time gain amounting to around P363 Million realized from the sale of shares in PG Lawson. Excluding this non-recurring item, core consolidated net income amounted to P5.84 Billion which still registered a growth of 3.2% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.38 Billion to the Group's consolidated revenue in 2018 representing a growth of about P88.69 Million or 6.87% of the segment's revenue contribution in 2017 amounting to P1.29 Billion. This was mainly attributable to the additional leasable space from four (4) new mall assets added to its portfolio, where three assets were opened during the first quarter of 2018 and one in December 2017, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2018 amounted to about P1.08 Billion which increased by about P138.37 Million or 14.60% as compared to the net income contribution of P947.59 Million in 2017, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Liquor Distribution Segment

The liquor distribution business segment contributed about P6.51 Billion to the Group's consolidated revenue in 2018 representing an increase by about P1.82 Billion or 38.77% higher as compared to the 2017 revenue contribution of P4.69 Billion mainly attributable to its strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the year.

Consolidated net income contribution in 2018 amounted to about P743.18 Million which increased by P44.63 Million or 6.39% as compared to the net income contribution in 2017 amounting to P698.58 Million, which was restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Specialty Retail

The LPG business unit contributed about P17.09 Billion to the Group's consolidated revenue in 2018 representing an increase by about P3.96 Billion or 30.18% higher as compared to the 2017 revenue contribution of P13.13 Billion mainly attributable to the effects of the continued improvements and recovery of global petroleum and gas prices in 2018 and on the back of a 9.8% growth in volume sold.

As a result, net income contribution in 2018 amounted to P626.23 Million which increased by P157.03 Million or 33.47% as compared to that of 2017 amounting to P469.20 Million.

On the other hand, our office supplies and technology retail business unit contributed about P2.09 Billion to the Group's consolidated revenue in 2018 representing an increase by about P265.44 Million or 14.58% higher as compared to the 2017 revenue contribution of P1.82 Billion mainly attributable to its strong same store sales growth (SSSG) of 9.09% and its continuing stores network expansion program, enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2018 amounted to about P65.53 Million which increased by P5.53 Million or 11.07% as compared to the net income contribution in 2017 amounting to P58.99 Million, which were restated to reflect the retrospective effect of the adoption of new lease accounting standard.

Segment Operating & Financial Highlights

Net Sales

For the year ended December 31, 2018, the Grocery Retail segment posted a consolidated net sales of P141,139 million for an increase of P16,436 million or a growth of 13.2% compared to P124,703 million in 2017. New organic stores put up in 2017 were fully operating in 2018 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	**S&R**
Net Sales	**5.7%**	**8.4%**
Net Ticket	**8.0%**	**8.1%**
Traffic	**-2.1%**	**0.2%**

Gross Profit

For the year ended December 31, 2018, the Grocery Retail segment realized an increase of 10.3% in consolidated gross profit from P21,688 million in 2017 at 17.4% margin to P23,929 million at 17.0% margin in 2018, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income increased by P249 million or 9.2% from P2,692 million in 2017 to P2,941 million in 2018. This is attributable to increases in concess income and membership income driven mainly by full operation of 2017 new stores and contribution from new stores opened in 2018. In 2017, S&R tied up with Unioil and offered a P3.00 discount on gasoline and P2.00 off on diesel per liter, to all members using their issued membership cards with magnetic stripes. In March 14 to 18 and September 26 to 30, 2018, S&R held its 5-day sale Members' Treat.

Operating Expenses
Operating expenses increased by P2,028 million or 13.9% from P14,611 million in the year ended December 31, 2017 to P16,639 million in 2018. The incremental operating expenses were mainly attributable to manpower costs, utilities, depreciation expense and taxes, principally related to the establishment and operation of new organic stores.

Other Expense - net
Other expenses net of other income amounted to P1,528 million for year ended December 31, 2018 due to recognition of a one-time gain on sale of investment in joint venture amounting to P363 million. Interest income increased in the year ended December 2018 due to higher placement in short-term investment as compared in 2017.

Net Income
For the year ended December 31, 2018, the Grocery Retail segment earned a consolidated net income of P6,200 million at 4.4% net margin and an increase of 12.8% from P5,494 million at 4.4% net margin in 2017. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income for the year ended December 31, 2018 amounted to P5,820 million at 4.1% net margin and an increase of 3.2%. This was principally driven by the continuous organic expansion of the Grocery Retail segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores established in 2018.

Commercial Real Estate

The Group's Real Estate Segment posted P2.03 Billion in revenues for the year ended December 31, 2018 or a 8.38% increase from P1.87 Billion from 2017. This was mainly attributable to the additional leasable space from its four new mall assets, where three assets opened during the first quarter of 2018 and one in December 2017, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P82.53 Million or 9.7% from P1.45 Billion in 2017 to P1.53 Billion for the year ended December 31, 2018.

Net income for the year ended December 31, 2018 amounted to P1.08 Billion or a 6.2% increase from last year's P922.09 Million brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P8.75 Billion in 2018 or 31.28% growth from last year's P6.66 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 32%. The growth in revenue is still principally driven by its brandy portfolio which accounts for about 67% of sales augmented by the increase in sales of the other spirits sector. Wines and specialty beverages also experienced dramatic growths in the current period and contributed to the segment's overall sales growth.

Income from operations increased to P1.0 Billion in 2018 or 12.43% higher from last year's P896.28 Million.

Net income for the 2018 period increased by P107.13 Million from P631.23.46 Million in 2017 to P738.37 Million in 2017 or 16.97% growth.

Specialty Retail

Office Warehouse

As at December 31, 2018, the company had expanded its retail network to 88 stores from 46 stores at acquisition date. Net selling area also increased to 16,738 sq.m. or a growth by 4.97% in 2018 as compared to 2017.

Sales revenue increased to P2.09 Billion in 2018 or 14.49% higher as compared to the 2017 revenue of P1.82 Billion mainly attributable to its continuing organic stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 9.09% in 2018.

Net income in 2018 amounted to about P65.58 Million which increased by P10.01 Million or 18.0% as compared to the net income in 2017 amounting to P55.57 Million.

Liquigaz

The company started the commercial operation of its storage facility expansion project in Sariaya, Quezon (Southern Luzon) during the first quarter in 2018. When completed and fully operational, this new facility, which will increase the company's existing capacity to 25,000 MT, will not only strategically serve the Southern Luzon market but also serve as a platform for its planned geographic expansion into the Visayas and Mindanao markets.

Revenues generated in 2018 amounted to P17.09 Billion or 30.18% higher as compared to the 2017 revenues of P13.13 Billion mainly attributable to both the continued improvements in global petroleum and gas prices and a 9.80% growth in sales volume in 2018. As a result, net income in 2018 amounted to P626.23 Million which increased by P157.03 Million or 33.47% as compared to that of 2017 amounting to P469.20 Million.

On October 19, 2018, Liquigaz parent company, Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. signed a Share Purchase Agreement whereby Canaria sells all its shares in Liquigaz Philippines Corporation and Calor Phils. Holdings, Inc. to Fernwood Holdings, Inc. The transaction was subsequently approved by the Philippine Competition Commission on January 17, 2019 paving the way for its closing and completion on February 13, 2019. The divestment transaction and other relevant information will be reflected in the group's financial reports for the first quarter of 2019.

Consolidated Statements of Financial Position

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

(In Thousands)	2018	%	2017	%	*INCREASE (DECREASE)*	%
ASSETS						
Current Assets						
Cash and cash equivalents	16,784,861	12.00%	15,353,098	11.90%	1,431,763	9.33%
Receivables - net	6,630,927	4.74%	7,902,970	6.12%	(1,272,044)	-16.10%
Financial asset at FVOC	7,026	0.01%	8,618	0.01%	(1,592)	-18.47%
Financial asset at FVPL	36,503	0.03%	46,888	0.04%	(10,385)	-22.15%
Inventories	23,931,657	17.12%	21,194,691	16.43%	2,736,966	12.91%
Due from related parties	47,971	0.03%	74,354	0.06%	(26,382)	-35.48%
Prepayments and other current assets	2,609,349	1.87%	2,159,188	1.67%	450,162	20.85%
	50,048,293	35.80%	46,739,806	36.22%	3,308,488	7.08%
Assets-held-for sale	7,320,895	5.24%	-	0.00%	7,320,895	100.00%
Total current assets	57,369,188	41.03%	46,739,806	36.22%	10,629,382	22.74%
Noncurrent Assets						
Property and equipment - net	26,343,793	18.84%	26,622,703	20.63%	(278,910)	-1.05%
Right-of-use assets	20,082,426	14.36%	18,164,367	14.08%	1,918,059	10.56%
Investment properties - net	10,836,618	7.75%	10,753,607	8.33%	83,011	0.77%
Intangible assets	21,095,502	15.09%	22,776,064	17.65%	(1,680,562)	-7.38%
Investments	603,175	0.43%	933,797	0.72%	(330,622)	-35.41%
Deferred oil and mineral exploration costs	123,365	0.09%	122,948	0.10%	417	0.34%
Deferred tax assets-net	377,910	0.27%	278,008	0.22%	99,902	35.94%
Other non-current assets	2,987,211	2.14%	2,638,683	2.05%	348,528	13.21%
Total noncurrent assets	82,450,001	58.97%	82,290,178	63.78%	159,823	0.19%
Total Assets	139,819,189	100.00%	129,029,984	100.00%	10,789,206	8.36%
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	13,016,166	9.31%	13,788,692	10.69%	(772,526)	-5.60%
Income tax payable	930,909	0.67%	1,032,749	0.80%	(101,840)	-9.86%
Short-term loans payable	4,866,300	3.48%	5,562,500	4.31%	(696,200)	-12.52%
Current portion of long-term borrowing	49,999	0.04%	2,443,402	1.89%	(2,393,404)	-97.95%
Lease liabilities due within one year	725,846	0.52%	643,493	0.50%	82,353	12.80%
Due to relate parties	1,365,863	0.98%	849,772	0.66%	516,091	60.73%
Other current liabilities	434,901	0.31%	509,498	0.39%	(74,597)	-14.64%
	21,389,984	15.30%	24,830,106	19.24%	3,440,122)	-13.85%
Liabilities-held-for sale	1,834,651	1.31%		0.00%	1,834,651	100.00%
Total current liabilities	23,224,634	16.61%	24,830,106	19.24%	(1,605,472)	-6.47%
Noncurrent Liabilities						
Retirement benefit liability	508,533	0.36%	592,387	0.46%	(83,854)	-14.16%
Lease liabilities	23,496,626	16.81%	20,906,226	16.20%	2,590,400	12.39%
Deferred tax liabilities	548,200	0.39%	515,657	0.40%	32,543	6.31%
Long term loans payable - net of debt issue cost	6,572,209	4.70%	4,782,209	3.71%	1,790,000	37.43%
Other non-current liabilities	433,342	0.31%	421,929	0.33%	11,412	2.70%
Total noncurrent liabilities	31,558,911	22.57%	27,218,409	21.09%	4,340,502	15.95%
Total Liabilities	54,783,545	39.18%	52,048,515	40.34%	2,735,030	5.25%
EQUITY						
Capital stock	7,405,264	5.30%	7,405,264	5.74%		0.00%
Additional paid-in capital	9,634,644	6.89%	9,634,644	7.47%		0.00%
Retirement benefits reserve	114,048	0.08%	28,591	0.02%	85,457	298.90%
Other reserve	3,420	0.00%	5,013	0.00%	(1,592)	-31.76%
Treasury shares	(1,197,727)	-0.86%	(628,203)	-0.49%	(569,524)	90.66%
Retained earnings	42,216,430	30.19%	36,853,901	28.56%	5,362,529	14.55%
Total Equity Attributable to Equity Holders of Parent Company	58,176,080	41.61%	53,299,210	41.31%	4,876,871	9.15%
Non-controlling interest	26,859,564	19.21%	23,682,259	18.35%	3,177,305	13.42%
Total Equity	85,035,645	60.82%	76,981,469	59.66%	8,054,176	10.46%
Total Liabilities and Equity	139,819,189	100.00%	129,029,984	100.00%	10,789,206	8.36%

Current Assets

Cash and cash equivalents amounted to P16.78 Billion as at December 31, 2018 with an increase of P1.43 Billion or 9.33% from December 31, 2017 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2017 cash dividends, settlement of loans and payments for capital expenditures during the period.

Receivables decreased by 16.10% from December 31, 2017 balance of P7.90 Billion to this year's balance of P6.63 Billion due mainly to the collections made and reclassification to assets held-for-sale.

Assets held-for-sale pertain to current and noncurrent assets of Liquigaz Philippine Corporation (LPC) which were reclassified in view of the sale of the group's equity interest in LPC) through a Share Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019.

Financial assets at fair value through comprehensive income (FVOC) decreased by 11.31% from December 31, 2017 balance of P8.62 Million to this year's balance of P7.64 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) decreased by 22.15% from December 31, 2017 balance of P46.89 Million to this year's balance of P36.50 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 12.91% from 2017 balance of P21.19 Billion to this year's balance of P23.93 Billion due additional stocking requirement of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.73 Billion.

Prepaid expenses and other current assets increased by P450.16 Million or 20.85% at the end of December 2018, mainly due to prepayments made for advertising, prepayments for taxes and licenses, availment of new policies for insurance of new stores and advance payment of rent for soon to open stores by Grocery Retail and Liquor Distribution segments.

Due from related parties decreased by P26.38 Million at the end of December 2018, due primarily to settlements made.

Non-current Assets

As at December 31, 2018 and 2017, total non-current assets amounted to P82.45 Billion or 58.97% of total assets, and P82.29 Billion or 63.78% of total assets, respectively, for a increase of P159.82 Million or 0.19%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment decreased by P278.71 Million from P26.62 Billion in December 2017 to P26.34 Billion in December 2018 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment and the effect of reclassifying the fixed assets owned by LPC to assets held-for-sale.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P1.92 Billion from P18.6 Billion in December 2017 to P20.08 Billion in December 2018 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P83.01 Million from P10.75 Billion in December 2017 to P10.84 Billion in December 2018.

Investments decreased by P322.74 Million from P933.80 Million in December 2017 to P611.05 Million in December 2018 primarily due to the sale of investment in PG Lawson joint venture net of additional investments in Ayagold Retailers by the Grocery Retail segment and reclassification to assets held-for-sale by LPC.

Intangibles and goodwill-net decreased by P1.63 Billion from P22.77 Billion in December 2017 to P21.14 Billion in December 2018 primarily due to the reclassification of goodwill pertaining to LPC to assets held-for-sale.

Deferred tax assets increased by P99.90 Million or 35.94% from P278.01 Million in December 2017 to P377.91 Million in December 2018 resulting mainly from the recognition of deferred tax assets from the adoption of new lease accounting for leases.

Other non-current assets increased by P348.53 Million from P2.64 Billion in December 2017 to P2.99 Billion in December 2018. About 78% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2018 and 2017, total current liabilities amounted to P23.22 Billion and P24.83 Billion respectively, for a decrease of P1.60 Billion or 6.47%.

About 86% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P772.53 Million or 5.60% was primarily due to net settlement of trade and non-trade liabilities and payment of dividends by the Grocery Retail, Real Estate, Specialty and Parent Company in 2017.

Lease liabilities due within one year account increased by P82.35 Million from P643.49 Million in December 2017 to P725.85 Million in December 2018 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P101.84 Million from P1.03 Billion as at December 2017 to P930.91 Million as at December 31, 2018 is mainly due to settlement of income tax pertaining to 2017 and the reclassification by LPC to liabilities directly related to assets held-for-sale.

Liabilities directly related to assets held-for-sale pertain to current and noncurrent liabilities under LPC which were reclassified in view of the sale of the group's equity interest in LPC through aShare Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019.

Short-term loans payable account decreased by P696.20 Million mainly due to settlements made by the Grocery Retail, Real Estate, Specialty Retail and Liquor Distribution segments.

Current portion of long-term borrowing decreased by P2.39 Billion mainly due to settlements made by the Grocery Retail segment and Parent Company and the effect of reclassification to long term loans resulting from refinancing.

Due to related parties increased by P516.09 Million mainly due to the additional advances.

Other current liabilities decreased by 14.64% from P509.50 Million as at December 31, 2017 to P434.90 Million as at December 31, 2018 relatively due to redemption of gift checks and perks points benefits by the Grocery Retail segment.

Noncurrent Liabilities

As at December 31, 2018 and December 31, 2017, total non-current liabilities amounted to P31.56 Billion and P27.22 Billion, respectively, for an increase of P4.34 Billion or 15.95%.

Long-term loans payable-net of current portion increased by P1.79 Billion mainly due to the Grocery Retail segment's refinancing of maturing long term loans.

Lease liabilitiesrepresents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P2.59 Billion from P20.91 Billion in December 2018 to P23.50 Billion in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability decreased by P83.85 Million mainly due to the net effect of recognition of additional benefit cost during 2018 and the reclassification to liabilities directly related to assets held-for-sale.

Other non-current liabilities increased by P11.41 million or 2.7% from P421.93 Million in December 2017 to P433.34 Million as at December 31, 2018 due to recognition of advance rental and deposits.

Equity

As at December 31, 2018 and December 31, 2017, total equity amounted to P85.03 Billion and P76.98 Billion, respectively, for an increase of P8.05 Billion or 10.46%.

Retirement benefits reseve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2018, the account increased by P85.46 million due to unrealized gain on re-measurement of defined benefit liability.

Treasury shares increased by P569.52 million from P628.20 Million in December 2017 to P1.20 Billion as at December 31, 2018 due to additional buyback by the Parent Company during the year in relation to the buyback program.

Retained earnings increased by P5.36 Billion or 14.55% from P36.85 Billion in December 2017 to P42.22 Billion as at December 31, 2018 due to profit realized by the Group.

Non-controlling interest increased by P3.18 Billion or 13.42% from P23.68 Billion in December 2017 to P26.86 Billion as at December 31, 2018 mainly due to share in the consolidated profit.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2018**	2017
Net cash flows from (used in) operating activities	**P10,926,204**	P8,774,641
Net cash flows used in investing activities	**(5,853,974)**	(4,503,325)
Net cash flows used in financing activities	**(3,640,464)**	(1,505,747)
Net increase in cash and cash equivalents	**P1,431,763**	P2,718,634

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures and short term investments by the Real Estate segment and Specialty Retail segment.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Specialty Retail segments and Parent Company during the year, repayment by the group of principal and interest relating to lease liability, payment of 2018 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Material Events and Uncertainties

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

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

ANNEX "C"

COVER SHEET

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SEC Registration Number

COSCO CAPITAL, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

CANDY H. DACANAY-DATUON

(02) 8523-3055

(Company Telephone Number)

1 2	**3 1**	**SEC FORM 17-Q**	**0 6**	**2 5**
Month	**Day**	(Form Type)	**Month**	**Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2021 1st Quarter Report

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

1. For the quarterly period ended: March 31, 2021

2. Commission identification number: 147669

3. BIR Tax Identification No. : 000-432-378

4. Exact name of registrant as specified in its charter:

COSCO CAPITAL, INC.
(Formerly Alcorn Gold Resources Corporation)

5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of registrant's principal office:

2ndFloorTabacaleraBldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007

8. Registrant's telephone number, including area code:

(632) 524-9236 or 38

9. Former name, former address and former fiscal year, if changed since last report:

ALCORN GOLD RESOURCES, CORPORATION

10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes [**/**] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes[/] No [ ]

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

Yes [/] No [ ]

I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

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

II. KEY PERFORMANCE INDICATORS

- The following financial ratios are considered by management as key performance indicators of the Group's financial performance operating results as well as its financial condition:
- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment.
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales.
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to cover interest payments on its outstanding debts.
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group.
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues.
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm.
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Group's financial leverage.

The table below shows the key performance indicators for the past three interim periods:

Performance Indicators	**Q12021**	**Q12020**
ROI	2.20%	2.25%
Profit margin	6.16%	5.38%
EBITDA to interest expense	6.69x	9.04x
Current ratio	4.62:1	3.89:1
Asset turnover	0.23:1	0.28:1
Asset to equity	1.55:1	1.47:1
Debt to equity ratio	0.55:1	0.47:1

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

III. RESULTS OF OPERATION

The table below shows the consolidated results of operations of the Group for the periods ended March 31, 2021 and 2020.

(In Thousands)	Q12021	%	Q12020	%	INCREASE (DECREASE)	%
REVENUES	**39,602,263**	*100.00%*	43,085,267	*100.00%*	***(3,483,004)***	***-8.08%***
COST OF SALES/SERVICES	**31,692,555**	*80.03%*	35,344,924	*82.03%*	***(3,652,369)***	***-10.33%***
GROSS PROFIT	**7,909,708**	*19.97%*	7,740,343	*17.97%*	***169,365***	***2.19%***
OTHER OPERATING INCOME	**814,896**	*2.06%*	827,222	*1.92%*	***(12,325)***	***-1.49%***
GROSS OPERATING INCOME	**8,724,605**	*22.03%*	8,567,565	*19.89%*	***157,040***	***1.83%***
OPERATING EXPENSES	**4,946,152**	*12.49%*	5,020,400	*11.65%*	***(74,248)***	***-1.48%***
INCOME FROM OPERATIONS	**3,778,453**	*9.54%*	3,547,165	*8.23%*	***231,288***	***6.52%***
OTHER INCOME (CHARGES) - net	**(580,461)**	*-1.47%*	(342,893)	*-0.80%*	***(237,567)***	***-69.28%***
INCOME BEFORE INCOME TAX	**3,197,992**	*8.08%*	3,204,272	*7.44%*	***(6,280)***	***-0.20%***
INCOME TAX EXPENSE	**757,249**	*1.91%*	885,153	*2.05%*	***(127,903)***	***-14.45%***
NET INCOME FOR THE PERIOD	**2,440,742**	*6.16%*	2,319,119	*5.38%*	***121,623***	***5.24%***
PATMI	**1,407,703**	*3.55%*	1,416,797	*3.29%*	***(9,095)***	***-0.64%***
Non-controlling interests	**1,033,040**	*2.61%*	902,322	*2.09%*	***130,718***	***14.49%***
	2,440,742	*6.16%*	2,319,119	*5.38%*	***121,623***	***5.24%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P39.60 Billion for the quarter ended March 31, 2021 which reflects a decrease by P3.48 Billion or representing a decline by 8.08% compared to last year's revenue of P43.08 Billion.

The revenues of the Group's business segments during the first quarter 2021 have continued to be affected in varying degrees by the business and social disruptions resulting from the continuing general community quarantine and mobility restrictions imposed by the Philippine Government on a nationwide scale due to the Covid-19 pandemic. For comparative analysis purposes, revenues generated during the first quarter 2020 were generally at pre-Covid levels except for the impact of the government imposed lockdown starting on March 16, 2020 on the liquor distribution segment as well as the specialty retail segment.

Due to the resurgence of the increasing rate of positivity infections in the National Capital Region and neighboring provinces (NCR+) coupled by the discovery of new variants of the Covid 19 virus, the government imposed a stricter level of restrictions (NCR+ Bubble) for a period of 15 days starting on March 22, 2021 which subsequently evolved into the reimposition of the ECQ starting on April 5, 2021 which involved closure of the commercial malls as well as other non-essential business establishments. The extent of the business impacts on each segment are more fully described in the specific segment operating and financial highlights section.

The successful implementation and roll-out of the nationwide vaccination program jointly undertaken by the government and private sector which started during the first quarter 2021 provides a source of national relief and optimism that will determine the shape of the macro-economic and socio-political policies and environment as well as the continued impact on the Group's business for the balance of the year.

Growth in Net Income

During the same period and despite the lower revenues experienced, the Group, however, managed to realize a consolidated net income of P2.44 Billion which is increased by P121.62 Million representing a growth of 5.24% as compared to last year's net income of P2.32 Billion.

This was mainly driven by a combination of management's strategic initiatives at all business segment level that involved enhancements in the cost of goods sold and services coupled by continued strategic costs and expense reduction and management. The transitory reduction in corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2021 amounted to about P1.41 Billion which decreased by about P9.09 million or 0.64% as compared to the 2020 PATMI amounting to P1.42 Billion.

Grocery Retail Segment

During the first three-months of 2021, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P37.72 Billion or a decrease of P3.22 Billion or about 7.87% decline as compared to the segment's revenue contribution of P40.95 Billion for the same period of last year. Revenues generated in the first quarter 2020 experienced a robust growth and uptick due to consumer panic buying in preparation for the looming community lockdown restrictions due to the emerging Covid-19 pandemic which was eventually imposed by the Philippine Government on March 16, 2020.

The supermarket business continued to experience and deal with the challenges of a decline in traffic count and a negative SSSG during the first quarter 2021 due mainly to the effect of the general mobility restrictions and reduced consumer spending particularly the most vulnerable sector of the consuming public being served. While basket size growth was registered, it was not sufficient to cushion the impact of the decline in traffic count.

To cushion these impacts, management continued to implement strategic initiatives to enhance cost of goods sold through suppliers' support, reinforced its sari-sari store customers base, localized marketing and promotional activities as well as expand its online and e-commerce platforms.

The warehouse club business, however, continued to consistently deliver a robust growth in sales performance as well as growth in its net income driven by a strong growth in both traffic count as well as basket size clearly showing the resilience of the A and B segment of the consumer segment that it serves. As a result and despite the decline in revenues, the Grocery Retail segment realized a 14.58% growth consolidated net income contribution in 2021 amounting to P2.02 Billion which increased by P257.05 Million as compared to the net income contribution of P1.76 Billion in the same period in 2019.

Real Estate Segment

The commercial real estate business segment contributed P275.07 Million to the Group's consolidated revenue in 2021 representing a decline of 25.15% from the segment's revenue contribution during the same period last year amounting to P367.47 Million.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions wherein management continued to extend rental reliefs and related support to its affected tenants portfolio during the first quarter in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected.

Consolidated net income contribution in 2021 amounted to about P200.05 Million which decreased by about P94.91 Million or 32.18% as compared to the net income contribution of P294.97 Million in 2020.

Liquor Distribution Segment

The liquor distribution business segment contributed about P1.17 Billion to the Group's consolidated revenue during the same period in 2021 representing a decrease by about P54.59 Million or 4.44% lower as compared to the 2020 revenue contribution of P1.23 Billion.

The decline is mainly attributable to the continuing impact of the business and mobility restrictions in varying degrees nationwide, the liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities with the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections. The continuing restrictions imposed on travel and tourism activities has also contributed to the decline in revenue to the extent they affect the travel retail segment of the industry.

Consolidated net income contribution in 2021 amounted to about P227.95 Million which decreased by P4.63 Million or 1.99% as compared to the net income contribution in 2020 amounting to P232.58 Million.

Specialty Retail Segment

Office Warehouse, Inc. contributed about P423.44 Million to the Group's consolidated revenue during the first quarter of 2021 representing a decrease by about P112.03 Million or 20.92% lower as compared to the 2020 revenue contribution of P535.48 Million.

The decline was mainly attributable to the continuing effect of the government imposed community and mobility restrictions and the temporary closure of the company's store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the infection rates.

Net income contribution in 2021 amounted to about P17.55 Million which decreased by P1.58 Million or 8.26% as compared to the net income contribution in 2020 amounting to P19.13 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the period ended March 31, 2021, the Grocery Retail segment posted a consolidated net sales of P37,729 million for a decrease of P3,224 million or 7.9% compared to P40,953 million in the same period of 2020. Net sales declined due to a huge drop on customers visit. Also, it should be noted that base net sales in Q1 2020 hit as high as 14% versus Q1 of 2019 due to the looming lockdown brought about by the pandemic.

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

	PGOLD		S&R	
	2021	2020	**2021**	2020
Net Sales	**-15.3%**	14.4%	**8.8%**	5.1%
Net Ticket	**35.5%**	24.3%	**3.6%**	9.0%
Traffic	**-37.5%**	-7.9%	**5.1%**	-3.6%

Gross Profit

For the period ended March 31, 2021, the Grocery Retail segment realized an increase of 4.0% in consolidated gross profit from P6,935 million in 2020 at 16.9% margin to P7,210 million at 19.1% margin in the same period of 2021, driven by strong and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income decreased by P12 million or 1.5% from P823 million in the three months of 2020 to P810 million in the same period of 2021. This is attributable to decline in rent income brought about by decrease in rent rate and rent free periods given to tenants, in consideration to those affected by the pandemic..

Gross Operating Income

Gross operating income for the first quarter of 2021 amounted to P8,020 million at a gross operating margin of 21.3% which grew by 3.4% from P7,757 million at 18.9% margin in the same period of 2020.

Operating Expenses

Operating expenses decreased by P77 million or 1.6% from P4,791 million in the three-month period ended March 31, 2020 to P4,714 million in the same period of 2021. Utilities and manpower expenses are declining due to the lockdown period enforced by the government and the skeletal workforce being implemented by the Grocery Retail segment.

Other Expense - net

Other expenses net of other income amounted to P639 million and P476 million for the three-month periods ended March 31, 2021 and 2020, respectively. This is primarily due to interest expense on corporate notes issued by the Grocery Retail segment in the last quarter of 2020.

Net Income

For the period ended March 31, 2021, the Grocery Retail segment earned a consolidated net income of P2,020 million at 5.4% net margin and an increase of 14.6% from P1,763 million at 4.3% net margin in the same period of 2020. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P427.58 Million in the first quarter of 2021 or a 20.10% decrease from the P535.13 Million revenue generated in the same period of 2020. Considering that the initial community lockdown was imposed on March 16, 2020, the 2020 revenues are basically at pre-Covid level.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions wherein management continued to extend rental reliefs and related support to its affected tenants portfolio during the period in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected and which are being reviewed on a quarterly basis.

Income from operations before depreciation decreased by P95.1 Million from P397.53 Million in 2020 to P306.44 Million for the three-month period ended March 31, 2020.Net income for the period amounted to P200.06 Million or a 32.18% decrease from last year's P294.97 Million brought about by decline in rental revenues.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment decreased to P1.76 Billion in 2021 or 4.43% decline from last year's P1.85 Billion despite an 8% improvement in volume (no. of cases) of sales.

The decline is mainly attributable to the continuing impact of the business and mobility restrictions in varying degrees nationwide, the liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities with the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections. The continuing restrictions imposed on travel and tourism activities has also contributed to the decline in revenue to the extent they affect the travel retail segment of the industry.

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

Income from operations, however, decreased to P299.07 Million in 2021 or 2.4% decline from last year's P319.86 Million

Net income for the 2021 period slightly decreased by P4.63 Million from P232.59 Million in 2020 to P227.95 Million in 2021.

Specialty Retail

Office Warehouse

Sales revenues decreased to P424.02 Million in 2021 or 20.90% decline as compared to the 2020 revenue of P535.48 Million.

The decline was mainly attributable to the continuing effect of the government imposed community and mobility restrictions and the temporary closure of the company's store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the Covid-19 infection rates in the national capital region and neighboring provinces. This contributed to the company experiencing a negative SSSG of 23.36% during the first quarter of 2021.

Net income in 2021 amounted to about P17.55 Million which decreased by P1.58 Million or 8.26% decline as compared to the net income contribution in 2020 amounting to P19.13 Million

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group as at March 31, 2021 and December 31, 2020:

(In Thousands)	Q12021	%	FY2020	%2	INCREASE (DECREASE)	%3
Cash and cash equivalents	**30,994,498**	**17.83%**	48,867,746	27.42%	**(17,873,247)**	**-36.57%**
Receivables - net	**15,978,370**	**9.19%**	10,308,181	5.78%	**5,670,189**	**55.01%**
Financial asset at FVOCI	**8,365**	**0.00%**	8,365	0.00%	**-**	**0.00%**
Financial asset at FVPL	**4,025,396**	**2.32%**	2,411,375	1.35%	**1,614,021**	**66.93%**
Inventories	**26,953,613**	**15.51%**	24,914,272	13.98%	**2,039,340**	**8.19%**
Due from related parties	**339,485**	**0.20%**	184,852	0.10%	**154,633**	**83.65%**
Prepayments and other current assets	**2,918,810**	**1.68%**	1,450,993	0.81%	**1,467,817**	**101.16%**
TOTAL CURRENT ASSETS	**81,218,538**	***46.73%***	88,145,784	*49.47%*	**(6,927,247)**	**-7.86%**
Property and equipment - net	**29,180,586**	***16.79%***	28,683,979	*16.10%*	**496,607**	**1.73%**
Right-of-use assets	**23,902,333**	***13.75%***	24,270,253	*13.62%*	**(367,919)**	**-1.52%**
Investment properties - net	**11,083,239**	***6.38%***	11,145,393	*6.25%*	**(62,154)**	**-0.56%**
Intangibles and goodwill - net	**21,071,757**	***12.12%***	21,074,976	*11.83%*	**(3,219)**	**-0.02%**
Investments	**724,721**	***0.42%***	729,909	*0.41%*	**(5,189)**	**-0.71%**
Deferred tax assets-net	**1,059,383**	***0.61%***	902,719	*0.51%*	**156,664**	**17.35%**
Other non-current assets	**5,568,384**	***3.20%***	3,236,813	*1.82%*	**2,331,571**	**72.03%**
TOTAL NONCURRENT ASSETS	**92,590,403**	***53.27%***	90,044,042	*50.53%*	**2,546,362**	**2.83%**
TOTAL ASSETS	**173,808,941**	***100.00%***	178,189,826	*100.00%*	**(4,380,885)**	**-2.46%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**9,172,306**	***5.28%***	16,667,022	*9.35%*	**(7,494,716)**	**-44.97%**
Income tax payable	**2,282,440**	***1.31%***	1,534,051	*0.86%*	**748,388**	**48.79%**
Short-term loans payable	**-**	***0.00%***	42,000	*0.02%*	**(42,000)**	**-100.00%**
Current portion of long-term borrowing	**3,766,952**	***2.17%***	3,766,957	*2.11%*	**(5)**	**-**
Lease liability	**982,227**	***0.57%***	1,035,180	*0.58%*	**(52,953)**	**-5.12%**
Due to related parties	**726,048**	***0.42%***	762,031	*0.43%*	**(35,983)**	**-4.72%**
Other current liabilities	**652,534**	***0.38%***	662,449	*0.37%*	**(9,915)**	**-1.50%**
TOTAL CURRENT LIABILITIES	**17,582,506**	***10.12%***	24,469,690	*13.73%*	**(6,887,183)**	**-28.15%**
Retirement benefit liability	**1,431,289**	***0.82%***	1,431,760	*0.80%*	**(471)**	**-0.03%**
Lease liability-net of current portion	**29,168,610**	***16.78%***	29,149,190	*16.36%*	**19,420**	**0.07%**
Deferred tax liabilities	**150,612**	***0.09%***	144,588	*0.08%*	**6,024**	**4.17%**
Long term loans payable - net of debt issue cost	**12,806,577**	***7.37%***	12,802,743	*7.18%*	**3,834**	**0.03%**
Other non-current liabilities	**459,733**	***0.26%***	412,525	*0.23%*	**47,208**	**11.44%**
TOTAL NONCURRENT LIABILITIES	**44,016,822**	***25.32%***	43,940,807	*24.66%*	**76,015**	**0.17%**
TOTAL LIABILITIES	**61,599,328**	***35.44%***	68,410,496	*38.39%*	**(6,811,169)**	**-9.96%**
EQUITY						
Capital stock	**7,405,264**	***4.26%***	7,405,264	*4.16%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***5.54%***	9,634,644	*5.41%*	**-**	**-**
Remeasurement of retirement liability - net of tax	**(82,145)**	***-0.05%***	(82,145)	*-0.05%*	**-**	**-**
Reserve for fluctuations in value of financial assets at FVOC	**4,759**	***0.00%***	4,759	*0.00%*	**-**	**-**
Treasury shares	**(1,663,613)**	***-0.96%***	(1,652,861)	*-0.93%*	**(10,752)**	**0.65%**
Retained earnings	**60,323,389**	***34.71%***	58,915,686	*33.06%*	**1,407,703**	**2.39%**
Total Equity Attributable to Equity Holders of Parent Company	**75,622,298**	***43.51%***	74,225,347	*41.66%*	**1,396,951**	**1.88%**
Non-controlling interest	**36,587,315**	***21.05%***	35,553,982	*19.95%*	**1,033,333**	**2.91%**
TOTAL EQUITY	**112,209,613**	***64.56%***	109,779,329	*61.61%*	**2,430,284**	**2.21%**
TOTAL LIABILITIES AND EQUITY	**173,808,941**	***100.00%***	178,189,826	*100.00%*	**(4,380,885)**	**-2.46%**

Current Assets

Cash and cash equivalents amounted to P30.99 Billion as at March 31, 2021 with a decrease of P17.87 Billion or 36.57% from December 31, 2020 balance. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail, Liquor Distribution and Real Estate Segments and Parent Company, payment of 2020 cash dividends, settlement of loans and payments for capital expenditures during the period.

Receivables increased by 55.01% from December 31, 2020 balance of P10.31 Billion to this year's balance of P15.98 Billion due mainly to the net effect of collections made and the additional advances by the Grocery Retail segment.

Financial assets at fair value through profit or loss (FVPL) increased by 66.93% from December 31, 2020 balance of P2.41 Billion to this period's balance of P4.02 Billion due mainly to additional investments in government securities during the period by Grocery Retail segment.

Inventories increased by 8.19% from 2020 balance of P24.91 Billion to this period's balance of P26.95 Billion due to additional stocking requirement of existing and new operating stores of the Grocery Retail segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P23.01 Billion.

Prepaid expenses and other current assets increased by P1.47 Billion at the end of March 2021, mainly due to additional of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores by Grocery Retail and Liquor Distributions segments.

Due from related parties increased by P154.63 Million at the end of March 2021, due primarily to additional advances made.

Non-current Assets

As at March 31, 2021 and December 31, 2020, total non-current assets amounted to P92.59 Billion or 53.27% of total assets, and P90.04 Billion or 50.53% of total assets, respectively, for an increase of P2.55 Billion or 2.83%.

Property and equipment-net pertains to the buildings and equipment mostly owned by the Grocery Retail segment. Book values of property and equipment increased by P496.61 Million from P28.68 Billion in December 2020 to P29.18 Billion in March 2021 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU decreased by P367.92 Million from P24.27 Billion in December 2020 to P23.90 Billion in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same period.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties decreased by P62.15 Million from P11.14 Billion in December 2020 to P11.08 Billion in March 2021.

Investments decreased by P5.19 Million from P729.91 Million in December 2020 to P724.72 Million in March 2021.

Intangibles and goodwill-net decreased by P3.22 Million from P21.07 Billion in December 2020 to P21.07 Billion in March 2021 primarily due to the amortizations of computer software cost.

Deferred tax assets increased by P156.66 Million or 17.35% from P902.72 Million in December 2020 to P1.06 Billion in March 2021 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P2.33 Billion from P3.23 Billion in December 2020 to P5.57 Billion in March 2021. About 39% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at March 31, 2021 and December 31, 2020, total current liabilities amounted to P17.58 Billion and P24.47 Billion respectively, for a decrease of P6.89 Billion or 28.15%.

About 79% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The decrease by P7.49 Billion or 44.97% was primarily due to the settlements of trade and non-trade liabilities and dividends declared by the Grocery Retail segment and Parent Company in December 2020.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P748.39 Million from P1.53 Billion as at December 2020 to P2.28 Billion as at March 31, 2021 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the first quarter in 2021 in relation to the same period in 2020.

Short-term loans payable account decreased by P42.0 Million mainly due to settlements made by the Liquor Distribution segment.

Current portion of long-term borrowing amounted to P3.77 Billion as at March 31, 2021 representing the balance of the 7-year corporate notes payable by the Parent Company maturing in May 2021.

Lease liabilities due within one year account decreased by P52.95 Million from P1.03 Billion in December 2020 to P982.28 Million in March 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P35.98 Million mainly due to the settlements made.

Other current liabilities decreased by 1.50% from P662.45 Million as at December 31, 2020 to P652.53 Million as at March 31, 2021 relatively due to application of deposits from tenants and gift certificates during the year by the Grocery Retail and Real Estate segments.

Noncurrent Liabilities

As at March 31, 2021 and December 31, 2020, total non-current liabilities amounted to P44.02 Billion and P43.94 Billion, respectively, for an increase of P76.01 Billion or 0.17%.

Long-term loans payable-net of current portion amounted to P12.81 Billion as at March 31, 2021.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P19.42 Million from P29.15 Billion in December 2020 to P26.17 Billion in March 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the period.

Other non-current liabilities increased by P47.21 Million or 11.44% from P412.52 Million in December 2020 to P459.73 Million as at March 31, 2021 due to recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at March 31, 2021 and December 31, 2020, total equity amounted to P112.21 Billion and P109.78 Billion, respectively, for an increase of P2.43 Billion or 2.21%.

Treasury shares increased by P10.75 million from P1.65 Billion in December 2020 to P1.66 Billion as at March 31, 2021 due to additional buyback by the Parent Company during the quarter to its existing share buyback program.

Retained earnings increased by P1.41 Billion or 2.39% from P58.91 Billion in December 2020 to P60.32 Billion as at March 2021 due to profit realized by the Group.

Non-controlling interest increased by P1.03 Billion or 2.91% from P35.55 Billion in December 2020 to P36.59 Billion as at March 31, 2021 mainly due to share in the consolidated profit.

V. SOURCES AND USES OF CASH

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

(In Thousands)		For the Three-month period ended March 31		
		2021		2020
Net cash from (used in) operating activities	**P**	**(8,568,534)**	P	2,985,589
Net cash used investing activities		**(6,760,732)**		(4,290,943)
Net cash used in financing activities		**(2,543,785)**		(2,539,573)
Net Increase (decrease) in cash and cash equivalents	**P**	**(17,873,248)**	P	(3,842,686)

Net cash used for operating activities during the current period are basically attributable to the net effect of the net settlement of trade and non-trade payable accounts by the Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments.

On the other hand, net used for investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional capital expenditures by the Real Estate segment.

Net cash used in financing activities principally resulted from the effect of settlements of bank loans by the Liquor Distribution segment during the period, payment of 2020 cash dividends declared by the Grocery Retail segment and Parent Company, payment of interest from loans by Grocery Retail segment and Parent Company and settlement of lease liability pertaining to principal.

Management believes that the current levels of internally generated funds and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. This can be augmented through availments from existing untapped banking and credit facilities as and when required.

VI. MATERIAL EVENTS AND UNCERTAINTIES

(i) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(ii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iii) There are no contingent liabilities or assets since the last statement of financial position period;

(iv) Sources of liquidity – Fundings for the current year will be sourced principally from internally generated cash flows to be augmented by short-term borrowings as may be required.

(v) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(vi) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(vii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(viii) There are no significant elements of income not arising from continuing operations;

(ix) Due to the Group’s sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this **First Quarter Report for 2021** to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2021, Manila.

COSCO CAPITAL, INC.

By:

LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

SECTION A

COSCO CAPITAL, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Contents

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and December 31, 2020

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

		March 31 and December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P30,994,498**	P48,867,746
Receivables - net	*5*	**15,978,370**	10,308,181
Inventories	*6, 20*	**26,953,613**	24,914,272
Financial assets at fair value through profit or loss	*7*	**4,025,396**	2,411,375
Financial assets at fair value through other comprehensive income	*8*	**8,365**	8,365
Due from related parties	*25*	**339,485**	184,852
Prepaid expenses and other current assets	*9*	**2,918,810**	1,450,993
Total Current Assets		**81,218,538**	88,145,784
Noncurrent Assets			
Investments in associates and joint ventures	*10*	**724,721**	729,910
Right of use of assets - net	*21*	**23,902,333**	24,270,253
Property and equipment - net	*11*	**29,180,586**	28,683,979
Investment properties - net	*12*	**11,083,239**	11,145,393
Goodwill and other intangibles - net	*13*	**21,071,757**	21,074,975
Deferred tax assets - net	*27*	**1,059,383**	902,719
Deferred oil and mineral exploration costs - net	*14*	**-**	-
Other noncurrent assets	*15*	**5,568,384**	3,236,811
Total Noncurrent Assets		**92,590,403**	90,044,040
		P173,808,941	P178,189,824

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*16*	**P9,172,306**	P16,667,022
Income tax payable		**2,282,440**	1,534,051
Lease liabilities due within one year	*21, 25*	**982,227**	1,035,180
Short-term loans	*17*	**-**	42,000
Current maturities of long-term loans due within one year	*17*	**3,766,952**	3,766,957
Due to related parties	*25*	**726,048**	762,031
Other current liabilities	*18*	**652,534**	662,449
Total Current Liabilities		**17,582,506**	24,469,690

Forward

		March 31 and December 31	
	Note	**2021**	2020
Noncurrent Liabilities			
Long-term loans	*17*	**P12,806,577**	P12,802,743
Lease liabilities	*21, 25*	**29,168,610**	29,149,190
Retirement benefits liability	*26*	**1,431,289**	1,431,760
Deferred tax liabilities - net	*27*	**150,612**	144,588
Other noncurrent liabilities	*21*	**459,733**	412,525
Total Noncurrent Liabilities		**44,016,822**	43,940,806
Total Liabilities		**61,599,328**	68,410,496
Equity			
Capital stock	*28*	**7,405,264**	7,405,264
Additional paid-in capital	*28*	**9,634,644**	9,634,644
Treasury stock	*28*	**(1,663,613)**	(1,652,861)
Retirement benefits reserve	*26*	**(82,145)**	(82,145)
Other reserve	*8*	**4,758**	4,758
Retained earnings		**60,323,389**	58,915,686
Total Equity Attributable to Equity Holders of the Parent Company		**75,622,298**	74,225,346
Noncontrolling Interests	*28*	**36,587,315**	35,553,982
Total Equity		**112,209,613**	109,779,328
		P173,808,941	P178,189,824

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands except Per Share Data)

		Periods Ended March 31	
	Note	**2021**	2020
REVENUES	*19, 29*		
Net sales		**P39,327,192**	P42,717,793
Rent		**275,071**	367,474
		39,602,263	43,085,267
COST OF REVENUES	*20*		
Cost of goods sold		**31,551,367**	35,193,613
Cost of rent		**141,188**	151,310
		31,692,555	35,344,923
GROSS INCOME		**7,909,708**	7,740,344
OTHER REVENUE	*19, 22*	**814,896**	827,222
TOTAL GROSS INCOME AND OTHER REVENUE		**8,724,604**	8,567,565
OPERATING EXPENSES	*23*	**4,946,152**	5,020,400
INCOME FROM OPERATIONS		**3,778,452**	3,547,165
OTHER INCOME (CHARGES)			
Interest expense	*17, 21*	**(733,440)**	(504,770)
Interest income	*4, 25*	**160,281**	160,296
Others - net	*24*	**(7,302)**	1,581
		(580,461)	(342,893)
INCOME BEFORE INCOME TAX		**3,197,991**	3,204,272
PROVISION FOR INCOME TAXES	*27*	**757,249**	885,153
NET INCOME		**P2,440,742**	P2,319,119
Net income attributable to:			
Equity holders of the Parent Company		**P1,407,703**	P1,416,797
Noncontrolling interests	28	**1,033,040**	902,322
		P2,440,742	P2,319,119
Basic/diluted earnings per share attributable to equity holders of the Parent Company	*30*	**P0.20247**	P0.20325

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands except Per Share Data)

		Periods Ended March 31	
	Note	**2021**	2020
NET INCOME		**P2,440,742**	P2,319,119
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will never be reclassified subsequently to profit or loss			
Remeasurement gain (loss) on retirement benefits		**-**	-
Unrealized gain (loss) on financial assets	*8*	**-**	-
Income tax effect		**-**	-
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**P2,440,742**	P2,319,119
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**P1,407,702**	P1,416,797
Non-controlling interests	*28*	**1,033,040**	902,322
		P2,440,742	P2,319,119

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	**Additional Paid-in Capital**	**Treasury Shares**	**Retirement Benefits Reserve**	**Other Reserve**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
Balance at December 31, 2019	P7,405,264	P9,634,644	(P1,403,974)	P5,412	P5,602	P54,167,212	P69,814,160	P32,246,624	**P102,060,784**
Total comprehensive income for the period									
Net income for the year	-	-	-	-	-	1,413,976	1,413,976	905,143	**2,319,119**
	-	-	-			1,413,976	1,413,976	905,143	**2,319,119**
Acquisition of treasury shares	-	-	(225,037)	-	-	-	(225,037)	-	**(225,037)**
Balance at March 31, 2020	P7,405,264	P9,634,644	(P1,629,011)	P5,412	P5,602	P55,581,188	P71,003,099	P33,151,767	**P104,154,867**
Balance at December 31, 2020	7,405,264	9,634,644	(1,652,861)	(82,145)	4,759	58,915,686	74,225,347	35,554,275	**109,779,622**
Total comprehensive income for the period									
Net income for the period	-	-	-	-	-	1,407,703	1,407,703	1,033,040	**2,440,743**
	-	-	-	-	-	1,407,703	1,407,703	1,033,040	**2,440,743**
Acquisition of treasury shares	-	-	(10,752)	-	-	-	(10,752)	-	**(10,752)**
Balance at March 31, 2021	**P7,405,264**	**P9,634,644**	**(P1,663,613)**	**(P82,145)**	**P4,759**	**P60,323,389**	**P75,622,298**	**P36,587,315**	**P112,209,613**

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Periods Ended March 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,197,992**	P3,204,272
Adjustments for:			
Depreciation and amortization		**1,120,849**	1,028,668
Interest expense	*17, 21*	**733,440**	504,770
Interest income	*4, 25*	**(160,281)**	(160,296)
Loss from pre-terminated lease contracts	*21, 24*	**2,324**	-
Unrealized foreign exchange loss (gain)		**197**	(2,242)
Share in losses (income) of joint ventures and associate	*10, 24*	**5,189**	-
Unrealized loss on financial assets at FVPL	*7, 24*	**2,117**	9,502
Gain on disposal of property and equipment	*11, 24*	**(26)**	-
Dividend income	*25*	**(652)**	(652)
Gain on insurance claims	*24*	**-**	(513)
Operating income before changes in working capital		**4,901,149**	4,583,509
Decrease (increase) in:			
Receivables		**(4,128,488)**	1,287,922
Inventories		**(2,039,340)**	(65,375
Prepaid expenses and other current assets		**(1,541,513)**	(612,634
Due from related parties		**(154,633)**	(39,983
Increase (decrease) in:			
Accounts payable and accrued expenses		**(5,766,827)**	(2,000,401)
Due to related parties		**(35,985)**	(467,133)
Other current liabilities		**(9,915)**	2,058
Other noncurrent liabilities		**47,208**	137,329
Cash generated from operations		**(8,728,344)**	2,825,293
Interest received	*4*	**160,281**	160,296
Retirement benefits paid	*26*	**(471)**	-
Net cash (used in) provided by operating activities		**(8,568,534)**	2,985,589

Forward

	Note	2021	2020
		Periods Ended March 31	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*11*	**(P1,158,174)**	(P823,798)
Investment properties	*12*	**(53,695)**	(33,571)
Intangibles	*13*	**(8,214)**	-
Right-of-use assets		**(60,665)**	(111,721)
Proceeds from:			
Disposal of property and equipment		**8,774**	1,424
Insurance claims	*24*	**-**	513
Increase in other noncurrent assets		**(2,331,571)**	(3,324,442)
Dividends received	*25*	**652**	652
Loans receivable granted during the year	*25*	**(1,541,701)**	-
Net cash used in investing activities		**(6,760,732)**	(4,290,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of:			
Interest expense		**(196,760)**	(82,839)
Repayments of lease:			
Principal amount		**(563,877)**	(502,766)
Cash dividends paid		**(1,730,396)**	(1,356,031)
Payments of:			
Short-term loans	*17*	**(42,000)**	(372,900)
Buyback of capital stocks	*28*	**(10,752)**	(225,037)
Net cash used in financing activities		**(2,543,785)**	(2,539,573)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(197)**	2,242
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(17,873,248)**	(3,784,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**48,867,746**	24,402,014
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*4*	**P30,994,498**	P20,559,328

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Cosco Capital, Inc. (the “Parent Company” or “Cosco"), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (“SEC”) on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange (“PSE”) since September 26, 1988. As at December 31, 2020 and 2019, the Parent Company’s public float stood at 22.99% and 23.74%.

On October 8, 1999, the Parent Company’s shareholders approved the amendment of its primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. On January 13, 2000, the SEC approved the amendments of the Parent Company’s Articles of Incorporation. As a holding company, Cosco may engage in any business that may add to its shareholders’ worth.

On December 10, 2012, in a special meeting, the Board of Directors (“Board” or “BOD”) of the Parent Company approved the subscription of the “Lucio L. Co Group” to the unissued authorized capital stock of the Parent Company from the proposed increase in the authorized capital stock of the Parent Company at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74.8 billion worth of shares in Puregold Price Club, Inc. (“PPCI”), Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these companies, under the terms and conditions to be determined by the Parent Company’s BOD.

On December 11, 2012, in a special meeting, the Parent Company’s shareholders approved the increase in the Parent Company’s authorized capital stock and increase in par value from P3 billion divided into 300 billion common shares with a par value of P0.01 per share to P10 billion divided into 10 billion common shares with a par value of P1 per share. Also, the Parent Company’s shareholders resolved to change the Parent Company’s corporate name from Alcorn Gold Resources Corporation to Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the restructuring of the Parent Company’s authorized capital stock as well as the change of its corporate name. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74.8 billion which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Parent Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Parent Company; (b) cross trade at the PSE of PPCI shares to the Parent Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of interest method. Accordingly, the Parent Company recognized the net assets of the acquired subsidiaries equivalent to their carrying values.

The Parent Company's principal office, which is also its registered office address, is at 900 Romualdez Street, Paco, Manila.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group") which are all incorporated in the Philippines:

	Effective Percentage of Ownership			
	2021		2020	
	Direct	**Indirect**	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) and Subsidiaries	49.16[(a)]	-	49.16[(a)]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	49.16[(a)]	-	49.16[(a)]
¤ S&R Pizza (Harbor Point), Inc.	-	49.16[(a)]	-	49.16[(a)]
¤ S&R Pizza, Inc.	-	49.16[(a)]	-	49.16[(a)]
▪ PPCI Subic, Inc. (PSI)	-	49.16[(a)]	-	49.16[(a)]
▪ Entenso Equities Incorporated (EEI)	-	49.16[(a)]	-	49.16[(a)]
▪ Purepadala, Inc.	-	49.16[(a)]	-	49.16[(a)]
Liquor Distribution				
Montosco, Inc.	100	-	100	-
Meritus Prime Distributions, Inc.	100	-	100	-
Premier Wine and Spirits, Inc.	100	-	100	-
Real Estate and Property Leasing				
Nation Realty, Inc.	100	-	100	-
Patagonia Holdings Corp.	100	-	100	-
Ellimac Prime Holdings, Inc. (EPHI)	100	-	100	-
Fertuna Holdings Corp.	100	-	100	-
Pure Petroleum Corp.	100	-	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	100	-	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	100	-	100	-
¤ Office Warehouse (Harbor Point), Inc.	-	100	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries [(b)]	90	-	90	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	100	-	100	-

[(a)] *On January 16, 2019, PPCI made a Php4,693,500,000 top-up placement of 104.3 million common shares at a price of Php45.00 per share. The additional shares were issued on March 5, 2019 for total proceeds of P4.6 billion, which resulted in a dilution of the Parent Company's ownership interest of in PPCI from 51.02% to 49.16%. The Parent Company retains the control over PPCI (see Note 2).*

[(b)] *On October 19, 2018, the Board of Directors authorized the sale of LPC and CPHI, resulting in their classification as a disposal group held-for-sale as at December 31, 2018 and disposal on January 17, 2019 (see Note 33).*

2. Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 4, 2021.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVPL	Fair value
Financial assets at FVOCI (except for unquoted equity investments which are measured at cost)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

These consolidated financial statements are presented in Philippine peso (P), unless otherwise stated.

<u>Functional and Presentation Currency</u>
The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

<u>Significant Judgments, Estimates and Assumptions</u>
The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of the Group's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Group's actual future results, performance and achievements to differ materially from those forecasted

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Control over Investee with Less Than 50% of Voting Rights
The Parent Company has determined that it has control over PPCI even though it has less than 50% of voting rights because of the dominance of its position in relation to the size and dispersion of the other vote holdings. As a result, the Parent Company has the power or ability to control the relevant activities of PPCI.

Determining the Term and Discount Rate of Lease Arrangements (Note 21)
Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Group as lessee, management uses the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of buildings, stores, distribution centers and warehouses, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

Operating Leases - Group as a Lessor (Note 21)
The Group has entered into various lease agreements as a lessor to lease its investment properties and sublease portion of its stores to various lessees. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P1.2 billion, P1.5 billion and P1.4 billion in 2020, 2019 and 2018, respectively.

<u>Estimates</u>
The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

Estimating Allowance for Impairment Losses on Receivables (Note 5)
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivable and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

As at March 31, 2021 and December 31, 2020, the carrying amount of receivables amounted to P15.9 billion and P10.3 billion, respectively, while the allowance for impairment losses amounted to P113.6 million.

Estimating Net Realizable Value (NRV) of Merchandise Inventories (Note 6)
The Group carries merchandise inventory at NRV whenever the selling price less costs to sell becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of merchandise inventories amounted to P26.9 billion and P24.9 billion as at March 31, 2021 and December 31, 2020.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 13)
The Group determines whether goodwill, and other intangibles with indefinite are impaired at least annually. This requires the estimation of their recoverable amounts. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which they relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill and other intangibles with indefinite useful lives totaled P20.9 billion as at March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020. These resulted in impairment losses on property and equipment of P160 million in 2020 and deferred oil and mineral exploration costs of P128.1 million in 2019 (see Notes 11 and 14).

As at March 31, 2021 and December 31, 2020, the following are the carrying amounts of nonfinancial assets:

	Note	**2021**	2020
Property and equipment - net	*11*	**P29,180,586**	P28,683,979
Right-of-use assets - net	*21*	**23,902,333**	24,270,253
Investment properties - net	*12*	**11,083,239**	11,145,393
Investments in joint venture and associate	*10*	**724,721**	729,910
Computer software and licenses, and leasehold rights	*13*	**219,116**	222,335

Estimating Realizability of Deferred Tax Assets (Note 27)
The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As at March 31, 2021 and December 31, 2020, the Group recognized net deferred tax assets amounting to P1,059.38 million and P902.72 million, respectively.

Estimating Retirement Benefits Liability (Note 26)
The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 26.

Retirement benefits liability amounted to P1.4 billion as at March 31, 2021 and December 31, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards and Frameworks
The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in PFRS Standards set outs amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3 Business Combinations). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - Confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;

  (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

<u>Standards Issued but Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group’s consolidated financial statements.

Effective June 1, 2020

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that area direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Effective January 1, 2022

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2 Inventories.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a Group's ordinary activities, the amendments require the Group to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments.

- *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract – i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards:

  - *Subsidiary as a First-time Adopter (Amendment to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards).* The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of parent, based on the parent's date of transition to PFRS.

  - *Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9 Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive

  - *Taxation in Fair Value Measurements (Amendment to PAS 41 Agriculture).* The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations)*. The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1 Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

<u>Consolidation</u>
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

<u>Business Combinations</u>
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred.

Statement of Cash Flows
The Group has chosen to prepare the consolidated statement of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statement, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are split between interest and principal portions in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Group has classified cash flows from operating leases as operating activities.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*

The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows PIC Q&A No. 2012-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Retained earnings" account in the equity section of the statements of financial position; and

- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and the President, collectively as the Group's chief operating decision maker. The Group assessed that its retailing business as a whole represents a single segment.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Financial Instruments

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Regular-way purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Group). At initial recognition, the Group measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as fair value through profit or loss (FVTPL), includes transaction costs. A trade receivable without significant financing component is initially measured at the transaction price.

After initial recognition, the Group classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive (FVOCI) income or iii) FVTPL on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for receivables.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Group includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.

- payment record - this includes overdue status as well as a range of variables about payment ratios.

- existing and forecast changes in the business, financial and economic conditions.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Group.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Trade and other receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, receivables, due from related parties and security deposits are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Financial Assets at FVOCI
A debt financial asset is measured at FVOCI if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

The financial asset is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. For debt instruments, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other gains and losses recognized in OCI. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss when the asset is derecognized. For equity investments, dividends are recognized in profit or loss while other gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group’s equity securities are included in this category.

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at March 31, 2021 and December 31, 2020.

Financial Assets at FVTPL
When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as at FVTPL and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss for the reporting period in which it arises.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVOCI at initial recognition.

As of March 31, 2021 and December 31, 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as “Unrealized valuation loss on financial assets at FVTPL” in the consolidated statement of comprehensive income. Interest earned on these investments is reported in the consolidated statement of comprehensive income under ‘Interest income’ while dividend income is reported in the consolidated statement of comprehensive income under “Others” when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on market observable inputs.

The Group’s investments in equity securities and government securities are included under this category (see Note 9).

Financial Liabilities
Financial liabilities are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Group’s obligations specified in the contract expire or are discharged or cancelled.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

(a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables, short-term loans, long-term loans, lease liabilities, due to related parties and customers’ deposits are generally included in this category.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Fair Value Measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquors, wines and spirits. Costs incurred in bringing each inventory to its present location and condition are accounted as follows:

Merchandise inventories	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using moving average method
Liquors, wines and spirits.	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using first-in, first-out method

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Investments in Joint Arrangements and Associates

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement and, therefore, the Group equity accounts for its interest.

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. Associates are accounted for using the equity method.

Under the equity method, investments in associates and joint ventures are measured initially at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial amounts of the associates and joint ventures to ensure consistency with the accounting policies of the Group. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Depreciation are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Buildings	15 - 30
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. These are depreciated using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit-of-production calculation. Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Leasehold improvements are amortized over 3 to 20 years or the lease term, whichever is shorter.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land and buildings held to earn rentals. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the costs of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing an investment property. Investment properties, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Number of Years
Land improvements	25
Buildings	10 - 50

The remaining useful lives and depreciation method are reviewed periodically to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from buildings and land improvements.

Buildings in progress which represents properties under construction are stated at cost and depreciated only from such time as the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the relevant investment property or property and equipment account.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to earn rentals.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of, or when investment properties are permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Construction in Progress

Construction in progress, which are stated at cost, are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. This includes the costs of construction and other direct costs. These assets are not depreciated until such time that the relevant assets are completed and available for use.

Assets Held for Sale

Noncurrent assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be primarily through sale rather through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

Intangible Assets

Goodwill and Impairment of Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less amortization and any impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives of 10 to 15 years for computer software and licenses and 20 years for leasehold rights, and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method is reviewed at each financial year-end.

Impairment of Non-current Assets Other than Goodwill

The Group assesses whether there is any indication that the property and equipment, right-of-use assets, investments, and intangible assets with finite lives may be impaired. The Group performs impairment testing where there are indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less cost of disposal, and value in use. When the recoverable amount is less than the carrying amount, an impairment loss is recognized immediately in the Group's profit or loss.

Similarly, the Group reviews annually whether there is an indication that recognized impairment losses no longer exists or decreased. A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the

“Property and equipment” account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Group abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

<u>Employee Benefits</u>

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost

The Group’s net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group has a non-contributory multi-employer plan which is accounted for as a defined benefit plan. The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings include all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

Dividend distribution to the Group's shareholders is recognized as a liability and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Other Comprehensive Income

Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue Recognition
The Group identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring the control of goods or services to the customer. The transaction price is the amount of consideration the Group expects to receive under the arrangement. The Group concluded that it is acting as principal for all its revenue arrangements below, except for concession fee income and other rental income.

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.

- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.

- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.

- *Gift Certificates* - The Group recognizes revenue from the sale gift certificates when the gift certificate is redeemed by customer.

- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges
The interpretation issued by the Philippine Interpretations Committee (PIC) serves as a guidance on some implementation issues brought about by adoption of PFRS 15, *Revenue from Contracts with Customer's* on the real estate industry.

The interpretation is approved on February 14, 2018, with an option to defer the application of the provisions for a period of three (3) years. The Group adopted this interpretation starting January 1, 2019

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The sales activities of the Group do not result in a material amount of unperformed obligations of the Group and, therefore, no contract assets are recognized separately from receivables.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Group satisfying its performance obligations. These contract liabilities are presented on the statement of financial position and in the notes as unredeemed gift certificate liabilities.

<u>Cost and Expense Recognition</u>
The Group's cost of sales includes the direct costs of sold merchandise, which includes custom, taxes, duties and inbound shipping costs, inventory shrinkage and adjustments and reserves for excess, aged and obsolete inventory. Cost of sales also includes certain distribution center costs.

Vendor Rebates and Allowances
The Group receives various types of cash consideration from vendors, principally in the form of rebates, based on purchasing or selling certain volumes of product, time-based rebates or allowances, which may include product placement allowances or exclusivity arrangements covering a predetermined period of time, price protection rebates and allowances for retail price reductions on certain merchandise and salvage allowances for product that is damaged, defective or becomes out-of-date.

Such vendor rebates and allowances are recognized based on a systematic and rational allocation of the cash consideration offered to the underlying transaction that results in progress by the Group's toward earning the rebates and allowances, provided the amounts to be earned are probable and reasonably estimable. Otherwise, rebates and allowances are recognized only when predetermined milestones are met. The Group recognizes product placement allowances also as a reduction of cost of sales in the period in which the product placement is completed. Time-based rebates or allowances are recognized as a reduction of cost of sales over the performance period on a straight-line basis. All other vendor rebates and allowances are recognized as a reduction of cost of sales when the merchandise is sold or otherwise disposed.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

<u>Leases</u>
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

As a Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable Lease Payments
Variable lease payments not based on an index or rate are not part of the lease liability. These include payments linked to a lessee's performance derived from the underlying asset. Such payments are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

Lease Modifications as a Lessee
The Group accounts for a lease modification as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the modified contract based on stand-alone prices, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term Leases and Leases of Low-value Assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor
When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies exemption described above, then it classifies sub-lease as operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Current tax and deferred tax are recognized in the statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Accounts payable and accrued expenses” in the consolidated statements of financial position.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Provisions and Contingencies
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

(In thousands)	***Note***	**2021**	2020
Cash on hand		**P345,274**	P782,702
Cash in banks	*31*	**11,458,341**	23,942,183
Money market placements	*31*	**19,190,884**	24,142,861
		P30,994,498	P48,867,746

Cash in banks earns interest at the respective bank deposit rates.

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 0.8% to 3.4% in 2021 and 2.7% to 4.8% in 2020.

Interest income earned from cash in banks and money market placements amounted to P131.02 million and P160.29 million in 2021 and 2020, respectively.

5. Receivables

This account consists of:

(In thousands)	***Note***	**2021**	2020
Loans receivable	*25*	**P7,066,244**	P5,524,543
Trade receivables		**1,924,841**	3,020,514
Non-trade receivables		**6,082,071**	1,187,140
Interest receivable	*25*	**566,669**	579,281
Others		**452,181**	110,339
		16,092,006	10,421,817
Less allowance for impairment losses on trade receivables		**113,636**	113,636
	31, 32	**P15,978,370**	P10,308,181

Trade receivables generally have a one-to-30-day credit terms.

Non-trade receivables consist mainly of advances to a related party, e-wallet balance, accrued vendor allowance income and rent due from store tenants.

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

(In thousands)	**2021**	2020
Beginning balance	**P113,636**	P48,947
Provisions during the year	**-**	64,689
Ending balance	**P113,636**	P113,636

6. Inventories

This account consists of:

(In thousands)	***Note***	**2021**	2020
At cost:			
Merchandise inventories		**P23,365,289**	P21,254,936
Liquors, wines and spirits		**3,588,324**	3,659,336
	20	**P26,953,613**	P24,914,272

Inventory charged to cost of goods sold amounted to P31.55 billion and P35.19 billion in 2021 and 2020, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Note	**2021**	2020
Held-for-trading:	*31*		
Government securities		**P4,000,000**	P2,383,862
Equity securities		**25,396**	27,513
		P4,025,396	P2,411,375

The movements in these securities are as follows:

(In thousands)	*Note*	**2021**	2020
Cost		**P2,399,217**	P15,356
Addition		**1,616,138**	7,883,861
Disposal		**-**	(5,500,000)
		4,017,376	2,399,217
Valuation Adjustments			
Balance at beginning of year		**12,158**	19,565
Unrealized valuation loss for the year		**2,117**	(7,407)
Balance at end of year		**14,275**	12,158
	31	**P4,025,396**	P2,411,375

In 2020, the Group recognized gain from sale of government securities amounting to P36.2 million while interest income earned from government securities amounted to P2.5 million.

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	*Note*	**2021**	2020
Investments in common shares			
Quoted	*31, 32*	**P7,294**	P7,294
Unquoted	*31, 32*	**2,304**	2,304
		9,598	9,598
Investments in preferred shares	*31, 32*	**7,262**	7,262
		16,860	16,860
Less current portion		**8,365**	8,365
Non-current portion		**P8,495**	P8,495

The quoted shares are designated as FVOCI.

The unquoted shares represent investments in a private domestic company and club membership shares.

Investments in preferred shares pertain to Manila Electric Company which were acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

The movements in this account are as follows:

(In thousands)	**2021**	2020
Balance at beginning of year	**P16,860**	P17,704
Unrealized fair value gains (losses)	**-**	(844)
Balance at end of year	**P16,860**	P16,860

The movements in the cumulative unrealized fair value gain are as follows:

(In thousands)	**2021**	2020
Balance at beginning of year	**P4,758**	P5,602
Unrealized fair value gain (loss) during the year	**-**	(844)
Balance at end of year	**P4,758**	P4,758

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	**2021**	2020
Prepaid expenses	**P2,215,722**	P910,430
Deferred input VAT - current	**4,451**	351,608
Input VAT	**550,630**	107,686
Advances to suppliers	**101,417**	72,688
Creditable withholding tax	**37,682**	5,931
Others	**8,908**	2,650
	P2,918,810	P1,450,993

Input VAT represents accumulated input taxes from purchases of goods and services for business operation and purchases of materials and paid services for the building and leasehold construction which can be applied against future output VAT.

Deferred input VAT represents the unamortized portion of accumulated input taxes for purchases of capital assets more than P1 million and unpaid services for building and leasehold constructions which can be applied against future output VAT when realized or paid.

Advances to suppliers pertain to partial down payments made by the liquor distribution segment to foreign suppliers.

Prepaid expenses pertain mainly to the unamortized portion of premiums for insurance coverage and registration fees and other taxes paid to the Government, and advance payments for advertisements and promotions.

(In thousands)	**2021**	2020
Taxes and licenses	**P1,894,068**	P745,665
Insurance	**130,323**	86,507
Supplies	**22,453**	33,740
Advertising and promotion	**122,698**	11,096
Repairs and maintenance	**10,964**	3,753
Rent	**1,026**	102
Others	**34,190**	29,567
	P2,215,722	P910,430

Prepaid taxes and licenses pertain to the unamortized portion of registration fees and other taxes paid to the Government.

Prepaid insurance pertains to the unamortized portion of premiums paid for insurance coverage on merchandise inventories, property and equipment, etc.

Prepaid advertising and promotion pertain to payments made in advance for advertisements and product promotions.

10. Investments in Associates and Joint venture

This account consists of:

(In thousands)	**2021**	2020
Associates	**P549,325**	P554,514
Joint venture	**175,396**	175,396
	P724,721	P729,910

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		**Carrying Amount**	
(In thousands)	**2020**	2019	**2021**	2020
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P461,153**	P461,153
Pernord Ricard Philippines, Inc. ("PERNOD")	**30**	30	**88,172**	93,361
			549,325	554,514
Joint venture:				
AyaGold Retailers, Inc. ("AyaGold")	**50**	50	**175,396**	175,396
			P724,721	P729,910

All associates and joint ventures are incorporated in the Philippines.

<u>Investments in Associates</u>
SRS
In 2013, the Group through Entenso acquired 49.34% equity interest in SRS, a local entity that operates the chain of "San Roque Supermarket" stores and "San Roque Pharmacy" stores in Metro Manila and nearby areas.

PERNOD
The Group entered into a Shareholder's Agreement and Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of shares of Pernord Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019.

The changes in the carrying amounts of are as follows:

	SRS		PERNOD	
(In thousands)	**2021**	2020	**2021**	2020
Balance at beginning of year	**P461,153**	P447,586	**P93,360**	P118,193
Acquisition	**-**	-	**-**	-
Other adjustments	**-**	4,047	**-**	-
Share in net income (loss)	**-**	9,520	**(5,189)**	(24,833)
Balance at end of year	**P461,153**	P461,153	**P88,172**	P93,360

The information presented below summarizes the financial information of SRS and Pernod and shows the reconciliation of the Group's share in net assets of such investees to the carrying amounts of its investments.

	SRS		Pernod	
(In thousands)	**2021**	2020	**2021**	2020
Percentage of ownership	**49.34%**	49.34%	**30%**	30%
Current assets	**P4,892,032**	P4,892,032	**P592,719**	P592,719
Noncurrent assets	**811,536**	811,536	**186,311**	186,311
Current liabilities	**(871,930)**	(871,930)	**(480,426)**	(480,426)
Noncurrent liabilities	**(4,456,496)**	(4,456,496)	**(32,305)**	(32,305)
Net assets	**375,142**	375,142	**266,299**	266,299
Group's share in net assets	**185,095**	185,095	**79,890**	79,890
Goodwill	**276,058**	276,058	**13,470**	13,470
Carrying amount of interest in associates	**P461,153**	P461,153	**P93,360**	P93,360
Net sales	**P -**	P5,854,702	**P -**	P585,611
Net income (loss)	**-**	19,295	**-**	(82,776)
Group's share in net income	**P -**	P9,520	**P -**	(P24,833)

Investment in Joint Ventures

AyaGold Retailers, Inc.

In 2013, the Group through Entenso partnered with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold). This is the joint venture vehicle for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as may be agreed by both parties. AyaGold was incorporated in the Philippines on July 8, 2013 and started its operation on July 31, 2015 with the opening of its first supermarket called "Merkado" which is located in U.P. Town Center. The second supermarket opened on December 14, 2017.

The Group and its partner each initially invested P60 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1 par value and 54,000,000 redeemable preferred shares at P1 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.00 par value.

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors; entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and redeemable at the option of the joint venture.

The changes in the carrying amount of the investment in AyaGold are as follows:

(In thousands)	**2021**	2020
Balance at beginning of year	**P176,446**	P175,396
Share in net income	**-**	1,050*
Balance at end of year	**P176,446**	P176,446

Unrecognized share in net income

The following table summarizes the financial information of AyaGold and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment:

(In thousands)	**2021**	2020
Percentage of ownership	**50%**	50%
Current assets	**P295,592**	P295,592
Noncurrent assets	**455,987**	455,987
Total liabilities	**(398,688)**	(398,688)
Net assets	**352,891**	352,891
Group's share in net assets	**176,446**	176,446
Adjustments	**-**	-
Carrying amount of interest in joint venture	**P175,396***	P175,396*
Net sales	**P -**	P697,594
Net income	**-**	2,100
Group's share in net income	**P -**	P1,050**

**No movement in the carrying amount of investment in Joint Venture as the share in net income is unrecognized as of December 31, 2020.*
***Unrecognized share in net income*

PG Lawson Company, Inc.
In 2014, the Parent Company partnered with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company to operate convenience stores in the Philippines.

In April 2018, the Parent Company sold its entire investment in PLCI for P600 million. This resulted in a P363 million gain from the sale of such investment.

11. Property and Equipment

The movements and balances of this account as at and for the period and year ended March 31 and December 31 consist of:

(In thousands)	**Land**	**Buildings**	**Storage Tanks**	**Furniture and Fixtures**	**Office and Store Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Wells, Platforms and Other Facilities**	**Construction in-progress**	**Total**
Cost										
December 31, 2019	3,905,277	9,859,490	509,353	3,368,978	10,063,468	273,354	12,855,926	204,955	1,422,594	42,463,395
Additions	562,236	131,527	4,546	217,903	759,336	24,397	973,022	-	775,883	3,448,850
Reclassifications	-	55,819	(15)	15,426	180,188	(1,696)	606,632	-	(858,895)	(2,541)
Disposals	-	(849)	-	(810)	(18,481)	(1,179)	(139,246)	-	-	(160,565)
December 31, 2020	4,467,513	10,045,987	513,884	3,601,497	10,984,511	294,876	14,296,334	204,955	1,339,582	45,749,139
Additions	205,224	46,450	707	65,606	240,516	5,175	234,779		359,717	1,158,174
Reclassifications	-	61,992	-	6,662	24,438	-	197,762	-	(290,850)	4
Disposals	(684)	(8,051)	-	(542)	(3,305)	(1,910)	-	-	-	(14,492)
March 31, 2021	**4,672,053**	**10,146,379**	**514,591**	**3,673,223**	**11,246,160**	**298,141**	**14,728,877**	**204,955**	**1,408,448**	**46,892,827**
Accumulated Depreciation and Amortization										
December 31, 2019	-	2,500,015	65,681	1,819,523	6,808,357	224,501	3,072,447	44,918	-	14,535,442
Depreciation and amortization	-	285,296	13,147	279,788	1,159,645	15,759	814,481	-	-	2,568,116
Disposals	-	(473)	-	(813)	(17,452)	(630)	(179,067)	-	-	(198,435)
Reclassifications	-	213	-	-	-	-	(213)	-	-	-
December 31, 2020	-	2,785,051	78,828	2,098,498	7,950,550	239,630	3,707,648	44,918	-	16,905,123
Allowance for impairment loss	-	-	-	-	-	-	-	160,037	-	160,037
Depreciation and amortization	-	72,918	3,306	70,955	281,493	5,836	218,311			652,819
Disposals	-	(1,879)		(444)	(3,417)	-		-	-	(5,740)
Reclassifications	-	3,756		111	8	-	(3,875)	-	-	-
March 31, 2021	**-**	**2,859,846**	**82,135**	**2,169,120**	**8,228,634**	**245,467**	**3,922,084**			
Allowance for impairment loss	-	-	-	-	-	-	-	**160,037**	-	**160,037**
Carrying Amounts										
December 31, 2020	P4,467,513	P7,260,936	P435,056	P1,502,999	P3,033,961	P55,246	P10,588,686	P -	P1,339,582	P28,683,979
March 31, 2021	**P4,672,053**	**P7,286,533**	**P432,456**	**P1,504,103**	**P3,017,526**	**P52,674**	**P10,806,793**	**P -**	**P1,408,448**	**P29,180,586**

Interest expense on loans capitalized as part of property and equipment amounted to P2.3 million and P83.63 million in 2021 and 2020, respectively (see Note 17).

The Group recognized an impairment loss on platforms/wells related to the oil and mineral projects that have no significant progress to date amounting to P160 million in 2020.

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P5.7 billion and P3.9 billion as at December 31, 2020 and 2019, respectively.

12. Investment Properties

This account consists of:

(In thousands)	**Land**	**Building**	**Construction in-Progress**	**Total**
Cost				
December 31, 2019	P6,622,216	P5,575,968	P119,265	P12,317,449
Additions	-	198,153	14,926	213,079
Reclassifications	(61,572)	1,278	(15,331)	(75,625)
December 31, 2020	6,560,644	5,775,399	118,860	12,454,903
Additions	-	32,423	21,272	53,695
Reclassifications	(85,513)	-	-	(85,513)
March 31, 2021	**6,475,131**	**5,807,822**	**140,132**	**12,423,085**
Accumulated Depreciation				
December 31, 2019	-	1,191,451	-	1,191,451
Depreciation	-	118,059	-	118,059
December 31, 2020	-	1,309,510	-	1,309,510
Depreciation	-	30,336	-	30,336
March 31, 2021	**-**	**1,339,846**	**-**	**1,339,846**
Carrying Amounts				
December 31, 2020	P6,560,644	P4,465,889	P118,860	P11,145,393
March 31, 2021	**P6,475,131**	**P4,467,976**	**P140,132**	**P11,083,239**

Depreciation expense are charged to cost of rent (see Note 20). Reclassifications pertain to cost of investment properties that are transferred to property, plant and equipment during the consolidation process. Total reclassifications amounted to P75.6 million and P202.9 million in 2020 and 2019, respectively.

As at March 31, 2021 and December 31, 2020, 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 P275.07 million and P367.47 million in 2021 and 2020, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P141.19 million and P151.31 million in 2021 and 2020, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2021**	2020
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Computer software and licenses - net	**172,712**	174,989
Leasehold rights - net	**46,404**	47,346
	P21,071,757	P21,074,975

Goodwill

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired entities which represent the separate CGUs expected to benefit from that business combination. The details are as follows:

(In thousands)	**2020**	2019
Retail		
Kareila	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904**	685,904
Company E	**358,152**	358,152
Black & White (B&W) Supermart	**187,204**	187,204
Puregold Junior Supermarket, Inc. (PJSI)	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

Trademarks and customer relationships acquired through a business combination represent the fair value at the date of acquisition of Kareila, which is the CGU for these intangibles.

CGUs to which goodwill and trademarks have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Upon adoption of PFRS 16, the carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU
Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 5.9% to 8.0% in 2020 and 9.1% to 12.2% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 4% and 10% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 14.8% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.6% and 2.9% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2020	2019	**2020**	2019
Kareila	**5.94%**	11.00%	**2.60%**	2.90%
Budgetlane Supermarkets	**6.95%**	11.00%	**2.60%**	2.90%
Gant	**7.29%**	10.90%	**2.60%**	2.90%
DCI and FLSTCI	**7.06%**	10.60%	**2.60%**	2.90%
OWI	**8.00%**	10.90%	**2.60%**	2.90%
NPSCC	**5.10%**	12.20%	**2.60%**	2.90%

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart and NPSCC would result in the headroom being reduced to nil if either of the following change occurs:

	B&W Supermart	NPSCC
Increase in discount rate	**0.3%**	**4.0%**
Decrease in revenue growth rate	**1.0%**	**1.0%**

Computer Software and Licenses
The movements in computer software and licenses are as follows:

(In thousands)	**2021**	2020
Cost		
Balance at January 1	**P453,812**	P425,134
Additions	**8,214**	28,678
Balance at March 31 and December 31	**462,026**	453,812
Accumulated Amortization		
Balance at January 1	**278,823**	239,172
Amortization	**10,491**	39,651
Balance at March 31 and December 31	**289,314**	278,823
Carrying Amount at March 31 and December 31	**P172,712**	P174,989

Leasehold Rights
The movements in leasehold rights are as follows:

	2021	2020
Cost	**P75,355**	**P75,355**
Accumulated Amortization		
Balance at January 1	**28,009**	**24,241**
Amortization	**942**	**3,768**
Balance at March 31 and December 31	**28,951**	**28,009**
Carrying Amount at March 31 and December 31	**P46,404**	**P47,346**

On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	*Note*	Participating Interest	2021	2020
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P55,753**	P55,753
Block D		5.84%	**8,113**	8,113
Block B1 (North Matinloc)		13.55%	**4,192**	4,192
			68,058	68,058
SC 6A	*b*	1.67%		
Octon Block			**17,415**	17,415
North Block			**627**	627
SC 6B (Bonita)	*d*	8.18%	**8,027**	8,027
			26,069	26,069
SC 51	*c*		**32,817**	32,817
Other oil projects			**527**	527
			33,344	33,344
			127,471	127,471
Allowance for impairment loss			**(127,471)**	(127,471)
Balance at end of year			**-**	-
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**P19,208**	P19,208
Anoling gold project	*g*	3.00%	**13,817**	13,817
Gold projects	*h*	100.00%	**13,036**	13,036
Cement project	*i*	100.00%	**9,603**	9,603
Other mineral projects	*j, k*		**382**	382
			56,046	56,046
Accumulated for impairment losses			**(56,046)**	(56,046)
Balance at end of year			**-**	-

I. Other deferred charges	**619**	619
Allowance for impairment loss	**(619)**	(619)
Balance at year end	**-**	-
	P -	P -

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to APMC. APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

As at December 31, 2020 and 2019, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. Accordingly, the Group recognized a full impairment loss of P128.1 million in 2020 and 2019.

a) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2019, the Group has participating interest of 1.67%.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill,(PLL) of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium’s 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. The Group for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

In 2020 and 2019, additional deferred charges amounting to nil and P0.1 million were capitalized.

The Seismic Inversion and Reservoir Characterization project in the north block of SC 6A was completed in mid-December 2020. The stochastic inversion, used to characterize the thinly bedded sands of the GCU, generated promising results and highlighted potential areas of key interest in the vicinity of the Malajon-1 well. Zones exhibiting a high probability of pay were identified within the GCU and are considered plausible locations for well drilling.

b) SC 14 C2 – West Linapacan

In 2019, Philodrill is in the early stages of negotiation with a UK-based firm which intends to acquire interests in the SC14 C2-West Linapacan Block. The area is part of the ongoing seismic reprocessing and Quantitative Interpretation (QI) works over contiguous areas in SC 14 C2 and SC 74 that cover the West Linapacan and Linapacan discoveries. The Joint Quantitative Interpretation (QI) study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B SC 74. As of end-June 2019, the Phase 1a of the study has been completed and the 2 Joint Venture consortia are now discussing on proceeding to the next phase of the Joint QI work which will involve trial inversion work on 30 sq km data volume of contiguous areas.

Meanwhile, Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill successfully completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

During 2020, the SC 14C2 JV entered into a Sale-Purchase Agreement (SPA) and a Farm-out Agreement (FOA) with an Independent Oil & Gas Production, Development and Exploration Company (IOGPDE) that would take over the operatorship of the SC. Following the execution of the SPA & FOA, the JV agreed that the proposed redevelopment strategy by the eventual operator will be adopted and submitted to the DOE during the process of securing the DOE approval for the Deeds of Assignment (DOAs) arising out of the SPA and FOA.

The finalization and execution of DOAs, however, has been greatly delayed by the COVID 19 situation and the Community Quarantines' restrictions since mid-March 2020.

To comply with the commitments under the SC, the proposed 2020 Work Program and Budget (WP&B) covering the period November 2020 to March 2021 was submitted for approval. The proposed work activity will complement the subsequent redevelopment effort for the West Linapacan Field.

c) SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During 2020, Manta Oil Corporation (MOC), operator of the SC, completed a comprehensive technical subsurface review using the 2016 PSTM reprocessed 3D seismic data. The recent subsurface mapping work on the Cadlao structure resulted in an improved P50 STOIIP, with an increase of 15% from previous volumetric.

As at December 31, 2020 and 2019, there were no further developments on the said project.

d) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte
The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a 2-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the 2-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

In 2016, the Group paid occupation amounting to P0.5 million for the project.

On May 20, 2020, exploration permit for the project was for the two-year exploration period was granted, subject to the compliance of conditions set forth.

Currently, the Group is in the process of fulfilling its obligations in relation to the renewed exploration permit.

For the years ended December 31, 2020 and 2019, the Group paid occupation fee amounting to P0.17 million and P0.13 million respectively.

15. Other Noncurrent Assets

This account consists of 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 P5.57 billion and P3.23 billion as at March 31, 2021 and December 31, 2020, respectively.

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	***Note***	**2021**	2020
Trade payables		**P5,594,570**	P9,908,286
Non-trade payables		**1,495,825**	1,973,851
Dividends payable	*28*	**50,000**	2,180,396
Due to government agencies		**425,024**	732,779
Retention payable		**5,702**	231,027
Construction bonds		**21,419**	23,048
Advance rentals		**12,596**	16,824
Accrued expenses			
Manpower agency services		**913,453**	1,043,534
Utilities		**234,896**	243,262
Rent		**113,240**	86,118
Others		**305,583**	227,897
		P9,172,306	P16,667,022

Trade payables generally on a 30-to-60-day payment terms.

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods.

17. Loans Payable

As at March 31 and December 31, 2020, the Group has the following outstanding loans:

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2021**	2020
Balance at beginning of year	**P42,000**	P871,124
Repayments	**(42,000)**	(829,124)
Availments	**-**	-
Balance at end of year	**P -**	P42,000

The balances of peso-denominated short-term loans of each segment as at March 31 and December 31 follow *(in thousands)*:

Segment	Purpose(s)	Interests	**2021**	2020
Liquor distribution	- Inventory financing	3.57% to 5.63%	**P -**	**P42,000**
Real estate	- Capital expenditure requirements	2.88% to 5.25%	**-**	**-**
Grocery retail	- Inventory financing	4.00% to 6.40%	**-**	**-**
			P -	**P42,000**

b. Long-term Loans

The balance of long-term loans of the Group as follow:

(In thousands)	*Note*	**2021**	2020
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	*a*	**P3,760,000**	P3,760,000
Fixed-rate peso-denominated loan of 5.579%	*a*	**940,000**	940,000
PPCI:			
Fixed-rate peso-denominated notes of 4.513%	*b*	**12,000,000**	12,000,000
KMC			
Fixed-rate peso-denominated loan of 3.50%	*c*	**-**	-
		16,700,000	16,700,000
Unamortized debt issuance costs		**(126,471)**	(130,300)
		P16,573,529	P16,569,700

a. Cosco

On May 6, 2014, Cosco signed and executed a P5.0 billion corporate financing facility. The proceeds were used to finance the Group's strategic acquisition plans and/or for other general corporate requirements. Subsequently, Cosco issued the following:

- 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the sixth anniversary; and 94.0% of the principal amount on maturity date.
- 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.0% of the principal amount on maturity date.

These loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends.

As of December 31, 2020 and 2019, Cosco is compliant with the loan covenants.

b. PPCI

On June 13, 2013, PPCI obtained a P2 billion unsecured loan from a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is due every month.

On May 2, 2018, PPCI partially paid the loan amounting to P660 million and the maturity for the outstanding balance of P1.4 billion was renewed for 7 years at 6.4% interest per annum.

In 2019, PPCI fully paid the outstanding balance.

On September 30, 2020, PPCI raised P12-billion from the issuance of fixed-rate corporate notes for its store network expansion, other strategic investments and general corporate requirements. This consists of P7-billion notes that have a seven-year tenor and P5-billion notes that have a 10-year tenor with interest rates ranging from 4.00% to 4.513%.

c. *KMC*
On July 23, 2013, KMC obtained a P500 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.50% per annum. The interest is due every month.

In 2015, KMC partially paid the loan amounting to P100 million.

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum. The entire loan was paid on May 12, 2020.

Total interest expense charged to profit or loss amounted to P203.09 million and P83.63 million in 2021 and 2020, respectively.

Interest expense on loans capitalized as part of property and equipment amounted to P2.9 million and P12.1 million in 2021 and 2020, respectively (see Note 11).

The movements in debt issuance costs are as follows

	2021	2020
Balance at beginning of the year	**P130,300**	P11,738
Additions	**-**	129,000
Amortizations	**(3,829)**	(10,438)
Balance at end of the year	**P126,471**	P130,300

18. Other Current Liabilities

This account as at March 31 and December 31 consists of:

(In thousands)	***Note***	**2021**	2020
Customers' deposits	*21, 31, 32*	**P309,106**	P365,754
Unredeemed gift certificates		**180,641**	210,388
Output VAT		**135,596**	63,874
Promotional discount		**9,517**	9,152
Others	*31, 32*	**17,674**	13,281
		P652,534	P662,449

Customers' deposits consist of payments from the lessees that are refundable at the end of the lease term. These are intended to answer for any unpaid obligations of the lessee to the Group including damages to the leased properties.

Unredeemed gift certificates represent members' claims for issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable anytime.

19. Revenues

The revenue from contracts with customers is disaggregated by revenue stream.

(In thousands)	**2021**	2020
Revenue from Contracts with Customers (PFRS 15)		
Revenues		
Grocery	**P37,728,812**	P40,952,785
Wine and liquor	**1,174,936**	1,229,530
Office and technology supplies	**423,444**	535,478
	39,327,192	42,717,793
Other revenue		
Concession fee income	**547,299**	525,372
Membership income	**140,480**	141,399
Miscellaneous	**50,452**	42,651
	716,304	709,422
Lease revenue (PFRS 16)		
Revenues		
Real estate and property leasing	**275,071**	367,474
Other revenue		
Retail (*Other revenue*)	**76,665**	117,799
	351,736	485,273
	P40,417,159	P43,913,237

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2021**	2020
Beginning inventory	**P24,918,237**	P26,515,696
Purchases	**33,586,743**	13,874,740
Total goods available for sale	**58,504,980**	40,390,436
Ending inventory	**26,953,613**	5,196,074
	P31,551,367	P35,194,362

Cost of rent consists of:

(In thousands)	**2021**	2020
Depreciation	**P60,634**	P55,023
Security services	**19,836**	21,360
Taxes and licenses	**19,086**	19,418
Janitorial services	**13,637**	17,720
Repairs and maintenance	**12,006**	14,417
Management fees	**9,218**	7,797
Insurance	**4,524**	3,835
Utilities	**223**	-
Rentals	**849**	9,953
Others	**1,175**	486
	P141,188	P151,310

21. Leases

<u>As Lessee</u>

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

The movements in right-of-use assets are as follows:

(In thousands)	**2021**	2020
Cost		
Balance at January 1	**P33,508,380**	P29,472,240
Additions	**60,665**	2,942,307
Modifications	**-**	1,365,084
Terminations	**-**	(143,525)
End of lease term	**(2,324)**	(127,726)
Balance at March 31 and December 31	**33,566,721**	33,508,380
Accumulated Depreciation		
Balance, January 1	**9,238,127**	7,772,137
Depreciation	**426,261**	1,691,442
Terminations	**-**	(97,726)
End of lease term	**-**	(127,726)
Balance, March 31 and December 31	**9,664,388**	9,238,127
Carrying amount at March 31 and December 31	**P23,902,333**	P24,270,253

Lease liabilities included in the statements of financial position are as follows:

(In thousands)	**2021**	2020
Due within one year	**P982,227**	P1,035,180
Due beyond one year	**29,168,610**	29,149,190
	P30,150,837	P30,184,370

The movements in lease liabilities are as follows:

(In thousands)	**2021**	2020
January 1	**P30,184,370**	P26,668,941
Additions	**-**	2,693,706
Accretion of interest	**530,343**	1,758,234
Repayments	**(563,877)**	(2,299,184)
Terminations	**-**	(2,411)
Modifications	**-**	1,365,084
December 31	**P30,150,837**	P30,184,370

Shown below is the maturity analysis of the undiscounted lease payments for the period and year ended March 31 and December 31:

(In thousands)	**2021**	2020
Less than one year	**P2,626,930**	P2,626,930
One to five years	**10,543,066**	10,543,066
More than five years	**33,114,129**	33,114,129
	P46,284,125	P46,284,125

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 P669.2 million and P684.4 million as at March 31, 2021 and December 31, 2020, composed of current and noncurrent portion, broken down as follows:

(In thousands)	*Note*	**2021**	2020
Current	*18*	**P309,106**	P365,754
Noncurrent		**360,063**	318,682
		P669,169	P684,436

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 P275.07 million and P367.47 million in 2021 and 2020, respectively.

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

(In thousands)	**2021**	2020
Less than one year	**P1,013,399**	P1,013,399
One to two years	**935,072**	935,072
Two to three years	**877,255**	877,255
Three to four years	**787,863**	787,863
Four to five years	**721,444**	721,444
More than five years	**6,974,676**	6,974,676
	P11,309,709	P11,309,709

The Group subleases a portion of its stores to various lessees. The lease terms range from 1 year to 10 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs

Rent income recognized as part of “Other revenue” account in profit or loss amounted to P76.66 million and P117.80 million in 2021 and 2020, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at March 31 and December 31 are as follows:

(In thousands)	**2021**	2020
Less than one year	**P252,349**	P252,349
One to two years	**151,804**	151,804
Two to three years	**107,463**	107,463
Three to four years	**62,837**	62,837
Four to five years	**33,676**	33,676
More than five years	**43,756**	43,756
	P651,885	P651,885

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2021**	2020
Concession fee income		**P547,299**	P525,372
Membership income		**140,480**	141,399
Rent income	*21*	**76,665**	117,799
Miscellaneous		**50,452**	42,652
		P814,896	P827,222

Miscellaneous consist of delivery fee income, income from sale of used packaging materials, e-wallet rebates and other individually insignificant items.

23. Operating Expenses

This account consists of:

(In thousands)	***Note***	**2021**	2020
Depreciation and amortization	*11, 12, 13, 21*	**P1,055,976**	P960,172
Manpower agency		**863,837**	996,451
Salaries and wages		**657,458**	708,297
Communication, light and water		**533,393**	558,444
Outside services		**315,868**	290,047
Taxes and licenses		**271,100**	266,728
Rent	*21, 25*	**173,303**	220,382
Repairs and maintenance		**153,975**	116,241
Store and office supplies		**130,872**	143,187
Advertising and marketing		**106,400**	159,487
Credit card charges		**104,861**	45,498
Distribution Costs		**98,293**	77,232
Transportation		**77,155**	36,863
Insurance		**62,985**	61,310
SSS/Medicare and HDMF contributions		**53,119**	48,277
Input VAT allocable to exempt sales		**49,647**	53,288
Representation and entertainment		**33,416**	39,833
Fuel and oil		**18,647**	18,312
Royalty expense	*25*	**13,586**	15,635
Professional fees		**7,297**	12,775
Others		**164,968**	191,939
		P4,946,152	P5,020,400

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2021**	2020
Gain from sale of securities investment		**P1,698**	P7,126
Loss from lease terminations	*21*	**(2,324)**	-
Foreign exchange gain (loss)		**(197)**	2,242
Share in income (losses) of joint ventures and associates	*10*	**(5,189)**	-
Unrealized valuation loss on financial assets	*7*	**(2,117)**	(9,502)
Bank charges		**(189)**	(1,361)
Gain on disposal of property and equipment		**26**	-
Gain (loss) on insurance claim		**-**	513
Miscellaneous		**988**	2,563
		(P7,302)	P1,581

25. Related Party Transactions

The Group's transactions and balances with its related parties follow *(in thousands)*:

Related Party	Year	*Note*	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common Control									
▪ Loans receivable									
Principal	**2021**	*a*	**P1,541,701**	**P7,066,244**	**P -**	**P -**	**P -**	Due on September 30,	Unsecured
Interest	**2021**		**29,264**	**566,669**	**-**	**-**	**-**	2021; interest bearing	
Principal	**2020**	*a*	**6,374,365**	**5,524,543**	**-**	**-**	**- -**	Due on September 30,	Unsecured
Interest	**2020**		**237,162**	**579,091**	**-**	**-**	**-**	2020; interest bearing	
▪ Advances for working capital	**2020**		-	-	-	-	**363,146**	Due and demandable;	Unsecured
requirements	2019		-	-	-	-	363,146	non-interest bearing	
▪ Management fees	**2021**	*d*		-	-	-	-	Due and demandable;	Unsecured
	2020			-	-	-	-	non-interest bearing	
▪ Rent income	**2021**	*e*	**125,909**	-	-	-	-	Due and demandable;	Unsecured
	2020		125,909	-	-	-	-	non-interest bearing	
▪ Rent payments	**2021**	*f*		**-**	**-**		-	Due and demandable;	Unsecured
	2020	*f*	216,311	-	-	3,216,435	-	non-interest bearing	
Associates									
▪ Concession fee expense	**2021**	*c*		-	-	-	-	Due and demandable;	Unsecured
	2020			-	-	-	-	non-interest bearing	
Stockholder									
▪ Advances for working capital	**2021**		**154,633**	-	**339,485**	-	**349,316**	Due and demandable;	Unsecured;
requirements	2020		826,132	-	184,852	-	349,316	non-interest bearing	Unimpaired
▪ Royalty expense	**2021**	*g*	**13,586**	-	-	-	**13,586**	Due and demandable;	Unsecured
	2020	*g*	**49,569**	-	-	-	**49,569**	non-interest bearing	
Key Management Personnel									
▪ Short-term benefits	**2020**		**45,657**	-	-	-	-		
	2019		23,211	-	-	-	-		
Total	**2021**			**P7,632,913**	**339,485**	**P3,216,435**	**P726,048**		
Total	2020			P6,103,634	P184,852	P3,216,435	P762,031		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2% to 4.75%. The loan to Union Energy Corporation was fully paid on December 29, 2020 while loan to League One, Inc. was rolled over for another year at market interest rate.

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the “Consignee,” an entity under common control, entered into a consignment and concession contract with the Group through KMC, referred to as the “Consignor.” The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) warehouses and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) warehouses.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) warehouses whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee’s gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee’s gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) warehouses and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the warehouses shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

  On April 22, 2019, the Consignee assigned to the consignor its lease of land located at Westgate, Filinvest Alabang, Muntinlupa City with a lease term from January 1, 2019 until November 15, 2022. The term has been extended until November 15, 2037.

  On November 4, 2020, the Consignee assigned to the Consignor its lease of land located at 32nd Street, 5th Avenue, Bonifacio Global City, Taguig City with a lease term from January 10, 2012 until January 9, 2033.

c. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

d. 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.

e. 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.

f. License Agreement

On August 15, 2011, the Parent Company entered into a license agreement for the use of trademark and logo. In exchange, the Parent Company pays the owner royalty based on a percentage of sales

Amounts owed by and owed to related parties are to be settled in cash.

26. Retirement Benefit Costs

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis.

The retirement benefits liability recognized in the consolidated statements of financial position as at March 31 and December 31 are as follows:

(In thousands)	**2021**	2020
Present value of defined benefits obligation	**P1,461,307**	P1,461,778
Fair value of plan assets	**(30,018)**	(30,018)
	P1,431,289	P1,431,760

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

(In thousands)	**2021**	2020
Balance at beginning of year	**P1,461,778**	P984,469
Included in profit or loss:		
Current service cost	**-**	184,082
Interest cost	**-**	51,449
	-	235,531
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**-**	326,771
Experience adjustments	**-**	(76,154)
	-	250,617
Benefits paid	**(471)**	(8,839)
Reclass to liabilities directly related to assets held-for-sale	**-**	-
Balance at end of year	**P1,431,289**	P1,461,778

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

(In thousands)	**2021**	2020
Balance at beginning of year	**P30,018**	P28,651
Interest income	**-**	1,285
Return on plan asset excluding interest	**-**	82
Balance at end of year	**P30,018**	P30,018

The Group's plan assets as at March 31 and December 31 consist of the following:

(In thousands)	**2021**	2020
Cash in banks	**P30,218**	P3,294
Debt instruments - government bonds	**-**	26,527
Trust fees payable	**-**	(14)
Other	**-**	411
	P30,218	P30,218

The following were the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate	**3.95% to 3.96%**	5.21% to 7.5%
Future salary increases	**5% to 8%**	5% to 8%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 reporting period is 21.5 years and 25.8 years, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2021

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**340,315**	**(266,233)**
Future salary increase rate (1% movement)	**323,561**	**(260,132)**

2020

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**340,315**	**(266,233)**
Future salary increase rate (1% movement)	**323,561**	**(260,132)**

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

Maturity analysis of the benefit payments:

	2021 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P1,431,760**	**P274,196**	**P39,176**	**P55,524**	**P179,496**

	2020 *(In thousands)*				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P1,431,760	P274,196	P39,176	P55,524	P179,496

Multi-employer Retirement Plan
The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

The Group does not expect to contribute to the plan in 2021.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2021.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2021**	2020
Current	**P814,898**	P983,071
Deferred	**(57,648)**	(97,918)
	P757,249	P885,153

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense shown in profit or loss is as follows:

(In thousands)	**2021**	2020
Income before income tax	**P3,197,992**	P3,204,272
Income tax expense at the statutory income tax rate:		
25% and 30%	**P788,661**	930,985
5%	**3,911**	4,371
Income tax effects of:		
Deduction from gross income due to availment of optional standard deduction	**(20,792)**	(34,654)
Dividend income	**(179)**	(20)
Interest income subject to final tax	**(24,724)**	(21,054)
Non-deductible interest expense	**5,953**	1,563
Changes in unrecognized DTA	**226**	350
Other income subject to final tax	**(1,088)**	(7,857)
Non-deductible expenses	**4,565**	9,864
Share in income of associates and joint ventures	**1,297**	-
Non-taxable income	**(582)**	641
Penalties	**-**	964
	P757,249	P885,153

The components of the Group's deferred tax assets - net (DTA) and deferred tax liabilities - net (DTL) in respect to the following temporary differences are shown below:

Net deferred tax assets *(In thousands)*	**2021**	2020
Items recognized in profit or loss		
Net deferred tax assets on:		
Excess of lease liabilities over ROU assets	**P2,498,992**	P1,772,390
Retirement benefits liability	**388,261**	373,369
NOLCO	**-**	49,750
Allowance for impairment of deferred oil and mineral exploration costs	**38,427**	38,427
Allowance for impairment losses on receivables	**4,668**	5,454
Accrued rent expense	**-**	1,702
Advance rentals	**-**	2,211
Recognition of DTA on merger transaction	**117**	117
	2,848,762	2,243,420
Deferred tax liabilities on:		
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(542,601)**	(10,831)
Unrealized foreign exchange gain	**-**	(593)
	(1,922,335)	(1,391,158)
	969,703	852,262
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**51,253**	50,457
	P1,059,383	P902,719

Net deferred tax liabilities *(In thousands)*	**2021**	2020
Items recognized in profit or loss		
Net deferred tax assets on:		
Retirement benefits liability	**-**	P1,469
Excess of lease liabilities over ROU assets	**-**	956
Unrealized foreign exchange loss	**-**	366
	-	2,791
Deferred tax liabilities on:		
Accrued rent income	**(76,502)**	(76,502)
Excess of ROU assets over lease liabilities	**(56,572)**	(54,339)
Borrowing cost	**(13,109)**	(13,109)
Advance rentals	**-**	-
	(146,183)	(143,950)
	(146,183)	(141,159)
Item recognized in other comprehensive income		
Remeasurement on defined benefits liability	**(4,429)**	(4,429)
	(P150,612)	(P144,588)

The realization of these deferred tax assets is dependent upon future taxable income when temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefits liability.

The Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized. The unrecognized deferred tax assets as at March 31 and December 31 are as follows:

(In thousands)	**2021**	2020
Impairment of property, plant and equipment	**P48,011**	P48,011
NOLCO	**26,356**	26,356
MCIT	**10,481**	10,481
Unrealized foreign exchange gain (loss)	**75**	75
	P84,923	P84,923

The unrecognized deferred tax assets originated from the Parent Company, Canaria Holdings Corporation and Alcorn Petroleum and Mineral Corporation.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2019	P165,833	P -	P165,833	2022
2020	2,298	-	2,298	2025
	P168,131	P -	P168,131	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2017	P3,593	(P3,593)	P -	2020
2018	8,733	-	8,733	2021
2019	10,060	-	10,060	2022
2020	377	-	377	2023
	P22,763	(P3,593)	P19,170	

28. Equity

Capital Stock

The details of the Parent Company's common shares follow:

	2021		2020	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less: Treasury shares	**(453,402,990)**	**(1,663,613)**	(451,238,890)	(1,652,861)
Outstanding	**6,951,860,574**	**P5,741,651**	6,954,024,674	P5,752,403
Treasury shares:				
Balance at beginning of year	**451,328,890**	**P1,652,861**	410,738,990	P1,403,974
Buy back of shares	**2,074,100**	**10,752**	40,499,900	248,887
Balance at end of year	**453,402,990**	**P1,663,613**	451,238,890	P1,652,861

Treasury Shares

On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2020 and 2019, the Company renewed its program to buy back its shares for another year up to P2.0 billion.

Retained Earnings

Declaration of Cash Dividends

In 2020 and 2019, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.08
Cash	December 18, 2020	January 15, 2021	February 9, 2021	0.04
Cash	December 18, 2020	January 8, 2021	January 29, 2021	0.04

As of March 31, 2021 and December 31, 2020, unpaid cash dividends on common shares amounting to P0.50 million and P2.2 billion, respectively, are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests

For the period and year ended March 31, 2021 and December 31, 2020, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and NCI on business combinations.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

This information is based on amounts before inter-company eliminations.

	2021		2020	
(In thousands)	**PPCI**	**CHC**	PPCI	CHC
NCI percentages	**51%**	**10%**	51%	10%
Carrying amounts of NCI	**P36,587,022**	**P733,561**	P34,826,274	P727,708
Current assets	**P55,298,772**	**P12,105,060**	P59,475,057	P12,046,531
Noncurrent assets	**72,196,822**	**-**	72,205,359	-
Current liabilities	**10,993,273**	**4,769,453**	17,102,485	4,769,453
Noncurrent liabilities	**45,980,170**	**-**	46,076,211	-
Net assets	**P70,522,151**	**7,335,606**	P68,501,720	7,277,078
Net income attributable to NCI	**P1,027,187**	**P5,853**	P4,101,176	P7,556
Other comprehensive attributable to NCI	**P -**	**P -**	(P88,005)	P -
Revenue	**P37,728,812**	**P -**	P168,632,32 9	P237,044
Net income	**P2,020,431**	**P58,529**	P8,066,828	P75,557
Other comprehensive loss	**-**	**-**	(173,102)	-
Total comprehensive income	**P2,020,431**	**P58,529**	P7,893,726	P75,557

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
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results
The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenues		Segment Profit	
(In thousands)	**2021**	2020	**2021**	2020
Grocery retail	**P37,728,812**	P40,952,785	**P2,020,431**	P1,763,381
Liquor distribution	**1,764,719**	1,846,550	**227,954**	232,589
Specialty retail	**424,025**	536,227	**17,547**	19,128
Real estate and property leasing	**427,581**	535,131	**200,056**	294,971
Holding, oil and mining	**-**	-	**(25,246)**	9,050
Total	**40,345,137**	43,870,693	**2,440,742**	2,319,119
Eliminations of intersegment revenue/profit	**742,874**	785,426	**-**	-
	P39,602,263	P43,085,267	**P2,440,742**	P2,319,119

Revenue reported above represents revenue generated from external customers and inter-segment sales and is broken down as follows:

(In thousands)	**2021**	2020
Grocery retail:		
From external customers	**P37,728,812**	P40,952,785
Liquor distribution:		
From external customers	**1,174,936**	1,229,530
From intersegment sales	**589,783**	617,020
	1,764,719	1,846,550
Specialty retail:		
From external customers	**423,444**	535,478
From intersegment sales	**581**	749
	424,025	536,227
Real estate and property leasing:		
From external customers	**275,071**	367,474
From intersegment sales	**152,510**	167,657
	427,581	535,131
Oil and mining:		
From external customers	**-**	-
Total revenue from external customers	**P39,602,263**	P43,085,267
Total intersegment revenue	**P742,874**	P785,426

No single customer contributed 10% or more to the Group's revenue in 2021 and 2020

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities
Below is the analysis of the Group's segment assets and liabilities:

(In thousands)	**2021**	2020
Segment assets:		
Grocery retail	**P127,495,594**	P131,593,509
Specialty retail	**1,195,923**	1,191,517
Liquor distribution	**8,234,708**	8,739,767
Real estate and property leasing	**25,705,341**	25,596,172
Oil and mining	**104,866,560**	106,061,232
Total segment assets	**267,498,127**	273,182,197
Intercompany assets	**93,689,186**	94,992,373
Total assets	**P173,808,941**	P178,189,824
Segment liabilities:		
Grocery retail	**P56,973,443**	P63,090,940
Specialty retail	**777,703**	792,646
Liquor distribution	**1,540,061**	2,273,073
Real estate and property leasing	**8,900,638**	8,995,981
Oil and mining	**10,122,165**	11,285,978
Total segment liabilities	**78,314,010**	86,438,618
Intercompany liabilities	**16,714,682**	18,028,122
Total liabilities	**P61,599,328**	P68,410,496

30. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

(In thousands except per share data)	**2021**	2020
Net income attributable to equity holders of the Parent Company (a)	**P1,407,703**	P1,416,797
Weighted average number of common shares (b)	**6,952,662**	6,970,602
Basic/diluted EPS (a/b)	**P0.20247**	P0.20325

There were no potential dilutive common shares in 2021 and 2020.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group's principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

(In thousands)	***Note***	**2021**	2020
Cash and cash equivalents [1]	*4*	**P30,649,225**	P48,085,044
Receivables – net	*5*	**15,978,370**	10,308,181
Financial assets at FVPL	*7*	**4,025,396**	2,411,375
Security deposits [2]	*15*	**2,245,006**	2,260,918
Due from related parties	*25*	**339,485**	184,852
Financial assets at FVOCI	*8*	**16,860**	16,860
		P53,254,342	P63,267,230

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets"

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	March 31, 2021			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P30,649,225**	**P -**	**P -**	**P30,649,225**
Receivables	**2,606,408**	**13,371,963**	**113,636**	**16,092,006**
Due from related parties	**339,485**	-	-	**339,485**
Security deposits[2]	**2,245,006**	**2,245,006**	-	**2,245,006**
Financial Assets at FVPL		-	-	
Investments in trading securities	**4,025,396**	-	-	**4,025,396**
Financial Assets at FVOCI		-	-	
Investments in preferred shares	**7,262**	-	-	**7,262**
Investment in common shares		-	-	
Quoted	**7,294**	-	-	**7,294**
Unquoted	**2,304**	-	-	**2,304**
	P39,882,380	**P15,616,969**	**P113,636**	**P53,367,978**

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

	December 31, 2020			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P48,085,044	P -	P -	P48,085,044
Receivables	8,051,166	2,190,085	66,930	10,308,181
Due from related parties	184,852	-	-	184,852
Security deposits[2]	-	2,260,918	-	2,260,918
Financial Assets at FVPL		-	-	
Investments in trading securities	2,411,375	-	-	2,411,375
Financial Assets at FVOCI		-	-	
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares		-	-	
Quoted	7,294	-	-	7,294
Unquoted	2,304	-	-	2,304
	P58,749,297	P4,451,003	P66,930	P63,267,230

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in banks and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

e. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

The Group applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for trade and other receivables. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor identified has not been considered significant within the reporting period.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	March 31, 2021				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[(1)]	**P8,747,282**	**P8,747,282**	**P8,747,282**	**P -**	**P -**
Short-term loans	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**30,184,370**	**46,284,125**	**2,626,930**	**10,543,066**	**33,114,129**
Due to related parties	**726,048**	**726,048**	**726,048**	**-**	**-**
Long-term loans[(2)]	**16,569,700**	**16,569,700**	**395,338**	**168,550**	**16,005,812**
Customers' deposits[(3)]	**669,169**	**684,436**	**365,753**	**239,012**	**79,671**
	P56,896,569	**P73,011,591**	**P12,861,351**	**P10,950,628**	**P49,199,612**

[(1)] Excluding due to government agencies.
[(2)] Including current and non-current portion.
[(3)] Including current and non-current portion.

	December 31, 2020				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[(1)]	P15,934,243	P15,934,243	P15,934,243	P -	P -
Short-term loans	42,000	42,000	42,000	-	-
Lease liabilities	30,184,370	46,284,125	2,626,930	10,543,066	33,114,129
Due to related parties	762,031	762,031	762,031	-	-
Long-term loans[(2)]	16,569,700	16,569,700	395,338	168,550	16,005,812
Customers' deposits[(3)]	684,436	684,436	365,753	239,012	79,671
	P64,176,780	P80,276,535	P20,126,295	P10,950,628	P49,199,612

[(1)] Excluding due to government agencies.
[(2)] Including current and non-current portion.
[(3)] Including current and non-current portion.

Market Risk

Market risk is the risk that changes in market prices such as interest rates that will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.
The Group is mainly subject to interest rate risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group may be exposed to interest rate risk on interest earned on cash deposits in banks which have variable rates exposing the Group further to cash flow interest rate risk. However, the management believes that the Group is not significantly exposed to interest rate risk since its short and long-term loans have fixed rates and are carried at amortized cost.

The Group's policy is to obtain the most favorable interest available without increasing its interest rate risk exposure.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.
The Group defines capital as paid-up capital, additional paid-in capital,

remeasurements and retained earnings as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

The Group is not subject to externally imposed requirements.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at March 31, 2021 and December 31, 2020.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Security Deposits
The carrying amount approximates it fair value as the effect of discounting is not considered material.

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

Financial Assets at FVOCI - Unquoted
The fair value of the unquoted equity securities at FVOCI is not determinable because of the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits
The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

Fair Value Hierarchy
The Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2021 and December 31, 2020, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

33. Events After Reporting Period

Share Swap Transaction
On a special meeting on February 22, 2021, the Board of Directors of Cosco Capital, Inc. has approved the acquisition of controlling interest in Da Vinci Capital Holdings, Inc. ("DAVIN") by way of share-swap transaction, wherein the latter shall issue 11.25 billion common shares of stock valued at P2 per share, to Cosco Capital, Inc., and in exchange and as consideration thereof, Cosco shall assign 100% of its shares in the following subsidiaries in favor of DAVIN:

- Montosco, Inc.; ("Montosco")
- Meritus Prime Distributions, Inc.("Meritus")
- Premier Wine and Spirits, Inc. ("Premier")

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill
On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.0 million and with total assets not exceeding P100.0 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective 01 July 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Group will be lowered from 30% to 25% for large corporations on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of changes in tax rates	Amounts based on the reduced tax rates
Statement of Comprehensive Income			
Current tax expense	P4,180,890	(P348,408)	P3,832,483
Deferred tax expense (benefit)	(356,283)	(29,690)	(326,593)
Net income for the year	10,008,926	(378,025)	9,630,828
Statement of Financial Position			
Deferred tax asset	902,719	(150,453)	752,266
Income tax payable	1,534,051	(348,408)	1,185,644
Deferred tax liability	144,588	(24,098)	120,490
Statement of Changes in Equity			
Retirement Benefits Reserve	(82,145)	13,691	(68,454)

COSCO CAPITAL, INC. AND SUBSIDIARIES
March 31, 2021 and December 31, 2020
Ageing of Receivables
(In Thousands)

	March 2021	December 2020
Neither pas due nor impaired	2,606,408	1,982,956
Past due 1-30	6,719,400	7,373,469
Past due 31-60	1,546,319	277,003
More than 60	5,106,244	674,753
Impaired	113,636	113,636
	16,092,006	10,421,817

ANNEX "D"

COSCO CAPITAL, INC.
Annual Stockholders Meeting
25 June 2021 www.coscocapital.com

(__) Vote by Ballot – casting votes following the instructions shown in the table below.

(__) Vote by Proxy – appointing the Chairman of the meeting to represent and cast votes following the instructions shown in the table below.

Agenda Item	FOR	AGAINST	ABSTAIN
(1) Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2020			
(2) Approval of 2020 Annual Report and Audited Financial Statements			
(3) Re-appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries for the year 2021 with up to P8 million audit fee			
(4) Eligibility of Mr. Robert Y. Cokeng and Mr. Oscar S. Reyes to be nominated and elected as independent directors for another two years despite the lapse of their 9-year term as independent directors.			
Election of Directors			
(5) Lucio L. Co			
(6) Susan P. Co			
(7) Leonardo B. Dayao			
(8) Levi B. Labra			
(9) Roberto Juanchito T. Dispo			
(10) Jaime J. Bautista			
(11) Bienvenido E. Laguesma, *Independent Director*			
(12) Robert Y. Cokeng, *Independent Director*			
(13) Oscar S. Reyes, *Independent Director*			

Name of Stockholder ________________________

Number of Shares ________________________

Signature of Stockholder / Authorized Signatory ________________________

1. For corporate shareholders, this form must be accompanied by a corresponding secretary's certificate confirming the appointment of the Proxy or the designated representative and the votes cast.

2. Where no specific authority is indicated, the vote shall be deemed for the approval of all the corporate matters listed above and for all the nominated directors named therein.

3. This form should be sent by e-mail to corporate.governance@coscocapital.com on or before June 22, 2021. The company's stock transfer agent will validate the votes on June 23, 2021, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

ANNEX "E"

Guidelines for Participating via Remote Communication and Voting *in Absentia* in 2021 Annual Stockholders' Meeting of Cosco Capital, Inc.

The 2021 Annual Stockholders' Meeting (ASM) of Cosco Capital, Inc. (the Company) is on June 25, 2021, at 10:00 am and with a record date of April 22, 2021.

Considering the health and safety concerns brought by COVID 19 pandemic, the Board of Directors of the Company has approved and authorized our stockholders to participate in the ASM via remote communication and exercise their right to vote *in absentia*.

Registration

The stockholder must notify the Assistant Corporate Secretary of his/her intention to participate in the ASM via remote communication and exercise his/her right to vote *in absentia* by no later than June 22, 2021, by emailing at corporate.governance@coscocapital.com and by submitting there the following supporting documents/information:

A. Individual Stockholders

1. Copy of valid government ID of stockholder/proxy
2. Stock certificate number/s
3. If appointing a proxy, copy of proxy form duly signed by a stockholder (need not be notarized)
4. Email address and contact number of stockholder or proxy

B. Multiple Stockholders or Joint Owners

1. Stock certificate number/s
2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
3. Copy of valid government IDs of all registered stockholders
4. Email address and contact number of the authorized representative

C. Corporate Stockholders

1. Secretary's Certification of Board resolution appointing and authorizing a proxy to participate in the ASM
2. Valid government ID of the authorized representative
3. Stock certificate number/s
4. Email address and contact number of the authorized representative

D. Stockholders with Shares under Broker Account

1. Certification from the broker as to the number of shares owned by the Stockholder
2. Valid government ID of stockholder
3. If appointing a proxy, copy of proxy form duly signed by a stockholder (need *not* be notarized)
4. Email address and contact number of stockholder or proxy

Voting

The stockholders can then cast their votes following these simple steps:

1. Visit the company website www.coscocapital.com.
2. Download the Voting Form.
3. Please fill up the Voting Form and email it to corporate.governance@coscocapital.com

ASM Livestream

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their log-in passwords to join the live stream ASM.

There will be video recordings of the ASM, which a stockholder on record may avail upon request.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may send their questions in advance by emailing at corporate.governance@coscocapital.com on or before June 22, 2021.

The Company's Investor Relations Officer will answer questions received but not answered during the ASM by email.

For any queries or concerns, please contact the office of the Assistant Corporate Secretary at (632) 8523-3055, 0917 861 2459 or via email at *corporate.governance@coscocapital.com*

ANNEX "F"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT Y. COKENG**, Filipino, of legal age and with office at 5th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Cosco Capital, Inc. and have been its independent director since 2013.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
F&J Prince Holdings Corp.	Chairman and President	More than 20 years
Magellan Capital Holdings Corp.	Chairman and President	"
Magellan Utilities Dev. Corp.	Chairman and President	"
Pinamucan Industrial Estate, Inc.	Chairman	"
Consolidated Tobacco Ind. Of the Phils.	Chairman and President	"
Center Industrial and Investment Inc.	Chairman and President	"
Malabrigo Corp.	Chairman and President	"
Pinamucan Power Corp.	Chairman and President	"
Essential Holdings Ltd.	Managing Director	"
Pointwest Technologies Corp.	Chairman	More than 10 years
Pointwest Innovation Corp.	Chairman	"
Business Process Outsourcing Int'l	Chairman/Executive Comm. Dir.	"
IPADS Developers, Inc.	Chairman	5 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officer/substantial shareholder of Cosco Capital, Inc.

5. I am not subject of any pending criminal or administrative investigation or proceeding.

6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 27 2021 day of 2021 at City of Manila

Certification of Independent Director:

ROBERT Y. COKENG
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this MAY 27 2021 day of 2021 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Driver's License No. N02-01-448423 valid until June 6, 2028.

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Series of 2021

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022488 / 04-16-19
No. 900 Romualdez St., Paco, Manila

ANNEX "G"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR S. REYES**, Filipino, of legal age and with office at Unit 2504, 139 Corporate Center, Valero St., Salcedo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Cosco Capital, Inc. and have been its independent director since 2009.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016 2016 – present
Basic Energy Corporation	Independent Director Member, Advisory Board	2007 – 2019 2019 – present
PLDT, Inc.	Director Member, Advisory Board	2001 – 2010 2010 – present
Pepsi Cola Products Philippines, Inc.	Chairman	2007 – present
PXP Energy Corporation	Director	2017 – present
DMWenceslao & Associates Inc.	Independent Director	2019-present
PLDT Communications & Energy Ventures, Inc.	Director	2013 – present
Link Edge Inc.	Non-Executive Chairman	2002 – present
Grepa Asset Management	Independent Director	2011 – present
Sun Life Financial Plans Inc.	Independent Director	2006 – present
Sun Life Prosperity Dollar Advantage Fund, Inc.	Independent Director	2004 – present
Sun Life Prosperity Dollar Abundance Fund, Inc.	Independent Director	2002 – present
Sun Life Prosperity GS Fund, Inc.	Independent Director	2011 – present
Sun Life of Canada Prosperity Bond Fund, Inc.	Independent Director	2011 – present
Sun Life Prosperity Money Market Fund, Inc.	Independent Director	2011 – present
Sun Life Prosperity Dynamic Fund Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2028 Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2038 Inc.	Independent Director	2018 – present
Sun Life Prosperity Achiever Fund 2048 Inc.	Independent Director	2018 – present

Sun Life Prosperity World Equity Fund	Independent Director	2018 – present
Sun Life of Canada Prosp. Balance Fund	Independent Director	2018 – present
Sun Life of Canada Prosperity Equity Fund	Independent Director	2018 – present
Petrolift Inc.	Independent Director	2007 – present
Eramen Minerals Inc.	Independent Director	2004 – present
Pioneer Insurance & Surety Corporation	Member, Advisory Board Independent Director	2019-2020 2019 - present
Pioneer Life Inc.	Member, Advisory Board	2019-present
Pioneer Intercontinental Insurance Corp.	Member, Advisory Board Independent Director	2019-2020 2020 - present
Phil. Dealing System Holdings Corp.	Independent Director	2019-present
Phil. Dealing Exchange Corporation	Independent Director	2019- present
Phil. Depository & Trust Corporation	Independent Director	2019 - present
Phil. Securities Settlement Corporation	Independent Director	2019-present
Team Energy Corporation	Independent Director	2019-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officer/substantial shareholder of Cosco Capital, Inc.

5. I am not subject of any pending criminal or administrative investigation or proceeding.

6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 2 7 2021 day of 2021 at City of Manila.

Certification of Independent Director:

OSCAR S. REYES
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this MAY 2 7 2021 day of , 2021 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Philippine Passport No. P5302920A valid until December 10, 2022.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No 58325
IBP Lifetime Member No 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No VI-0022488 / 04 16 19
No 900 Romualdez St., Paco, Manila

Doc. No. 401
Page No. 64
Book No. 28
Series of 2021.

ANNEX "H"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BIENVENIDO E. LAGUESMA**, Filipino, of legal age and with office at 706 Prestige Tower, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Cosco Capital, Inc. and have been its independent director since 2017.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Laguesma Magsalin & Consulta Law Offices	Partner	2001 – present
Maritime Academy of Asia and the Pacific (MAAP)	Director	2019 – present
Anda Power Corporation	Director	2020 – present
Philippine Bank of Communications	Independent Director	2019 – present
Da Vinci Capital Holdings, Inc.	Independent Director	2020 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cosco Capital Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officer/substantial shareholder of Cosco Capital Inc.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of Cosco Capital, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 2 7 2021 day of 2021 at City of Manila.

Certification of Independent Director:

BIENVENIDO E. LAGUESMA
Nominee for Independent Director
Cosco Capital, Inc.

SUBSCRIBED AND SWORN to before me this MAY 2 7 2021 day of 2021 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Social Security System No. 335139112.

Doc. No. 402
Page No. 64
Book No. 28
Series of 2021.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022488 / 04-16-19
No. 900 Romualdez St., Paco, Manila

ANNEX "I"

CERTIFICATION

I, **CANDY H. DACANAY – DATUON**, Filipino, of legal age, am the Assistant Corporate Secretary and Compliance Officer of **COSCO CAPITAL, INC**., I hereby certify that ***none*** of the directors and officers of the Company works for the Philippine Government as of date hereof.

I am issuing this Certification as a requirement of the Securities and Exchange Commission for the issuance of Definitive Information Statement of the Company.

SIGNED this 4th day of June 2021 in the City of Manila, Philippines.

CANDY H. DACANAY – DATUON
Assistant Corporate Secretary and Compliance Officer

ANNEX "J"

SEC urges firms t list

Ayuda for cronies?

es 30-day and 60-day moratorium on their loan and ayments last year..."

aryo.com pointed out that DBP accounts for more ird of Chelsea's total long-term loans. Almost all ea's DBP loans were granted during the Duterte ration.

ptics of all these government bailouts look specially e light of Uy's Udenna buying Shell's stake in the aya gas field for $460 million. *May pera pa pala naman,* bailout? Expect the government, through PNOC-EC, ly by buying some of those shares.

e if GUIDE sticks to helping MSMEs, the optics will for the administration. A paper prepared by ADB sts (Shigehiro Shinozaki and Lakshman N. Rao) ze why the focus of assistance should be on MSMEs: Es are the backbone of the national economy, but ulnerable to external shocks, such as financial crises, , and forced changes in the business environment – COVID-19 pandemic response.

Philippines, MSMEs drive the national economy. They d for 99.5 percent of all enterprises and employed 63.2 f the labor force as of the end of 2018 (ADB 2020b). r ability to access finance faces constraints even dur-crisis periods. The share of MSME loans in the total ing bank loans was 6.1 percent in 2019.

loans to MSMEs accounted for only 3.2 percent of the ing the same period. This suggests that a very small of MSMEs have access to bank credit.

olonged pandemic will make it more difficult for to raise funds from formal financial institutions and e the crisis and its aftermath, which could contribute potential losses to the Philippine economy and risk cted economic rebound in 2021."

kes of Uy have other sources of credit worldwide. only have government financial institutions.

s we are careful, GUIDE will simply make it easier nistration cronies to fry the Pinoy taxpayer in his own s crony capitalism pure and simple.

hanco's e-mail address is *bchanco@gmail.com*. Follow witter *@boochanco*.

the contract.

"The second well was not drilled in the third period of the exploration phase, and Perupetro has since confirmed the contractor's compliance with the minimum work program for the third period exploration phase, which terminates on July 27, 2021," PXP Energy said in the notice of dispute.

Moreover, KEI also voted against Pitkin's proposal to enter the fourth period of the exploration phase.

"KEI is in breach of its obligations to Pitkin by not entering into the fourth EP," PXP Energy said.

Block Z-38 sits in the heart of the Tumbes Basin, adjacent to the prolific oil producing Talara Basin which has produced 1.7 billion barrels of oil equivalent since 1880.

The Tumbes Basin has a proven working petroleum system and evidence suggests the prospects in Z-38 are accessing the same source rocks as the giant onshore Talara Basin fields.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Our Stockholders:

Please be informed that the Annual Stockholders' Meeting of **COSCO CAPITAL, INC.** will be on June 25, 2021, 10:00 am, via live stream at www.coscocapital.com

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2020
4. Annual Report and Approval of the 2020 Audited Financial Statements
5. Election of Regular Directors and Confirmation of the Eligibility of Independent Directors for Election
6. Re-appointment of External Auditor and fixing its remuneration
7. Other Matters
8. Adjournment

Only stockholders on record as of April 22, 2021 are entitled to notice and vote in the meeting.

Considering the COVID 19 pandemic, the stockholders may only participate in the meeting by remote communication, *in absentia*, or appointing the Chairman of the meeting as their proxy. The requirements and procedures in participating *in absentia* or remote communication will be available in the Information Statement. The Information Statement will be accessible on the company website www.coscocapital.com starting June 1, 2021.

The stockholders who are attending by proxies should e-mail their duly accomplished proxies to corporate.governance@coscocapital.com on or before June 22, 2021. The Company's stock transfer agent will validate the votes on June 23, 2021, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

The Company's Annual Report and Audited Financial Statements for 2020 are posted on the company website www.coscocapital.com and disclosed thru the Philippine Stock Exchange Edge platform.

Stockholders may send questions or comments to the Board of Directors or Management in advance, or during the meeting, by e-mail to corporate.governance@coscocapital.com.

Manila, Philippines, May 25, 2021.

SIGNED
ATTY. CANDY H. DACANAY – DATUON
Assistant Corporate Secretary and Compliance Officer

EXPLANATION OF AGENDA ITEMS

1. Call to Order
The Chairman of the meeting, Mr. Lucio L. Co, will welcome the stockholders and formally open the meeting at 10:00 am.

2. Certification of Notice and Quorum
The Assistant Corporate Secretary, Atty. Candy H. Dacanay - Datuon, will certify that notice of the meeting to stockholders was posted in the Philippine Stock Exchange Edge platform and duly published according to the Notice of the Securities and Exchange Commission dated March 16, 2021. She will also certify that there is a quorum to transact business in the meeting.

3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management
The Minutes of the August 18, 2020 Annual Meeting is posted on the company website. A resolution presenting the said Minutes and the ratification of the Board of Directors and Management's acts and resolutions since the last stockholders' meeting will be presented to the stockholders for approval.

4. Annual Report and Approval of the 2020 Consolidated Audited Financial Statements
The Company will show a video presentation to present the Company's 2020 Annual Report and Consolidated Audited Financial Statements to the stockholders. A resolution ratifying the Annual Report and the 2020 Consolidated Audited Financial Statements will be presented to the stockholders for their approval.

5. Election of Directors including independent directors
The Chairman of the meeting will announce the names of the nominees for the election of directors and will open the floor for stockholders' voting. The Chairman will also ask the stockholders to approve the eligibility of two independent directors, Mr. Oscar Reyes and Mr. Robert Cokeng, to be nominated and elected as independent directors for another two years despite the lapse of their 9-year term. However, the Board of Directors decided to extend their term for another two years for the following reason:

> "Similar to Puregold's stance on the matter, COVID 19 pandemic brought a lot of uncertainties to the various operating businesses of Cosco Capital and the country's economy as a whole. We were forced to deal with challenges that we have never seen before, which prompted all of us to adopt and respond as fast as possible. This is one of those crucial times when we are most in need of a group of directors who can quickly and competently respond to these challenges. And such fast and proficient response would only come from directors who are very experienced in managing a conglomerate like Cosco Capital, accustomed to the Company's core values and culture, and who hold the organization's trust to be competent in helping us navigate through these extraordinary times."

The profile of the nominees will be provided in the Information Statement.

6. Re-appointment of External Auditor and fixing its remuneration
A resolution for R.G. Manabat & Company (KPMG) re-appointment and its proposed remuneration of up to P8 million as External Auditor of the Company and its subsidiaries for the year 2021 will be presented to the stockholders for approval.

7. Other Matters
The Chairman will open the floor for any questions from the stockholders.

IPO four times

food safety and food security," he added.

Quorn is a leading player in the fast-growing global meat alternatives segment with a loyal customer following and a defining set of healthy sustainable products.

thority
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ised by PECO in its
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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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Manila, Philippines, May 25, 2021.

SIGNED
ATTY. CANDY H. DACANAY – DATUON
Assistant Corporate Secretary and Compliance Officer

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> "Similar to Puregold's stance on the matter, COVID 19 pandemic brought a lot of uncertainties to the various operating businesses of Cosco Capital and the country's economy as a whole. We were forced to deal with challenges that we have never seen before, which prompted all of us to adopt and respond as fast as possible. This is one of those crucial times when we are most in need of a group of directors who can quickly and competently respond to these challenges. And such fast and proficient response would only come from directors who are very experienced in managing a conglomerate like Cosco Capital, accustomed to the Company's core values and culture, and who hold the organization's trust to be competent in helping us navigate through these extraordinary times."

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7. Other Matters
The Chairman will open the floor for any questions from the stockholders.

nsurance Contracts

Unit Bid Price	
021	Previous Week, May 18, 2021
	2.958
	2.837
	1.957
	0.989
	0.820
	2.445

Manulife China Bank
LIFE ASSURANCE CORPORATION

Dual Pricing Investment Funds of Variable Life Insurance Contracts

Fund	Unit Bid Price	
	Current Week, May 25, 2021	Previous Week, May 18, 2021
Peso Bond Fund	2.058	2.053
Peso Stable Fund	1.880	1.884
Peso Equity Fund	1.733	1.767
Peso Balanced Fund	0.968	0.978
Peso Target Income Fund	0.808	0.812
U.S. Dollar Bond Fund	1.769	1.766

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Fund	Unit Offer Price	
	Current Week, May 25, 2021	May 18, 2021
Peso Bond Fund	3.009	3.003
Peso Stable Fund	2.872	2.880
Peso Equity Fund	1.948	1.987
Peso Balanced Fund	0.994	1.004
Peso Target Income Fund	0.828	0.832
U.S. Dollar Bond Fund	2.486	2.482

These investment funds are specific to variable life insurance contracts and are not considered mutual funds. Life insurance products are regulated by the Insurance Commission.

Manulife

Fund	
	Current Week, Ma
Peso Bond Fund	2.0
Peso Stable Fund	1.9
Peso Equity Fund	1.75
Peso Balanced Fund	0.9
Peso Target Income Fund	0.82
U.S. Dollar Bond Fund	1.79

These investment funds are specific to variable life insurance ... regulated by

Manulife China Bank
LIFE ASSURANCE CORPORATION

AS VACCINE DRIVE CONTINUES

SAN MIGUEL BREWERY LOOKS TO RECOVERY IN SECOND HALF

INQUIRER PROJECT REBOUND

By Doris Dumlao-Abadilla
@Philbizwatcher

Beer giant San Miguel Brewery is upbeat on business recovery in the second half of this year with the rollout of the country's COVID-19 vaccination program.

In the first quarter, SMB booked a 47-percent year-on-year growth in net profit attributable to equity holders of parent firm amounting to P5.37 billion, driven by cost-savings reduction, lower tax expense and a modest growth in sales.

"SMB remains to be optimistic as to the company's performance and recovery in the second half of the year," company president Roberto Huang said during the company's stockholders meeting on Tuesday.

"For starters, the progress in the country's vaccination rollout will help restore business and consumer confidence. Likewise, the government's program to address unemployment and boost economic growth and investment will help negate the effects of the pandemic."

Huang said this would also be the right time to rise to the challenge and support the overall thrust for business growth and recovery.

This year, he said SMB would fortify the strength of SMB in the alcoholic beverage market while increasing its presence in profitable nonalcoholic beverage segments.

"To meet this goal, we will focus on safeguarding strong patronage of the brands and protect market leadership and also promote an agile and forward-looking organization to support our recovery plan and ensure business continuity," he said.

For the international operations, the group would focus on volume recovery by growing distribution channels, particularly modern trade and wholesale channels, as well as online selling platforms.

SMB also planned to enter new markets overseas in order to expand the presence of the San Miguel brands, while rolling out new variants in selected markets, Huang said.

Including earnings attributable to minority interest, SMB's first-quarter net income increased by 45 percent year-on-year to P5.5 billion. INQ

Project Rebound is an advocacy campaign that seeks to help Filipinos overcome the crisis through relevant and timely information they can use to make informed decisions. It is supported by Coca-Cola Beverages Philippines, Inc., Globe Telecom, Inc., Mitsubishi Motors Philippines Corporation, PayMaya Philippines, PLDT, Inc., Smart Communications, Inc., and Union Bank of the Philippines, Inc.

Prime solution to big media problem?

BIZ BUZZ

A small listed firm that had been quiet for some time now has big plans that—if things don't miscarry—will translate to it becoming a major player in the media, entertainment and gaming landscape over the near future, Biz Buzz has learned.

We're talking about Prime Media Holdings Inc. which, just yesterday, announced that it had signed a memorandum of understanding with an entity called Philippine Collective Media Corp. (PCMC).

Prime Media is engaged in businesses related to real estate development, leisure and hospitality, gaming and media, while PCMC has been operational since 2009 and owns radio stations under the Favorite Music Radio network and a television station in Tacloban.

In its official disclosure to the bourse, Prime Media said the parties "are considering a share-for-share swap transaction whereby PCMC shareholders will exchange their respective shares in PCMC for shares of common stock in the corporation in order to gain majority ownership and control of the corporation. In turn, the corporation shall acquire PCMC, which will become the corporation's wholly owned subsidiary."

This is where it gets interesting: PCMC was granted a national franchise in December 2019, making it a potential force to reckon with come the 2022 national elections, especially with cash-rich politicians looking for avenues that could convey their campaign promises to national and local voters.

Biz Buzz also heard that, aside from PCMC, Prime intends to form partnerships with other media groups.

From here on, things get even more exciting. How? Consider this: Everyone knows of a certain media giant that lost its franchise last year, right? Well, what if this company joins forces with Prime Media?

Under such an arrangement, the franchise-less company can start operating and taking advantage of the billions of pesos in revenues earned by broadcasting companies during election season. So if plans don't go awry, the country is looking at an interesting partnership, especially with the parties and families behind Prime Media and the currently franchise-less broadcast firm.

Will the current generation of personalities and the helm of both groups be able to bury the hatchet, given that their goals are different now? Or will old wounds and grudges prevail? Abangan! —DAXIM L. LUCAS

Wooing Corporate America

The COVID-19 pandemic has made a number of multinational companies realize the benefits of diversifying their geographic footprint in the region.

With this in mind, the Philippines' special envoy to the United States, **Jose E.B. Antonio**, is leading a public-private sector initiative to drum up interest among American companies to consider the Philippines as one of their business hubs in Southeast Asia. While the Philippines is already top-of-mind in the business process outsourcing space, the founder of the Century Properties Group believes that the Philippines could capture a greater share of US investors looking for a new home in Asia, those in the fields of manufacturing and assembly, logistics and green energy.

Antonio said this crusade to woo American firms would kick off with virtual conferences to engage various stakeholders in discussing how the Ease of Doing Business Act and Efficient Government Service Act of 2018 can help facilitate a more efficient system for foreign companies to do business in the Philippines.

"The Philippines being an island state is highly strategic in location. We have a young and growing population, hardworking and English-speaking people, relatively low wages and cost of living, and a continuously growing infrastructure. We will have a more compelling story to tell investors and relocating US firms if we can ensure a smooth and efficient entry and operating process for them," Antonio said. —DORIS DUMLAO-ABADILLA INQ

Email us at BizBuzz@inquirer.com.ph. Get business alerts and a preview of Biz Buzz the evening before it comes out. Text ON INQ BUSINESS to 4467 (P2.50/alert)

Is WFH TNN?

MONEY MATTERS
EFREN LL. CRUZ

Question: If this pandemic has taught me anything, it is that life and work can be run mostly from the home. I mean, with the latest in technology, I not only work from home but also do my shopping for necessities and luxuries from home. And I am also more informed because I get to easily do price comparisons and get reviews on items and their sellers. This work from home (WFH) is and should be "the new normal" (TNN), right? Question posed at "Ask a Friend, Ask Efren" free service at www.personalfinance.ph, SMS, Viber, Twitter, LinkedIn, WhatsApp, Instagram and Facebook.

Answer: You are right in life being ever so convenient. Most everything can be done on the internet and in lightning speed whether it be for work or for daily living. But there are pitfalls you must spot early on. Here are a few of them which comes to online shopping.

Convenience actually wreaks havoc in personal finance because in quickly quenching the "now *na*" thirst, it also makes you overlook certain things like hidden charges.

I have tested this time and again and have found that some items can be purchased at lower prices if you spent the time going to the actual, not virtual, store and paying in cash even if you count the supposedly cheaper delivery charges from online shopping. This is because online companies that facilitate the transaction need to earn as well.

Instant gratification actually produces chemicals in your brain that reinforce the positive experience of being able to buy at the press of a button. And while there is delivery time to consider, we tend to want more what we do not have, more so if you already paid for it.

Instant gratification can at times turn to instant frustration when the item you bought turned out to be different from what you really wanted or needed like the wrong size of clothing or footwear, color or texture that is different from the picture and incompatible specifications. You may even end up with a fake item.

When it comes to work, there are savings in time and money from not having to commute to and from the office. But the dynamics are different when there is physical interaction.

When you are up close and personal with your officemates, there is no camera frame outside of which other activities can be hidden. Communication is not just done with the spoken or written word but also with body language, which is exceedingly difficult to perceive through a computer monitor.

Physical meetings also demand more attention to detail, a necessary element when commitment to activities is being solicited.

Training programs are best conducted in person. The trainer, like a professional actor, will need to pick up on the reactions of his audience to whatever he is talking about. Imagine being met with silence on the one hand or background noise on the other during an online meeting after sharing a groundbreaking concept or a good joke.

So, is work and live from home the "new normal"? I seriously doubt it. Man is a social being who needs physical interaction. The old ways will likely just be augmented with some technologically enhanced activities.

Once fully vaccinated but still practicing health and safety protocols, go outside and get some fresh air, see old friends and meet new ones, get challenged anew at your workplace, attend church service in person and perhaps even get caught once more in traffic.

Our old, imperfect normal will return, but this time supercharged with the technology we relied so heavily on during the lockdowns. INQ

Efren Ll. Cruz is a registered financial planner of RFP Philippines, seasoned investment adviser, bestselling author of personal finance books in the Philippines. Become a Yaman coach. For details, email yaman@personalfinance.ph. To learn more about personal financial planning, attend the 90th RFP Program this June 2021. To inquire, e-mail info@rfp.ph or text at 0917-.6248110

ALLEGES BREACH OF OBLIGATION

PXP ENERGY UNIT SEEKS DAMAGES VS PARTNER IN PERU WELLS

By Ronnel W. Domingo
@RonWDomingoINQ

The Manuel V. Pangilinan-led group of companies' upstream petroleum business is having tough luck here and abroad as a unit of PXP Energy Corp. seeks to claim at least $100 million for damages related to an Australian partner's breach of obligation to drill another well in search of oil and gas in Peru.

PXP Energy said in a disclosure its subsidiary Pitkin Petroleum Z-38 SRL submitted on Tuesday a notice of dispute to Karoon Gas Australia Ltd.

This, as PXP Energy's Petroleum Service Contract No. 72 concession at Recto Bank, held through Forum Energy, remained in the doldrums as talks between Manila and Beijing for a potential joint development in that area in the West Philippine Sea seemed to have stagnated.

Despite an announcement by the Department of Energy (DOE) that the force majeure status of SC 72 has been lifted and that they can now resume exploration activities, Forum Energy is unable to return to site.

A force majeure at SC 72 was declared in December 2014 amid heightened tensions related to the territorial dispute with China.

There were also overtures of a possible direct partnership with Beijing-based CNOOC (China National Offshore Oil Corp.) group, but this had dissipated into the purported exploration of cooperation between the two governments.

When asked how the exploration of activities could resume at the West Philippine Sea, the DOE could only say it was looking to the Department of Foreign Affairs—the agency involved in the informal talks—for their cue.

In Peru, PXP Energy is claiming damages for Karoon Gas' alleged failure to drill a second well in the offshore Peru Block Z-38.

Pitkin Petroleum Ltd, a 53.43-percent owned subsidiary of PXP, has a 25-percent participating interest in Peru Block Z-38 through its wholly owned subsidiary, Pitkin Petroleum Z-38 SRL.

The Peru consortium believes that their prospect dubbed "Marina" contains an estimated 256 million barrels of crude oil. INQ

STOCK MARKET

PSEI STILL 'OVERLY CAUTIOUS' DESPITE TUESDAY GAINS

The local stock barometer flirted with the 6,200 mark on Tuesday, tracking upbeat markets elsewhere in the region.

The Philippine Stock Exchange index (PSEi) added 31.82 points, or 0.52 percent, to close at 6,196.71 ahead of the latest MSCI index adjustments taking effect at the end of the week.

"The market managed to end slightly higher, mainly flat despite increased trading and volatility in several blue chips," said Christopher Mangun, head of research at AAA Equities.

"The sentiment remains overly cautious as investors have not gained any optimism from the positive vaccine progress on the perception that the uncertainty risks vastly outweigh the developments. The market is expected to continue lower, and we highly encourage medium- to long-term investors to start accumulating," he said.

The market was led by the financial, holding firm and property counters, which all rose by less than 1 percent.

The industrial, services and mining/oil counters all declined by less than 1 percent.

Value turnover for the day amounted to P6.02 billion. There was modest net foreign selling of P88.9 million.

Advancers outnumbered decliners, 98 to 88, as 58 stocks remained unchanged.

Conglomerate Ayala Corp. and telco giant PLDT advanced by over 2 percent, while Ayala Land, Megaworld, BPI and JG Summit all firmed up by over 1 percent.

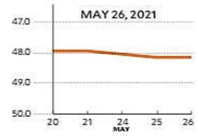
SM Investments, Jollibee and Globe Telecom all rose by less than 1 percent.

Notable gainers outside the PSEi included Dito, which added 6.44 percent.

On the other hand, Puregold fell by 5.71 percent, which Mangun said might have something to do with the MSCI adjustments. —DORIS DUMLAO-ABADILLA INQ

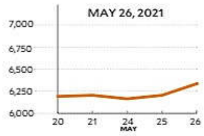
PESO-DOLLAR RATE

48.15



STOCK MARKET

144.53



MSMEs to be hit hardest by slow PH recovery, says Moody's Analytics /B2

PHILIPPINE DAILY INQUIRER

BUSINESS

Editor
Corrie Salientes-Narisma

Gov't further ramping up domestic borrowings in June

Treasury taking advantage of strong demand for long-term bonds

By Ben O. de Vera
@bendeveraINQ

The Bureau of the Treasury will ramp up domestic borrowings to P215 billion in June through weekly treasury bills and bond issuances to take advantage of strong market reception to longer debt tenors.

In a May 26 memorandum to all government securities eligible dealers, National Treasurer Rosalia de Leon said a total of P75 billion in T-bills plus P140 billion in bonds would be offered next month.

T-bonds auction will also be held weekly in June, instead of the previous twice-a-month schedule.

The Treasury's domestic borrowings program for the month is about 26 percent higher than the P170 billion in April and May.

It will sell P35 billion in T-bonds every Tuesday auction during the month or a total of P140 billion.

The bond tenors will be 20-year on June 1, seven-year on June 8, 10-year on June 15 and five-year on June 22.

"Previous auctions saw good reception on long tenors as investors hunt for better yields," De Leon explained.

> **Previous auctions saw good reception on long tenors as investors hunt for better yields**
>
> **Rosalia de Leon**
> National Treasurer

In the meantime, the weekly T-bills offering will be reduced to P15 billion per week from P25 billion in April and May.

The Treasury, nonetheless, has five weeks to auction off short-dated debt paper starting May 31, which will be issued to investors two days later or on June 2, hence included in the June borrowings program.

As such, P5 billion each in the benchmark 91-day, 182-day and 364-day IOUs will also be sold on June 7, 14, 21 and 28.

Last month and this month, the T-bills mix included P5 billion in three-month, P8 billion in six-month and P12 billion in one-year IOUs.

Last week, the Development Budget Coordination Committee kept the 2021 gross borrowings program at a record P3.03 trillion, of which the bulk amounting to P2.58 trillion would be borrowed from domestic sources, mainly through the sale of treasury bills and bonds.

The government preferred to source debt locally amid flushing liquidity, and also to minimize foreign-exchange risks.

By end-2021, the Philippines' outstanding debt will reach P11.5 trillion, equivalent to 57.8 percent of gross domestic product (GDP).

As of end-March, the debt-to-GDP ratio hit a 16-year high of 60.4 percent, already breaching what credit-rating agencies considered as the manageable public debt threshold of 60 percent, no thanks to the prolonged pandemic-induced recession which spilled over to the first quarter of this year. INQ

FOOD PRICES ISSUE ADDRESSED

EXTERNAL PRESSURES SEEN TO KEEP INFLATION ABOVE GOV'T FORECAST

While the government has already moved to arrest the rise in food prices, especially of pork, by flooding the market with imports, elevated commodity prices worldwide would keep inflation above the government's 2-4 percent target range for the rest of 2021, Metrobank Research said on Wednesday.

"From where we are right now, signs of sustained rise in global commodity prices, and in turn, global inflation are picking up. Worries over supply shortages and logistical deadlocks in commodities such as semiconductor, steel, lumber, among others, have been reported as companies look to be in a panic-buying mode just to replenish their stockpiles and keep up with the increasing consumer demand," Metrobank research analyst Pauline Revillas said in a report.

Revillas noted that the United Nations' Food and Agriculture Organization (FAO) in April had reported 11 straight months of rising world food prices, with the FAO's food price index hitting its highest since May 2014.

"Agriculture markets are seeing a tightening in supply as China is heavily restocking drawn-down domestic inventories. China has also been the key to the broad-based rally seen across metals. The Chinese government's aggressive stimulus measures launched at the height of the pandemic last year helped revive the country's construction activity," Revillas explained.

"Also, the United States' massive infrastructure spending plan is providing support for higher metal prices," she added.

As for oil, Revillas said that while Brent crude futures rose to $70 per barrel in April, global oil prices could again fall due to expectations of bigger Organization of the Petroleum Exporting Countries supply during the next quarter B2

ANNEX "L"

OFFICIAL RECEIPT

Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Accountable Form No. 51 **Revised 2006**	**ORIGINAL**
DATE June 01,2021	**No.** 1997611

PAYOR COSCO CAPITAL, INC.
MANILA

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
		MSRD	
Information Statement - Registrant	4020199099(678)		7,500.00
Legal Research Fee (A0823)	2020106000(131)		75.00
		TOTAL	PHP 7,575.00

AMOUNT IN WORDS
SEVEN THOUSAND FIVE HUNDRED SEVENTY FIVE PESOS AND 00/100

Received

- [ ] Cash
- [x] Treasury Warrant
- [ ] Check
- [ ] Money Order

Received the Amount Stated Above

Rudina G. Atienza
COLLECTING OFFICER

Treasury Warrant, Check, Money Order Number [illegible]

Date of Treasury Warrant, Check, Money Order mc-2021-05-31

O.R. No. 1997611

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

Machine Validation:

OR# 1997611 June 01, 2021 02:17PM
Rudina G. Atienza PHP7,575.00*********

Republic of the Philippines

DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

PAYMENT ASSESSMENT FORM

No. 20210528-3511613

DATE	RESPONSIBILITY CENTER
05/28/2021	MSRD

PAYOR: COSCO CAPITAL, INC.
MANILA

	NATURE OF COLLECTION	QUANTITY	ACCOUNT CODE	AMOUNT
	Information Statement - Registrant		4020199099 (678)	7,500.00
	Legal Research Fee (A0823)		2020105000 (131)	75.00
	----NOTHING FOLLOWS----			
TOTAL AMOUNT TO BE PAID				Php 7,575.00

Assessed by:
cegaliza

Amount in words:
SEVEN THOUSAND FIVE HUNDRED SEVENTY FIVE PESOS AND 00/100

Remarks:

Payment Options

1. Online payment thru SEC Payment Portal
   - https://www.sec.gov.ph/apps/payment-portal
2. Over the Counter Payments
   - SEC Cashier Office
   - Selected Landbank Branches

SEC Landbank Accounts

Landbank Region/Area	SEC Clearing Account	SEC Account
Region II, III-A, III-B, IV, Area IV-A, AREA IV-B, and Region VIII	3402-2319-20	Head Office / Tarlac
Region I	3402-2319-38	Baguio
Region V	3402-2319-46	Legaspi
Region VI	3402-2319-54	Iloilo / Bacolod
Region VII	3402-2319-62	Cebu
Region IX	3402-2319-70	Zamboanga
Region X	3402-2319-89	Cagayan De Oro
Region XI & XII	3402-2319-97	Davao

For National Capital Region (NCR), payments are only allowed thru the ff. Landbank branches:

Name of Branch	SEC Clearing Account
Edsa Greenhills	3402-2319-20
Edsa Congressional	
Araneta E.O.	
YMCA	
DOTC	
Ortigas E.O.	
Muntinlupa	
North Avenue	

Breakdown Summary

FUND ACCOUNT	AMOUNT	ACCOUNT #
SEC SRC Current Account	7,500.00	0552-1052-57
BTR Account - LRF	75.00	see SEC clearing accounts
TOTAL	Php 7,575.00	

Notes:

A. This form is valid for forty-five (45) calendar days from the date of Payment Assessment Form (PAF)

B. Accepted modes of payment at SEC Main Office, Pasay City:
   1. Cash 2. Manager's/Cashier's Check 3. Postal Money Order

C. Accepted modes of payment at selected Landbank branches:
   1. Cash 2. Manager's/Cashier's Check payable to the Securities and Exchange Commission

D. For check payment, please prepare separate checks per fund account as indicated on the breakdown summary. <u>All checks must be payable to Securities and Exchange Commission</u>

E. For over the counter payment at LandBank, preparation of oncoll payment or deposit slip shall be per fund account as indicated on the breakdown summary.
If fund code is BTR, use an oncoll payment slip.
If fund code is SRC or RCC, use a regular deposit slip.
Send through email the copy of the machine-validated oncoll payment slip / deposit slip to the issuer of this PAF to confirm that payment has been made.

F. ANY ALTERATIONS WILL INVALIDATE THIS FORM