COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

M A N I L A

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

CANDY H. DACANAY-DATUON

09178612459

(Company Telephone Number)

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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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SRC RULE 17.2 (C) THEREUNDER

Date of Report	April 17, 2023
SEC Identification Number	147669
BIR Tax Identification Number	000-432-378
Name of Issuer as specified in its charter	Cosco Capital, Inc.
Address of principal office and postal code	No. 900 Romualdez St., Paco, Manila, 1007
Industry Classification Code	
Issuer's Telephone Number	0917-8612459
Former Name	None
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Number of Common Shares – 7,174,168,764 Treasury Shares – 231,094,800
Indicate the item numbers reported therein	Other Matters/Event

SEC 17-C Report dated April 17, 2023

Subject:
Result of Cosco Capital, Inc.'s Board Meeting dated April 17, 2023

Background:
Please be informed that the Board of Directors of Cosco Capital, Inc. approved its 2022 Consolidated Audited Financial Statements in its meeting today, April 17, 2023.

Other Matters:
Please see the attached Cosco Capital, Inc.'s Annual Report (SEC-17A) with Management Discussion and Analysis (Annex "A"), 2022 Consolidated Audited Financial Statements (Annex "B"), 2022 Sustainability Report (Annex "C") and List of Trademarks (Annex "D").

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COSCO CAPITAL, INC.

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

COVER SHEET

0 0 0 0 0 1 4 7 6 6 9

SEC Registration Number

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

(Company's Full Name)

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

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

CANDY H. DACANAY-DATUON

(Contact Person)

(63) 917 861 2459

(Company Telephone Number)

1 2 | 3 1

Month **Day**

SEC FORM 17-A

(Form Type)

0 6 | 3 0

Month **Day**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

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

1. **DECEMBER 31, 2022**
   For the fiscal year ended

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

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

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

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

8. **09178612459**
   Issuer's telephone number, including Area Code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stocks as of December 31, 2022	**7,178,317,764**

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

    Yes [x]   No [ ]

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

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
    Yes [x]   No [ ]

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

    Yes [x]   No [ ]

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

on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Shares held by Non-affiliates as of December 31, 2022	Market Value per Share as of December 31, 2022	Total Market Value As of December 31, 2022
1,647,286,866	P4.67	P33,543,889,717.80

DOCUMENTS INCORPORATED BY REFERENCE

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

a. 2022 Management Discussion and Analysis (Annex "A") – incorporated as reference for Item 6.

b. 2022 Consolidated Audited Financial Statements (Annex "B") – incorporated as reference for Items 7 and 12.

c. 2022 Sustainability Report (Annex "C") – incorporated as reference for Item 2 (13).

d. List of Trademarks (Annex "D") - incorporated as reference for Item 2 (9).

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PART 1: BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

(1) Business Development

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

On April 12, 2013, the Lucio Co Group and Alcorn Gold Resources Corporation executed a Deed of Assignment wherein the Lucio Co Group shall subscribe to the increase of Alcorn's authorized capital stock at a subscription price of P15 per share for a total of 4,987,406,421 new shares in exchange of an aggregate price of P74,811,096,315.00 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co. Incorporada., SVF Subsidiaries, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine & Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp.

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

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

On June 18, 2021, Cosco Capital and The Keepers Holdings, Inc. signed a Deed of Exchange of Shares whereby Cosco subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. at P2.00 per share in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.

The share swap transaction between Cosco Capital and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly-listed Company thru Cosco Capital acquiring a controlling interest in The Keepers Holdings, Inc.

(2) Business of the Issuer

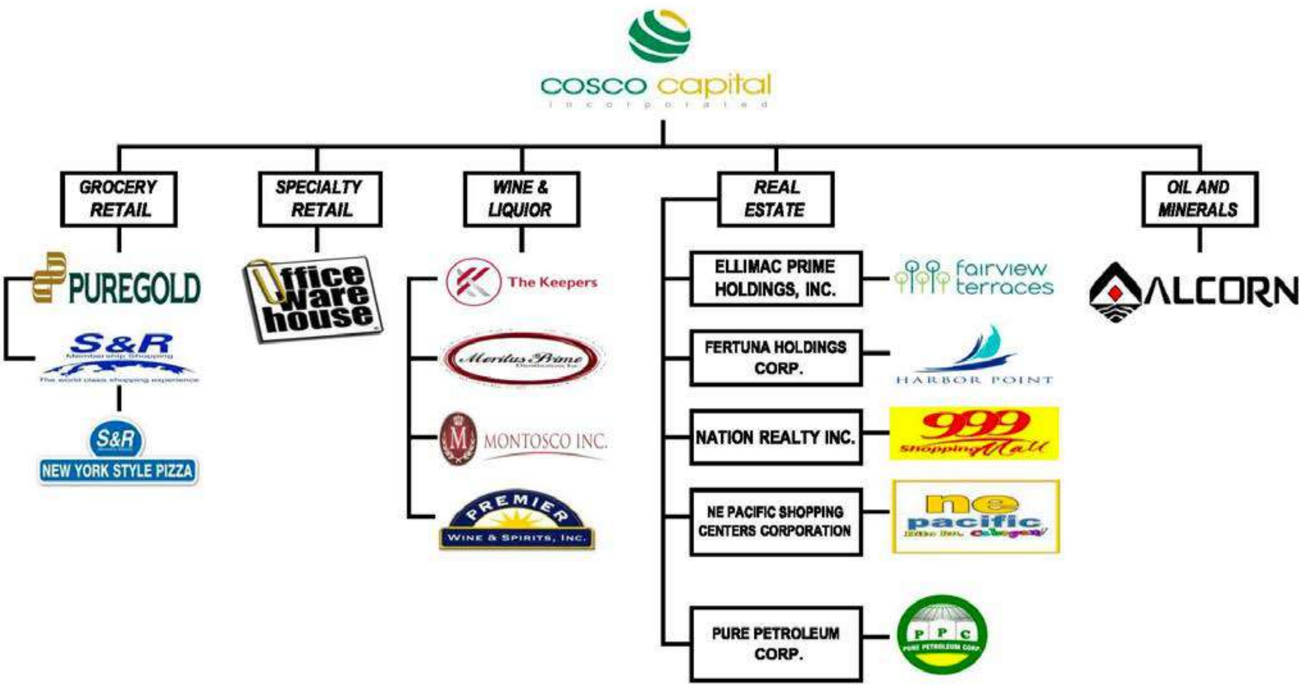
Cosco Capital is currently a publicly listed investment holding Company with a diversified portfolio of business interests in various industries and business segments:

Retail:	Puregold Price Club, Inc. Kareila Management Corporation Office Warehouse, Inc.
Real Estate:	Ellimac Prime Holdings, Inc. Fertuna Holdings Corp. NE Pacific Shopping Centers Corporation Patagonia Holdings Corp. Pure Petroleum Corp. Canaria Holdings Corporation Nation Realty, Inc.

Wine & Liquor:	The Keepers Holdings, Inc. Montosco, Inc. Meritus Prime Distributions, Inc. Premier Wines and Spirits, Inc.
Oil & Minerals:	Alcorn Petroleum and Minerals Corporation

The Company's conglomerate map is presented below:

COSCO CAPITAL, INC. AND SUBSIDIARIES CONGLOMERATE MAP



1. Principal Products and Services

Brief business discussion of the companies under the Cosco Group:

Retail – Puregold Price Club, Inc. ("Puregold")

It is a publicly-listed Company operating a network of 525 retail stores as of the end of 2022 carrying the brand names, "Puregold" or "S&R", and is present in 83 cities and 112 municipalities, with a combined net selling area of 632,990 square meters. Aside from physical stores, Puregold maintains two online platforms called, "Sally" and "Rappit", and is affiliated with other online delivery platforms like Pick-a-roo, Metromart, Lazada, and Shopee. Through its investment company, Entenso Equities, Inc., Puregold has the following joint venture agreements: with Ayala Group to operate three Merkado Supermarket; with San Roque founding owners to operate 30 San Roque supermarkets in Metro Manila, Rizal, and Bulacan province; and with 917Ventures, Inc., a subsidiary of Globe Telecom, for the development and commercial operation of an e-commerce platform "Rappit", which promotes and sells Puregold grocery products.

For more details about Puregold, please refer to its 2022 Annual Report posted on its company website (www.puregold.com.ph)

As of December 31, 2022, Cosco Capital owns 48.99% of Puregold's equity.

Retail – Office Warehouse

Office Warehouse has been a provider and a partner consultant to small and medium enterprises, government institutions, and the education sector for quality, cost-efficient, and value-adding office and school solutions. It currently has 87 Office Warehouse outlets, mainly in Metro Manila. It also has branches in North and South Luzon. In addition to its branches, it has a store-within-a-store concept in seven Puregold outlets.

Office Warehouse has consistently surpassed historical sales with an annual average growth of 16%. The global pandemic stalled its growth projectile, but it has remained income positive. A no small feat, considering its market, the SMBs and school community, were hard hit by lockdowns and closures. All thanks to its updated product mix, relentless selling efforts of the ops team, and its online presence for customer convenience and accessibility.

Office Warehouse offers relevant product assortment at the best possible price. It continues to improve its supply chain capability by automating orders for product replenishment and streamlining its cross-docking services. It maintains its transportation fleet for deliveries to stores and customers while engaging third-party logistical services to ensure prompt order fulfillment.

To maximize market reach, Office Warehouse is visible online thru its shopping site officewarehouse.com.ph. It brings fresh and exclusive promos and has partnered with several marketplaces for e-commerce. It also offers digital payment platforms and other e-wallets for its general business.

Office Warehouse has also been active in CSR-community projects in the past years. It recently launched the Puno ng Pag-Ibig Program that, staged the Tree Planting Project partnership with DENR, and the Essay Writing Contest for students. During the pandemic, donations of health supplies, food, and clothing also reached the poor communities of Greater Manila. This year, it has started to show sales growth and business recovery. The first order of business in 2023 is to keep the momentum going and remain steadfast in its commitment to stellar performance and service.

As of December 31, 2022, Cosco Capital owns 100% of Office Warehouse's equity.

Real Estate

There are seven companies under the real estate segment—(1) Ellimac Prime Holdings, Inc., (2) Fertuna Holdings Corp., (3) NE Pacific Shopping Centers Corporation, (4) Patagonia Holdings Corp. (5) Pure Petroleum Corp. (6) Canaria Holdings Corporation (7) Nation Realty, Inc.

Ellimac Prime Holdings, Inc. is the flagship of the real estate companies. Nine out of ten land assets and 32 out of 36 commercial buildings of the Group are under Ellimac portfolio. The said properties are in the following locations:

Land Lease:

1. Brgy. Subangdaku, Mandaue City, Metro Cebu
2. Angel Linao Street, Brgy. 687, Zone 75, Malate District, Manila
3. Aguinaldo Highway, Brgy. Panapaan 1, Bacoor City, Cavite
4. Governor's Drive, Brgy. San Gabriel, General Mariano Alvarez, Cavite
5. Alabang-Zapote Road, Brgy. Talon Tres, Las Piñas City
6. Colago Avenue, Brgy. 1A (Poblacion), San Pablo City
7. Shaw Boulevard corner S. Laurel St., Brgy. Pleasant Hills, Mandaluyong City
8. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
9. Juan Luna St., Tayuman, Tondo, Manila

Commercial Building Lease:

1. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
2. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
3. McArthur Highway, Brgy. Dau, Mabalacat, Pampanga
4. Emilio Aguinaldo Highway, Brgy. Anabu II-B, Imus, Cavite
5. Benigno S. Aquino Avenue, Brgy. Bagong Nayon, Baliuag, Bulacan
6. Gen. Luna corner Rizal Streets, Poblacion, San Juan, Batangas
7. Maharlika Highway, Brgy. Bernardo District, Cabanatuan City, Nueva Ecija
8. No. 300 Samson Road, Brgy. 76, Caloocan City
9. Maharlika Highway, Brgy. Masin Sur, Candelaria, Quezon
10. G. Araneta Avenue, Araneta Center, Cubao District, Quezon City
11. Holy Spirit Avenue, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
12. McArthur Highway, Brgy. Sta. Cruz, Guiguinto, Bulacan
13. M. Concepcion Avenue, Brgy. San Joaquin, Pasig City
14. E. Rodriguez, Sr. Avenue corner G. Araneta Avenue, Quezon City
15. Dr. A Santos Avenue, Brgy. San Isidro, Sucat, Parañaque City
16. General Luna St. corner Vesosa St., Brgy. Tuktukan, Taguig City.
17. Avenida R.G. Tanchoco corner Manila East Road, Brgy. San Juan, Taytay, Rizal
18. Juan Luna St. corner Tayuman Road Brgy. 154, Zone 14, Tondo District, Manila
19. No. 419 McArthur Highway, Brgy. Dalandanan, Km. 14, Valenzuela City
20. Circumferencial Road, San Juan Accfa, Cabanatuan City
21. Maharlika Road, Brgy. Abar 2nd, San Jose City, Nueva Ecija
22. NE Mall Suklayin, Baler, Aurora
23. NE Mall - Zulueta St., Cabanatuan City
24. Maunlad Mall, Estrella St., Malolos, Bulacan
25. Agro, Putatan, Muntinlupa City
26. Brookside Lane San Francisco, General Trias, Cavite
27. Ilwas, Subic, Zambales
28. Brgy. 2, Maria Aurora, Aurora
29. Liwasang Kalayaan, Marikina City
30. Bayawan, Negros Oriental
31. San Rafael, Montalban, Rizal
32. Brgy. Poblacion, Biñan, Laguna

Fertuna Holdings Corp. owns one commercial mall building at Harbor Point, Rizal Highway cor. Magsaysay Ave. Subic Bay Freeport Zone, Zambales, operates under the “Harbor Point Mall" brand. It opened in September 2012. Fertuna's Harbor Point Mall lies within the eco-friendly environment of Subic Bay. The 6.5-hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Fertuna is governed by the Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act 7277, making it entitled to tax and duty-free importation of certain items.

NE Pacific Shopping Centers Corporation operates a shopping center at 111 Maharlika Highway, Cabanatuan City, Nueva Ecija. The 10-hectare parcel of land where it is built has a total gross floor area of more than 35,000 square meters. The mall has leasable spaces for different brands and establishments and houses a line of tenants such as the supermarket, department store, hardware and appliance centers, restaurants, and many others. One of the key tenants of the mall is Puregold, and government satellite offices of the Social Security System, Philippine Statistics Authority, and Philippine Health Insurance. This one-stop shopping haven provides a unique shopping experience for the family and brings great value for their money. Also located within the NE Pacific compound is another S & R Membership Shopping Warehouse Club outlet that serves the S&R carded members in Cabanatuan City and other neighboring towns in Nueva Ecija province.

Patagonia Holdings Corp. owns 1.3 hectares of land in Bonifacio Global City, Taguig City. It is currently being leased to Kareila Management Corporation and used as S&R Membership Warehouse Club.

Nation Realty, Inc. operates "999 Shopping Mall" in Binondo, Manila. It is a specialty mall, a modern approach to a flea market, or 'tiangge.' The 999 Shopping Mall is a shopping hub for Filipino shoppers and resellers who want to purchase useful quality items at a very low price. The 999 Shopping mall has two buildings. The first is a four-story building with 31,931 square meters of gross floor area, and the second is a seven-story building with a total floor area of 84,292 square meters.

Pure Petroleum, Inc. has a terminal fuel facility inside the Subic Bay Freeport Zone. It currently operates a tank farm of nine fuel storage tanks with a total capacity of 89.45 Million liters of combined Diesel and Gasoline products, 7 Ethanol tanks of various sizes (350KL,100KL, and 50KL) with a total capacity of 700KL, and 5 CME storage tank 50KL size with a full capacity of 250KL. The terminal also operates jetty facilities for bulk loading and unloading, two units mooring buoy, a water storage tank for fire protection and maintenance, and a truck loading rack. It also provides a holding area for the pre-inspection of trucks before loading and office spaces for its lessees.

As of December 31, 2022, Cosco Capital's real estate portfolio comprises the following:

	Gross Leasable Area	**Occupied**	**%**
Land under Lease	148,946.51 sq.m.	139,952.51	93.96%
Commercial Buildings	276,771.14 sq.m.	256,436.94	92.65%
Total	425,717.65 sq.m.	416,723.65	97.89%

As of December 31, 2022, Cosco Capital owns 100% capital stock of all real estate companies.

Wine and Liquor Segment

The Keepers Holdings, Inc. is a listed company that wholly owns three major players—Montosco, Meritus, and Premier—in the Philippines' liquor, wine, and specialty beverage distribution businesses. The Keepers is the largest distributor of imported spirits in the Philippines, with a market share of 74.0% based on volume and 66.9% based on retail sales value in 2020, according to IWSR Drinks Market Analysis Limited ("IWSR").

For more details about The Keepers Holdings, Inc., please refer to its 2022 Annual Report posted on its company website (www.thekeepers.com.ph)

As of December 31, 2022, Cosco Capital owns 77.54% of The Keepers' equity.

Oil & Mining Segment

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

As of December 31, 2022, Cosco Capital owns 100% of Alcorn's equity.

2. Percentage of Sales or Revenues from Foreign Sales

None.

3. Distribution Methods

Puregold replenishes and distributes its merchandise to various stores by (a) Direct-to-Store delivery, (b) cross-sock facilities (c) store-to-store transfer. A substantial portion of Puregold's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. About 32% of the suppliers who cannot provide to Puregold's stores directly deliver their products to Puregold's out-sourced cross-dock facilities for onward distribution to Puregold stores. All of the Company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, stores with large warehouses can accommodate goods intended for nearby small-format stores. As needed, products are transferred from a large store to a small store.

Kareila Management Corporation (S&R) sends out buyers worldwide to source its best products. S&R imports 45% - 55% of its merchandise. It currently operates four (4) distribution centers to handle its logistical requirements in operating its network of warehouse clubs.

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

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

4. New Products and Services

On September 14, 2022, the Company’s subsidiary, The Keepers Holdings, Inc., acquired 50% of the total equity of Bodegas Williams Humbert SA. It produces “Alfonso,” the number one imported brandy in the Philippines, accounting for 60% of The Keepers’ revenue. Bodegas Williams & Humbert is a Spanish company with over 140 years of history producing alcoholic beverages.

5. Competition

Puregold competes with SM Supermarkets, Savemore, SM Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart. But smaller formats like Alfamart of S.M. group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart. Landers competes with the group’s S&R Warehouse Club format. It also has a membership shopping format, offers imported products, and caters to our population's "A" and "B" class segments.

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

Community malls like Waltermart, Primark, Victory Mall, Novomart, Xentro, Fishermall, Malabon Square, and Divimart are the closest competitors of the Real Estate Group, especially in the leasing segment.

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

6. Suppliers

With over 2,000 regular suppliers, Puregold's supplier base is diversified between local suppliers such as Universal Robina Corporation, Monde Nissin, Century Pacific Food, Inc., and multi-national corporations such as Nestle, Unilever, and Procter & Gamble. Puregold selects its suppliers using several criteria, including product assortment and quality, market share of the Company in a particular supplier's location, brand reputation, supplier's capacity, business plans and budgets, logistic possibilities, and compliance with Puregold's economic principles.

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

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

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

7. Dependence upon a single or few suppliers or customer

None of the companies under the Group depends on a single or few suppliers or customers.

Puregold has more than 2,000 regular suppliers and offers various merchandise to the buying public in general. The Company's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. The Company's three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Colgate. Likewise, S&R is not dependent on a single or few customers but on the buying public in general who become members.

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

Same with the real estate and Liquor group that depends on the general public as customers.

8. Transactions with Related Parties

For the Group’s Related Party Transactions, please refer to the 2022 Consolidated Audited Financial Statements (Annex “B”).

9. Trademarks

The Company’s subsidiaries have registered trademarks with the Intellectual Property Office. Puregold has 81 registered trademarks, The Keepers has 11 trademarks, and Office Warehouse has three trademarks. For the list of trademarks, please refer to Annex “D”.

10. Government Approvals

The Group secures permits, licenses, and approvals from various government agencies before operating its business activities.

11. Research and Development

None.

12. Effect of Existing Governmental Regulations

Unlike in 2020 and 2021, more people started to go out of their houses in 2022 mainly due to fewer COVID-19 restrictions from the government. The company’s stores went back to operating their usual store hours and accepting more customers. Liquor bans were lifted and the supply of cleansing materials such as alcohol and tissues normalized.

13. Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost for maintaining and renewing the Environmental Compliance Certificates and other environmental permits for its existing stores to be about P50 million. For more details on the Company's compliance with environmental laws, please refer to the Company's Sustainability Report (Annex "C").

14. Employees

The Company and its subsidiaries have a total of 12,982 employees as of December 31, 2022.

Department	Cosco Capital	Puregold	Real Estate	Office Warehouse	The Keepers	Alcorn	Total
Operations	0	10,610	129	531	27	1	11,298
Head Office	20	1,326	42	119	174	3	1,684
Total	**20**	**11,936**	**171**	**650**	**201**	**4**	**12,982**
Rank							
Executive	5	32	4	1	6	0	48
Senior Manager	2	132	1	14	5	0	154
Manager	4	613	16	25	24	0	682
Officer	3	731	15	8	13	1	771
Supervisory	2	4,409	35	84	51	0	4,581
Rank & File	4	6,009	98	517	102	1	6,731
Consultant	0	10	2	1	0	2	15
Total	**20**	**11,936**	**171**	**650**	**201**	**4**	**12,982**

Puregold anticipates employing approximately 1,000 employees within the next 12 months for the planned 25 to 30 Puregold stores. S&R plans to hire 256 new employees for the planned 12 QSRs and 360 employees for 2 S&R warehouses. Office Warehouse plans to hire 15 employees for additional five stores in 2023.

The Company does not expect to encounter any difficulty sourcing the workforce for these additional positions. The Company believes that its relations with its employees are generally good. The Company did not experience work stoppages or strikes in 2022 and in the past five years due to employees' strife. The Company currently has no labor union nor any collective bargaining agreement with any group of employees.

15. Major Risks

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

(a) Market risk –

Competition – each of the Company's subsidiaries faces competition in their respective industries and markets. The intensity of the competition in the Philippine modern retail industry varies from region to region. Some of the significant competitors considered by the Company are the SM malls, SM supermarkets, SM hypermarkets, Robinson's Supermarkets, Metro Gaisano, All Home, and Rustan's Supercenters. The competition includes product selection, quality, customer service, and store locations. Puregold performs market research to locate areas to maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.
The Liquor Group competes with various distributors and manufacturers of liquor, local and international. To differentiate its products and brands from its competitors, the Liquor Group creates a dedicated marketing team to promote each of its essential products and has a designated brand manager for certain large brands. The Company believes that it will be able to

maintain its position in the market by relying on its scale, strong brands under its portfolio, and readily available financial resources.

Supply - A supply shortage and disruption and price volatility may adversely affect the operations and financial performance of the Company. The Company's subsidiaries address this risk by regularly monitoring its inventories and ensuring that the stock is always at its optimum level. The Company continuously deals with many suppliers to ascertain that its merchandising requirements are filled throughout the year.

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

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

(b) Regulation and compliance risk –

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

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

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

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

(c) Environmental risk –

Environmental risk for the real estate business includes the effect of climate change like flooding, erosion, and other unforeseen calamities that might affect the real estate properties. The Company mitigates this risk by carefully selecting the sites. A group within the Company conducts research and studies on-site selection, including environmental factors.

The business of oil exploration and development carries environmental risks and hazards. Under various international conventions and existing Philippine laws and regulations, it is subject to environmental regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on oil spills, releases, or emissions of various substances produced in association with oil operations.

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

ITEM 2. PROPERTIES

As of December 31, 2022, the Group owns the following properties:

(a) Puregold's properties:

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	26	27	102
South Luzon	8	30	33	97
Metro Manila	2	32	39	116
Visayas	2	0	2	48
Mindanao	0	3	3	12
Total Number	14	91	104	375
Total Square Meter	37,328.57	337,169.22	327,152.52	745,685.21

(b) Kareila Management Corporation's properties:

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	0	3	3	0
South Luzon	0	3	3	0
Metro Manila	0	12	12	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	22	22	0
Total Square Meters	0	247,341.30	382,780.58	0

(c) The Real Estate Group has 36 commercial buildings and ten lands for lease as of December 31, 2022, situated in the following locations:

Commercial Buildings:

1. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
2. San Nicolas Market, Miranda St. corner Rizal St., Angeles City, Pampanga
3. McArthur Highway, Brgy. Dau, Mabalacat, Pampanga
4. Emilio Aguinaldo Highway, Brgy. Anabu II-B, Imus, Cavite
5. Benigno S. Aquino Avenue, Brgy. Bagong Nayon, Baliuag, Bulacan
6. Gen. Luna corner Rizal Streets, Poblacion, San Juan, Batangas
7. Maharlika Highway, Brgy. Bernardo District, Cabanatuan City, Nueva Ecija
8. No. 300 Samson Road, Brgy. 76, Caloocan City
9. Maharlika Highway, Brgy. Masin Sur, Candelaria, Quezon
10. G. Araneta Avenue, Araneta Center, Cubao District, Quezon City
11. Holy Spirit Avenue, Don Antonio Heights, Brgy. Holy Spirit, Quezon City
12. McArthur Highway, Brgy. Sta. Cruz, Guiguinto, Bulacan
13. M. Concepcion Avenue, Brgy. San Joaquin, Pasig City

14. E. Rodriguez, Sr. Avenue corner G. Araneta Avenue, Quezon City
15. Dr. A Santos Avenue, Brgy. San Isidro, Sucat, Parañaque City
16. General Luna St. corner Vesosa St., Brgy. Tuktukan, Taguig City.
17. Avenida R.G. Tanchoco corner Manila East Road, Brgy. San Juan, Taytay, Rizal
18. Juan Luna St. corner Tayuman Road Brgy. 154, Zone 14, Tondo District, Manila
19. No. 419 McArthur Highway, Brgy. Dalandanan, Km. 14, Valenzuela City
20. Circumferencial Road, San Juan Accfa, Cabanatuan City
21. Maharlika Road, Brgy. Abar 2nd, San Jose City, Nueva Ecija
22. NE Mall Suklayin, Baler, Aurora
23. NE Mall - Zulueta St., Cabanatuan City
24. Maunlad Mall, Estrella St., Malolos, Bulacan
25. Agro, Putatan, Muntinlupa City
26. Brookside Lane San Francisco, General Trias, Cavite
27. Ilwas, Subic, Zambales
28. Brgy. 2, Maria Aurora, Aurora
29. Liwasang Kalayaan, Marikina City
30. Bayawan, Negros Oriental
31. San Rafael, Montalban, Rizal
32. Harbor Point, Rizal Highway cor. Magsaysay Ave. Subic Bay Freeport Zone, Zambales
33. Maharlika Highway, Cabanatuan City, Nueva Ecija
34. Soler Corner Roman Streets Brgy. 293, Zone 28, Binondo District, Manila
35. Claro M. Recto Avenue Brgy. 293, Zone 28, Binondo District, Manila
36. Brgy. Poblacion, Biñan, Laguna

Land for Lease:

1. Brgy. Subangdaku, Mandaue City, Metro Cebu
2. Angel Linao Street, Brgy. 687, Zone 75, Malate District, Manila
3. Aguinaldo Highway, Brgy. Panapaan 1, Bacoor City, Cavite
4. Governor's Drive, Brgy. San Gabriel, General Mariano Alvarez, Cavite
5. Alabang-Zapote Road, Brgy. Talon Tres, Las Piñas City
6. Colago Avenue, Brgy. 1A (Poblacion), San Pablo City
7. Shaw Boulevard corner S. Laurel St., Brgy. Pleasant Hills, Mandaluyong City
8. Quirino Highway cor. Maligaya Drive, Brgy. Pasong Putik, Novaliches District, Quezon City
9. Juan Luna St., Tayuman, Tondo, Manila
10. 32nd Street, 5th Avenue Fort Bonifacio, Global City

The real estate group has 425,717.65 gross leasable areas as of December 31, 2022.

Alcorn Petroleum and Minerals Corporation

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

1. SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines. The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not produced due to low oil prices in 1990 and limited data. As of December 31, 2021, the Group has a 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 the Filipino Consortium’s 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator following 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 the 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 was completed, and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

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

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

2. SC 14 C2 – West Linapacan – In 2019, Philodrill is in the early stages of negotiation with a UK-based firm that 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, covering 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, Phase 1a of the study has been completed. The 2 Joint Venture consortia are now discussing proceeding to the next phase of the Joint QI work, which will involve trial inversion work on a 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 completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

In 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 would be adopted and submitted to the DOE while securing the DOE approval for the Deeds of Assignment (DOAs) arising out of the SPA and FOA.

However, the finalization and execution of DOAs have significantly been 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 from November 2020 to March 2021 was submitted for approval. The proposed work activity will complement the subsequent redevelopment effort for the West Linapacan Field.

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

In 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, increasing 15% from the previous volumetric.

4. MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte –The MPSA was assigned last June 1997 and called 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 of Mining Project Feasibility in September 2013. As part of the new requirements, the Parent Company must 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 conducting 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 canceled by the regional mining office. In 2016, the Group paid occupation amounting to P0.5 million for the project. On May 20, 2020, the exploration permit for the project for the two-year exploration period was granted, subject to the compliance conditions set forth. Currently, the Group is fulfilling its obligations to renew its exploration permit.

Use of Property

Except for the oil and mining participating interest, the Company uses its properties primarily for retail operations as well as commercial real estate development for leasing. There is no mortgage, lien, or encumbrance over any of the properties owned by the Company that may limit or restrict its ownership or usage.

General Lease Provisions

Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties. Lease provisions are mutually agreed upon by the parties and based on general standards set by the Company in terms of rental, period, and other stipulations.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

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

(B) Stockholders

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

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

	STOCKHOLDERS	**No of Shares**	**Percentage**
1	CO, LUCIO L.	2,380,741,492.00	33.14%
2	CO, SUSAN P.	1,780,182,230.00	24.78%
3	CITIBANK N.A	437,251,300.00	6.09%
4	STANDARD CHARTERED BANK	392,673,088.00	5.47%
5	ELLIMAC PRIME HOLDINGS, INC.	244,228,990.00	3.40%
6	CO, FERDINAND VINCENT P.	225,141,822.00	3.13%
7	CO, PAMELA JUSTINE P.	225,120,671.00	3.13%
8	VFC LAND RESOURCES, INC.	220,066,929.00	3.06%
9	KMC REALTY COPORATION	150,832,231.00	2.10%
10	THE HONGKONG AND SHANGHAI BANKING CORP - LTD.	107,175,036.00	1.49%
11	CO, CAMILLE CLARISSE P.	106,838,231.00	1.49%
12	ANSALDO GODINEZ & CO., INC.	91,594,936.00	1.28%
13	COL FINANCIAL GROUP, INC.	74,644,415.00	1.04%
14	DEUTSCHE BANK MANILA - CLIENTS A/C	69,289,970.00	0.96%
15	SPC RESOURCES, INC.	58,500,000.00	0.81%
16	BDO SECURITIES CORPORATION	47,064,065.00	0.66%
17	SB EQUITIES, INC.	34,136,535.00	0.48%
18	HDI SECURITIES, INC.	33,345,494.00	0.46%
19	FIRST METRO SECURITIES BROKERAGE CORP.	31,927,683.00	0.44%
20	ABACUS SECURITIES CORPORATION	31,607,041.00	0.44%

(C) Dividends

The Company's cash dividend declarations from 2014 to 2023 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
December 21, 2021	R – 0.08 per share S – 0.04 per share	January 10, 2022	February 3, 2022
December 21, 2022	R – 0.14 per share S – 0.04 per share	January 18, 2023	January 28, 2023

**In Philippine Peso*

Cash dividends are upon the board of directors' declaration, 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 stockholders and the SEC approval.

(D) Recent Sales of Securities

None.

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

Please refer to the Management's Discussion and Analysis of the Financial Position and Results of the Operation of the Company (Annex “A”).

ITEM 7. FINANCIAL STATEMENTS

Please refer to the 2022 Consolidated Audited Financial Statement of the Company (Annex “B”)

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

None.

(a) Audit Fees

	2021	2022
Cosco Capital Group	P7,860,300	P10,161,931

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(A) Directors

The Company's board of directors comprises nine members–eight males and one female. No director of the Company concurrently serves as a director in five or more listed companies.

MR. LUCIO L. CO, Filipino, 68 years old
Mr. Co has been the Chairman of the Board of the Company since 2012. Mr. Co is currently the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., and VS Gripal Power Corporation. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc. Mr. Co holds positions in other PSE-listed companies: Chairman of Puregold Price Club, Inc., Director of Philippine Bank of Communications, and Chairman of The Keepers Holdings, Inc. Mr. Co has been an entrepreneur for the past 40 years.

MS. SUSAN P. CO, Filipino, 64 years old
Mrs. Co has been the Vice-Chairman of the company since 2013. Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation, Tower 6789 Corporation, President of Makabayan Holdings Incorporated, and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Blue Origin Holdings Incorporated, Illido Management Corporation, Union Energy Corporation, and Union Equities, Inc. Mrs. Co also serves in other PSE-listed companies: Vice-Chairman of Puregold Price Club, Inc. and Director of the Philippine Bank of Communications. Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

MR. LEONARDO B. DAYAO, Filipino, 79 years old
Mr. Dayao is the President of the Company since 2010. He is also the Chairman and President of Fertuna Holdings Corp.; Chairman of Catuiran Hydropower Corporation, Karayan Hydropower Corporation, Grass Gold Renewable Energy (G2REC) 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 Alcorn Petroleum and Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management and Services, Inc. (SUMSI), 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, Kareila Management Corporation, KMC Realty Corporation, and

Puregold Realty Leasing & Management, Inc. Mr. Dayao is also holding positions in other PSE-listed companies: Director of Puregold Price Club, Inc. and Vice-Chairman of the Philippine Bank of Communications. He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu. He is a Certified Public Accountant.

MR. LEVI LABRA, Filipino, 65 years old
Mr. Labra has been serving the Company as Director since 2017. Mr. Labra also serves as Director of Hope Philippines, Inc. Before joining the company, Mr. Labra worked at Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee of Procter and Gamble 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 honors, *cum laude*, from the University of San Carlos in 1978 with a degree of Bachelor of Science, major in Business Administration.

MR. ROBERTO JUANCHITO T. DISPO, Filipino, 58 years old
Mr. Dispo has been serving the Company as Director since 2017. He is currently the President/CEO of League One Finance and Leasing Corporation, Chairman of Mercantile Insurance Corporation, Blacksburg Corporation, Pontificio Collegio Filipino in Rome, and Vice Chairman of New San Jose Builders. Mr. Dispo was the former Vice Chairman and President of Cirtek Philippines from 2016 to 2019 and CEO of Quintel USA/UK from 2017 to 2019. He became President of First Metro Investment Corporation from 2011 to 2015 and Senior Vice President and Executive Vice President of First Metro Investment Corporation from 1998 to 2010. He was a former Deputy Treasurer of the Philippines, National Treasury, and Department of Finance from 1990 to 1997. Mr. Dispo started his career as a Financial Analyst in the Department of Trade and Industry from 1988 to 1990 and as an Administrative Officer in the Department of National Defense from 1987 to 1988. Mr. Dispo graduated with a degree of Bachelor of Science in Economics from the San Sebastián College, Manila, in 1984. He took a Bachelor of Science major in Management from the Pamantasan ng Lungsod ng Maynila in 1990 and a Master's in Business Administration from the same school in 1991. He completed a Diploma Program from the International Banking and Finance Economic Institute, the University of Colorado, in 1994 and a Master's in Business Economics from the University of Asia and the Pacific in 2014. He has been a member of the Money Market Association of the Philippines since 1998 and FINEX since 2012. Mr. Dispo was the CEO of the Year awardee in 2014 given by Asia CEO Awards and became a Finalist in CNBC Asia Best CEO in 2014.

MR. OSCAR S. REYES, Filipino, 77 years old
Mr. Reyes has been serving the Company as 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 the Commercial Management Study Program, Shell International, the United Kingdom, in 1986, the Program for Management Development at Harvard Business School in 1976. He completed an 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 Bachelor of Arts major in Economics in 1965 with a distinction of cum laude.

MR. RAMON JESUS P. PAJE, Filipino, 62 years old
Mr. Paje was appointed Independent Director of the Company on November 8, 2022. Dr. Paje served as Secretary of Environment and Natural Resources (DENR) under President Benigno S. Aquino III from 2010-2016. As DENR Secretary, he implemented: total logging ban, which saved the forests for the future generations of Filipinos by stopping the massive forest loss caused by centuries of logging; the National Greening Program, which improved the country's forest cover, increased the productivity of forestlands and reduced upland poverty; Geohazard Mapping, which determined the flood-prone and landslide-prone areas nationwide and

significantly enhanced the country's disaster preparedness; and The upgrading of fuel standard from Euro 2 to Euro 4, which reduced urban pollution by significantly decreasing the fuel's Sulfur content from 500 ppm to 50 ppm. Likewise, Secretary Paje pursued the Philippine claim to the Benham Rise (now Philippine Rise), with the strong effort of the National Mapping and Resource Information Authority (NAMRIA), resulting in the approval by the United Nations in April 2012 and increased the country's territorial waters and natural wealth by more than 13 Million hectares. He also signed for the Republic of the Philippines the historic Paris Agreement on Climate Change on April 22, 2016, at the UN Headquarters in New York.

MR. JAIME J. BAUTISTA[1]**,** Filipino, 66 years old
Mr. Bautista was a member of the Board from June 2020 until June 2022. He used to be the President of Philippine Airlines, Inc. (PAL) from 2014 to 2019 and 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 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.

MR. BIENVENIDO E. LAGUESMA[2], Filipino, 72 years old
Mr. Laguesma was one of the Company's Independent Directors from 2017 to 2022. Prior to Mr. Laguesma's appointment in the government, he worked as a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of the 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 also served as Secretary of the Department of Labor and Employment from 1998 to 2001 and Commissioner of the 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 a Labor Arbiter of the National Labor Relations Commission in 1979 Provincial Director of the Bataan Provincial Labor Office from 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978. Atty. Laguesma completed his Career Executive Development Course at the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, the 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 has been 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 from Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

MR. ROBERT Y. COKENG[3], Filipino, 71 years old
Mr. Cokeng was the Lead Independent Director of the Company from June 2017 until December 2022. Mr. Cokeng served as Chairman and President of F&J Prince Holdings Corporation (PSE-Listed), Magellan Capital Holdings Corporation, Center Industrial and Investment, Inc., and Consolidated Tobacco Industries of the Philippines. He also became the Chairman of Pointwest Technologies Corp., Ipads Developers Corp., and 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 was a member of Wack-Wack Golf & Country Club, Tagaytay Midlands Golf & Country Club, Balesin Island Club, Management Association of the Philippines, and an Advisory

[1] Mr. Bautista resigned on June 29, 2022 to join the Marcos administration as Department of Transportation Secretary.
[2] Mr. Laguesma resigned on June 29, 2022 to join the Marcos administration as Department of Labor Secretary.
[3] Mr. Cokeng died on December 26, 2022.

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

(B) Executive Officers

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

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

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

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

(C) Key Officers in Subsidiaries

MR. FERDINAND VINCENT P. CO, Filipino, 41 years old
Mr. Vincent Co is currently the President of Puregold Price Club, Inc. He concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc., Filmore Holdings Incorporated, Illido Management Corporation, Azora Holdings Incorporated, SPC Resources Inc.; Chairman of Pinehurst Creek Holdings Corporation, South Coast Automotive Group, Inc. and Pure Commerce, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., Union Equities, Inc., Aracena Holdings Corporation, Blue Origin Holdings Incorporated, Imperium Holdings, Inc.; and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna

Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation, Cassina Creek Holdings Corporation, Makabayan Holdings Incorporated, Maxent Investment, Inc. and Union Energy Corporation. Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

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

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

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

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

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

MS. JANELLE O. UY, Filipino, 34 years old
Ms. Uy is currently the Chairman and President of Montosco, Inc. Before joining Montosco, Ms. Uy worked as a Key Account Manager at Unilever Philippines from 2009 to 2013. She graduated from Dela Salle University, with a degree in Applied Corporate Management, in 2009.

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

(D) Significant Employees

All employees of the Company are expected to make a significant contribution to the operation of the business. The Company's business is not highly dependent on the services of certain key personnel.

(E) Family Relationships

1. Mr. Lucio L. Co and Mrs. Susan P. Co are husband and wife.
2. Mr. Ferdinand Vincent P. Co and Ms. Camille Clarisse P. Co are two of the four children of Mr. and Mrs. Lucio and Susan Co.

(F) Involvement in Certain Legal Proceedings

As of December 31, 2021, and for the past five years, the Company has no director, executive officer, or principal officer who is involved in the following:

(1) Bankruptcy case.

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

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

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

ITEM 10. EXECUTIVE COMPENSATION

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

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

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Lucio L. Co, Chairman Susan P. Co, Vice-Chairman Leonardo B. Dayao, President Teodoro A. Polinga, Comptroller Andres S. Santos, Legal Counsel				
Aggregate compensation of the President and the four most highly compensated officers	2021	P7,200,000.00	-	-
	2022	P8,141,182.11	-	-
	2023 Projected	P8,400,000.00	-	-

Aggregate compensation paid to all other officers and managers	2021	P2,381,005.00	-	-
	2022	P3,542,000.00	-	-
	2023 Projected	P3,700,000.00	-	-

(B) Standard Arrangements

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

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

(E) Warrants and Options

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. Security ownership of more than 5% of the stock of the Company as of December 31, 2022:

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	33.14%
Common	Susan P. Co, No. 2, Pili Avenue, South Forbes Park, Makati City	Vice-Chairman	Direct	Filipino	1,780,182,230	24.78%

B. Security Ownership of Directors and Executive Officers of the Company as of December 31, 2022:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number ofshares	Percent of OutstandingVoting Shares
Common	Lucio L. Co	Direct	Filipino	2,380,741,492	33.11%

Common	Susan P. Co	Direct	Filipino	1,780,182,230	24.76%
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	Jaime J. Bautista	Direct	Filipino	1,000	0.00%
Common	Robert Y. Cokeng	Direct	Filipino	8,155,000	0.11%
Common	Oscar S. Reyes	Direct	Filipino	54,265	0.00%
Common	Bienvenido E. Laguesma	Direct	Filipino	100	0.00%
Common	Ramon Jesus P. Paje	Direct	Filipino	1,000	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 Company's stock.

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

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

For discussion of the Related Party Transactions of the Company, please refer to 2022 Consolidated Audited Financial Statements (Annex "B").

PART IV – CORPORATE GOVERNANCE

(a) The Company ensures that it is compliant with its Corporate Governance Manual. The Company has a Corporate Governance Committee, headed by an Independent Director, that oversees its general obedience to the Manual from the board level down to the managers and officers of the subsidiaries.

The Company will adopt a specific evaluation system that will establish or determine the level of compliance of the Board of Directors and top-level management with the Corporate Governance Manual.

(b) On July 25, 2014 and May 26, 2017, the Company adopted a Revised Corporate Governance Manual, incorporated therein are the leading practices on good corporate governance. On September 22, 2020, the Company also adopted a Material Related Party Transaction Policy, which guides the Board and the management in its dealings with related parties. The Corporate Governance Committee ensures adherence with the Revised Corporate Governance Manual while the Audit Committee guarantees the Company's compliance with the Material Related Party Transaction Policy.

The Company annually submits a Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange and posts it on its website. The I-ACGR details how the board and management operate the Company with integrity, transparency, and accountability.

(c) There were no deviations from the Revised Corporate Governance Manual.

(d) The Company will continue to strengthen its compliance with the principles and leading practices of good corporate governance.

PART V - EXHIBITS AND SCHEDULES

A. Annexes

Management Discussion and Analysis of Financial Position	Annex “A”
2022 Audited Financial Statements	Annex “B”
2022 Sustainability Report	Annex “C”
Trademarks	Annex “D”

B. Summary of SEC Form 17-C Reports:

Date of Board Meeting	**Items Approved by the Board of Director**
March 8, 2022	Appointment of Mr. John Marson T. Hao as Sustainability Officer of the Company
April 11, 2022	Approval of the 2021 Consolidated Audited Financial Statements
May 6, 2022	Approval of the 1st Quarter – 2022 Financial Statements
May 19, 2022	Approval of the following: (1) Agenda for the 2022 Annual Stockholders' Meeting (2) Amendments of Bylaws (3) List of Nominees for Election of Directors
June 17, 2022	Approval to sign Joint Venture Agreement with Siam Global House Public Company Limited.
June 24, 2022	Result of the Annual Stockholders Meeting:

(1) Election of Mr. Lucio L. Co, Mrs. Susan P. Co, Mr. Leonardo B. Dayao, Mr. Roberto Juanchito T. Dispo, Mr. Levi B. Labra, and Mr. Jaime J. Bautista as Regular Directors
(2) Election of Mr. Robert Y. Cokeng, Mr. Oscar S. Reyes and Mr. Bienvenido E. Laguesma as Independent Directors
(3) Approval of 2021 Annual Report and Audited Financial Statements
(4) Approval of the Amendment of Bylaws

Result of the Organizational Meeting and Appointment of Committee Memberships:

Election/Appointment of the following officers:

Chairman: Mr. Lucio L. Co
Vice-Chairman: Mrs. Susan P. Co
President: Mr. Leonardo B. Dayao
Treasurer: Mrs. Susan P. Co
Lead Independent Director: Mr. Robert Y. Cokeng
Comptroller: Mr. Teodoro A. Polinga
Chief Legal Counsel: Mr. Andres S. Santos
Corporate Secretary: Mr. Jose S. Santos, Jr.
Internal Auditor and Risk Management Officer: Ms. Emerlinda Llamado
Data Privacy Officer: Maricel E. Mariano
Investor Relations Officer: Mr. John Marson T. Hao
Sustainability Officer: Mr. John Marson T. Hao

Executive Committee:
Chairman: Mr. Lucio L. Co
Members: Mrs. Susan P. Co, Mr. Leonardo B. Dayao, Mr. Roberto Juanchito T. Dispo and Mr. Levi B. Labra

Ex-Officio Members: Mr. Ferdinand Vincent P. Co, Mr. Jose Paulino L. Santamarina, Ms. Girlie M. Sy and Ms. Aida De Guzman

Corporate Governance Committee:
Chairman: Mr. Oscar S. Reyes (Independent Director)
Members: Mr. Bienvenido E. Laguesma (Independent Director), Mr. Robert Y. Cokeng (Independent Director), Mr. Lucio L. Co and Mr. Leonardo B. Dayao

Ex-Officio Members: Ms. Candy H. Dacanay-Datuon and Ms. Girlie M. Sy

Audit Committee:
Chairman: Mr. Robert Y. Cokeng (Independent Director)
Members: Mr. Oscar S. Reyes (Independent Director), Mr. Bienvenido E. Laguesma (Independent Director), Mrs. Susan P. Co, and Mr. Leonardo B. Dayao

	Ex-Officio Members: Mr. Teodoro A. Polinga and Mr. Emerlinda Llamado
June 29, 2022	Resignation of Mr. Jaime J. Bautista as regular director and Mr. Bienvenido E. Laguesma as Independent Director.
August 2, 2022	Approval of the Consolidated Financial Performance as of June 30, 2022
September 14, 202	Appointment of Mr. Rey Arr Cahaponon as ESG Officer of the Company
November 8, 2022	Approval of the following: (1) Consolidated Financial Performance as of September 30, 2022 (2) Appointment of Mr. Ramon J.P. Paje as Independent Director, effective December 1, 2022
December 21, 2022	Approval of the following: (1) 2022 Audit Plan by the External Auditor (2) Renewal of Buyback Program up to 2 billion pesos (3) Regular Cash Dividend of P0.14 per share and Special Cash Dividend of P0.05 per share

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this **ANNUAL REPORT (SEC 17-A) of Cosco Capital, Inc.** is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines, on April 17, 2023.

LUCIO L. CO Chairman	**LEONARDO B. DAYAO** President
TEODORO A. POLINGA Comptroller	**SUSAN P. CO** Treasurer
JOSE S. SANTOS, JR. Corporate Secretary	**CANDY H. DACANAY** Assistant Corporate Secretary & Compliance Officer

SUBSCRIBED AND SWORN to before me this 17 APR 2023 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

LUCIO L. CO	TIN ID No. 108-975-971
SUSAN P. CO	TIN ID No. 100-053-331
LEONARDO B. DAYAO	TIN ID No. 135-546-815
TEODORO A. POLINGA	TIN ID No. 104-883-077
JOSE S. SANTOS, JR.	TIN ID No. 136-370-487
CANDY H . DACANAY – DATUON	TIN ID No. 233-200-394

CAROLINE [illegible]. EYCONDE
Notary Public [illegible] the City of Manila
Commission No. 2022-010 until [illegible]
Attorney's Roll [illegible]. 55392 / [illegible]
IBP No. 242252 / [illegible]
PTR No. MLA[illegible]
MCLE Compliance No. VII-[illegible]

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ANNEX A

Management's Discussion and Analysis of Operations

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2022 audited consolidated financial statements and accompanying notes attached herewith as Annex “B”.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of the Group’s operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders’ equity) - measures the profitability of stockholders’ investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders’ equity) - indicates the Group’s leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders’ Equity) -measure of a Group's financial leverage

The table below shows the key performance indicators for the past three years:

Performance Indicators	**2022**	**2021**	**2020**
Return on investment	**9.60%**	9.02%	9.45%
Profit margin	**6.23%**	6.03%	5.64%
EBITDA to interest expense	**8.64x**	7.96x	8.98x
Current ratio	**2.96:1**	4.63:1	3.60:1
Asset turnover	**0.97:1**	0.95:1	1.07:1
Asset to equity	**1.64:1**	1.52:1	1.62:1
Debt to equity ratio	**0.64:1**	0.52:1	0.62:1

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

Comparative Years 2021 and 2020

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2022 and 2021.

(In Thousands)	FY2022	%	FY2021	%	*INCREASE (DECREASE)*	%
REVENUES	**197,136,763**	***100.00%***	174,453,773	*100.00%*	***22,682,990***	***13.00%***
COST OF SALES/SERVICES	**159,204,817**	***80.76%***	140,822,162	*80.72%*	***18,382,655***	***13.05%***
GROSS PROFIT	**37,931,946**	***19.24%***	33,631,611	*19.28%*	***4,300,335***	***12.79%***
OTHER OPERATING INCOME	**3,187,089**	***1.62%***	3,216,628	*1.84%*	***(29,539)***	***-0.92%***
GROSS OPERATING INCOME	**41,119,035**	***20.86%***	36,848,239	*21.12%*	***4,270,796***	***11.59%***
OPERATING EXPENSES	**23,579,269**	***11.96%***	21,461,845	*12.30%*	***2,117,424***	***9.87%***
INCOME FROM OPERATIONS	**17,539,766**	***8.90%***	15,386,394	*8.82%*	***2,153,372***	***14.00%***
OTHER INCOME (CHARGES) - net	**(1,612,705)**	***-0.82%***	(1,883,189)	*-1.08%*	***270,484***	***-14.36%***
INCOME BEFORE INCOME TAX	**15,927,061**	***8.08%***	13,503,205	*7.74%*	***2,423,856***	***17.95%***
INCOME TAX EXPENSE	**3,643,662**	***1.85%***	2,991,716	*1.71%*	***651,947***	***21.79%***
NET INCOME FOR THE YEAR	**12,283,398**	***6.23%***	10,511,490	*6.03%*	***1,771,909***	***16.86%***
PATMI	**7,054,011**	***3.58%***	6,151,761	*3.53%*	***902,250***	***14.67%***
Non-controlling interests	**5,229,387**	***2.65%***	4,359,728	*2.50%*	***869,659***	***19.95%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P197.14 Billion for the year ended December 31, 2022 which reflects an increase by P22.68 Billion or representing a growth by 13.0% compared to last year's revenue of P174.45 Billion.

The Grocery Retail and Liquor Distribution Segments largely delivered stronger sales performance and growth during the year which indicates the recovering consumer demands resulting from the continued easing of mobility restrictions as well as the corresponding economic recovery indicators amidst the current volatilities affecting the global business and markets.

The Commercial Real Estate segment posted some recovery gains in revenue as it also benefits from the continued easing of mobility restrictions allowing more tenants to gradually recover its business volume and enabling the gradual reduction in rental discounts and reliefs previously granted.

The Specialty Retail segment likewise benefited from the gains resulting from the sustained easing of community restrictions that enabled its continued store operations which are predominantly located in CBD areas.

Growth in Net Income

During the same period and despite the challenges from the lingering macro-economic impacts on business, however, the Group managed to realize a consolidated net income of P12.28 Billion which represents a growth of 16.86% as compared to last year's net income of P10.51 Billion.

This was mainly driven by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by sustained strategic costs and expense reduction and management. The implementation of the reduced corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2022 amounted to about P7.05 Billion which increased by P902.25 million or 14.67% as compared to the 2021 PATMI amounting to P6.15 Billion.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2022, the Grocery Retail segment posted a consolidated net sales of P184,303 million for an increase of P20,178 million or 12.3% compared to P164,125 million in 2021. Net sales grew due to sales contribution from full operation of 2021 new stores and revenue contribution from 2022 newly opened stores of both Puregold and S&R.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**4.5%**	**11.2%**
Net Ticket	**-4.3%**	**7.9%**
Traffic	**9.2%**	**3.1%**

Gross Profit

For the year ended December 31, 2022, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P30,083 million in 2021 at 18.3% margin to P33,820 million at 18.4% margin in 2022, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income

Other operating income slightly decreased by P26 million or 0.8% from P3,210 million in 2021 to P3,184 million in 2022. This is attributable to decline in concession income due to lower concession sales during the year.

Operating Expenses

Operating expenses increased by P2,172 million or 10.7% from P20,350 million in December 31, 2021 to P22,522 million in 2022. Increase in the account is primarily due to full operation of 2021 new stores and expenses from the 2022 newly opened stores, specifically manpower, utilities, supplies, transportation, fuel and advertising expenses.

Other Expense - net
Other expenses net of other income amounted to P2,257 million and P2,290 million in December 31, 2022 and 2021, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with PFRS 16 – Leases, and net of interest income.

Net Income
For the year ended December 31, 2022, the Grocery Retail segment earned a consolidated net income of P9,287 million at 5.0% net margin and an increase of 13.5% from P8,180 million at 5.0% net margin in 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, management effort to improve gross margins and sustained strategic cost and expense management.

<u>Commercial Real Estate</u>

The Group's Real Estate Segment posted a revenue of P1.81 billion in 2022 or 7.06% growth from the P1.70 billion revenue generated in 2021.

This was mainly attributable to the continued easing of mobility restrictions and corresponding benefits from a recovering level of economic activities benefiting its tenants to gradually improve their business operations.

During the year, the segment continued to be affected by the impact of extending rental reliefs and related supports to its affected tenants portfolio by way of reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected.

Income from operations before depreciation amounted to P1.24 Billion for the year 2022 which increased by 6.20% as compared to last year.

Net income for the year amounted to P844.70 Million or a 7.64% decrease from last year's P914.59 Million due mainly to the effect of unrecovered power cost adjustment during 2022 and the reversal of excess provision on receivables in 2021 which is a one-time gain increase in the net income.

<u>Liquor Distribution</u>

Revenues generated by the Liquor Distribution Segment in 2022 increased to P13.96 Billion or 26.49% higher from last year's P11.03 Billion on the back of a 20% growth in volume (no. of cases) of sales.

The strong growth in sales is attributable to the robust sales performance across all product categories particularly the recovering demand and consumption from the on-premise channels as well as the gradually increasing demand from the travel retail market resulting from the easing community restrictions. Some price adjustments on certain product SKUs also contributed to the revenue uplift.

Income from operations, increased to P2.75 Billion in 2022 or 37.94% growth from last year's P1.99 Billion principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year grew by 41.1% from P1.58 Billion in 2021 to P2.23 Billion in 2022. The effect of reduced income tax rates resulting from the passage of CREATE Law also contributed to the growth in net income.

Specialty Retail

Office Warehouse

Sales revenues amounted to P1.79 Billion in 2022 which grew by 14.9% compared to the 2021 revenue of P1.55 Billion which reflects a recovering consumer demand during the year on account of the continued easing of mobility restrictions and continued operations of its stores network. Same store sales registered a positive growth of 13.79% driven by a strong customer traffic count and recovering from a negative growth of 9.70% in 2021.

The segment's sales performance during the first quarter was affected by the government imposed community and mobility restrictions and the temporary closure of the company's predominantly CBD-centric store outlets having been classified as non-essential business during the recently imposed heightened restrictions due to the resurgence of the infection rates particularly driven by the Omicron variant.

Office Warehouse also capitalized on the back-to-school season big time savings promo which augurs well for the company with robust sales growth started to be experienced in July.

Net income in 2022 amounted to about P68.77 Million which increased by P19.06 Million or 38.30% as compared to the net income contribution in 2021 amounting to P49.71 Million.

Consolidated Statements of Financial Position

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

	2022	%	2021	%	INCREASE (DECREASE)	%
Cash and cash equivalents	**59,682,265**	**27.31%**	63,860,207	34.04%	(4,177,942)	-6.54%
Receivables - net	**6,363,575**	**2.91%**	4,735,784	2.52%	1,627,791	34.37%
Inventories	**34,697,639**	**15.88%**	25,390,956	13.54%	9,306,683	36.65%
Financial assets at FVPL	**4,299,380**	**1.97%**	30,726	0.02%	4,268,654	-
Financial assets at FVOCI	**6,570**	**0.00%**	6,784	0.00%	(214)	-3.15%
Due from related parties	**60,502**	**0.03%**	60,340	0.03%	162	0.27%
Prepaid expenses and other current assets	**4,922,909**	**2.25%**	1,648,099	0.88%	3,274,810	198.70%
Total Current Assets	**110,032,840**	**50.35%**	95,732,896	51.03%	14,299,944	14.94%
Investment in associates and joint ventures	**5,908,813**	**2.70%**	715,393	0.38%	5,193,420	725.95%
Right of use of assets - net	**28,378,873**	**12.99%**	24,406,913	13.01%	3,971,960	16.27%
Property and equipment - net	**39,018,477**	**17.85%**	31,818,124	16.96%	7,200,353	22.63%
Investment properties - net	**9,584,048**	**4.39%**	9,487,968	5.06%	96,080	1.01%
Goodwill and other intangibles - net	**21,053,981**	**9.63%**	21,057,378	11.23%	(3,397)	-0.02%
Deferred tax assets - net	**1,247,250**	**0.57%**	882,764	0.47%	364,486	41.29%
Deferred oil and mineral exploration costs - net	**10,647**	**0.00%**	6,154	0.00%	4,493	73.01%
Other noncurrent assets	**3,302,477**	**1.51%**	3,484,160	1.86%	(181,683)	-5.21%
Total Noncurrent Assets	**108,504,566**	**49.65%**	91,858,854	48.97%	16,645,712	18.12%
	218,537,406	**100.00%**	187,591,750	100.00%	30,945,656	16.50%
Accounts payable and accrued expenses	**28,259,648**	**12.93%**	16,872,386	8.99%	11,387,262	67.49%
Income tax payable	**1,109,767**	**0.51%**	1,054,585	0.56%	55,182	5.23%
Lease liabilities due within one year	**1,470,464**	**0.67%**	1,223,723	0.65%	246,741	20.16%
Short-term loans	**148,000**	**0.07%**	48,000	0.03%	100,000	208.33%
Current maturities of long-term loans due within one year	**120,000**	**0.05%**	120,000	0.06%	-	-
Due to related parties	**5,436,169**	**2.49%**	692,219	0.37%	4,743,950	685.33%
Other current liabilities	**842,831**	**0.39%**	776,867	0.41%	65,964	8.49%
Total Current Liabilities	**37,386,879**	**17.11%**	20,787,780	11.08%	16,599,099	79.85%
Long-term loans	**11,545,793**	**5.28%**	11,650,458	6.21%	(104,665)	-0.90%
Lease liabilities	**34,455,564**	**15.77%**	30,271,128	16.14%	4,184,436	13.82%
Retirement benefits liability	**1,058,107**	**0.48%**	1,346,544	0.72%	(288,437)	-21.42%
Other noncurrent liabilities	**1,285,168**	**0.59%**	442,128	0.24%	843,041	190.68%
Total Noncurrent Liabilities	**48,344,633**	**22.12%**	43,710,258	23.30%	4,634,375	10.60%
Total Liabilities	**85,731,511**	**39.23%**	64,498,038	34.38%	21,233,474	32.92%
Capital stock	**7,405,264**	**3.39%**	7,405,264	3.95%	-	-
Additional paid-in capital	**9,640,491**	**4.41%**	9,634,644	5.14%	5,847	0.06%
Treasury stock	**(1,866,402)**	**-0.85%**	(1,734,603)	-0.92%	(131,799)	7.60%
Retirement benefits reserve	**270,835**	**0.12%**	52,651	0.03%	218,184	414.40%
Other reserve	**2,375**	**0.00%**	1,859	0.00%	516	27.76%
Retained earnings	**71,621,881**	**32.77%**	65,943,338	35.15%	5,678,542	8.61%
Total Equity Attributable to Equity Holders of the Parent Company	**87,074,444**	**39.84%**	81,303,153	43.34%	5,771,290	7.10%
Noncontrolling Interests	**45,731,451**	**20.93%**	41,790,559	22.28%	3,940,892	9.43%
Total Equity	**132,805,895**	**60.77%**	123,093,712	65.62%	9,712,182	7.89%
	218,537,406	**100.00%**	187,591,750	100.00%	30,945,656	16.50%

Current Assets

As at December 31, 2022 and 2021, total current assets amounted to P110.03 Billion or 50.35% of total assets and P95.73 Billion or 51.03% of total assets, respectively, for an increase of P14.30 Billion or 14.94% as at December 31, 2022.

Cash and cash equivalents amounted to P59.68 Billion as at December 31, 2022 with a decrease of P4.18 Billion or 6.54% from December 31, 2020 balance. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2021 cash dividends, loan settlements, acquisition of additional investments and payments for capital expenditures during the year.

Receivables increased by 34.37% from December 31, 2021 balance of P4.73 Billion to this year's balance of P6.36 Billion due mainly to the net effect of increase sales and collections made on trade and non-trade receivables.

Financial assets at fair value through profit or loss (FVPL) increased by P4.27 Billion from December 31, 2021 balance of P30.73 Million to this year's balance of P4.3 Billion due mainly to additional investments in government securities during the period by Grocery Retail segment.

Inventories increased by 36.65% or P9.30 billion from 2021 balance of P25.39 Billion to this year's balance of P34.70 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, Liquor Distribution and Specialty Retail segments. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P28.21 Billion.

Prepaid expenses and other current assets increased by P3.27 Billion or 198.70% at the end of December 2022, mainly due to advances payments to suppliers and additional prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties amounted to P60.50 million at the end of December 2022.

Non-current Assets

As at December 31, 2022 and 2021, total non-current assets amounted to P108.50 Billion or 49.65% of total assets, and P91.86 Billion or 48.97% of total assets, respectively, for an increase of P16.64 Billion or 18.12%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P7.20 Billion from P31.82 Billion in December 2021 to P39.02 Billion in December 2022 due principally to additional capital expenditures pertaining to new organic stores and warehouse clubs established by the Grocery Retail Segment during the year as well as properties acquired as a result of business combination involving the segment's warehouse club business. The Grocery Retail segment has opened a total of 24 new Puregold stores in 2022.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P3.97 Billion from P24.41 Billion in December 2021 to P28.38 Billion in December 2022 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties amounted to P9.58 Billion in December 2022.

Investments increased by P5.19 Billion from P715.39 Million in December 2021 to P5.92 Billion in December 2022. The increase mainly pertain to the equity investment acquired by The Keepers Holdings representing a 50% equity interest in Bodegas Williams & Humbert SA, a Spanish company with over 140 years of history producing alcoholic beverages and the producer of "Alfonso," the number one imported brandy in the Philippines and the segment's flagship brand.

Deferred tax assets increased by P364.49 Million or 41.29% from P882.76 Million in December 2021 to P1.25 Billion in December 2022 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized and retirement benefits.

Other non-current assets decreased by P181.68 Million from P3.48 Billion in December 2021 to P3.30 Billion in December 2022. About 84% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to net effect of additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline and reversal of accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2022 and 2021, total current liabilities amounted to P37.39 Billion and P20.79 Billion respectively, for an increase of P16.60 Billion or 79.85%.

About 74% of **accounts payable and accrued expenses** pertains to the trade payables to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P11.39 Billion or 67.49% was primarily due to net effect of freeze payments of trade and non-trade liabilities and settlement of dividends declared by the Grocery Retail segment and Parent Company in December 2021.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P55.18` Million from P1.05 Billion as at December 2021 to P1.11 Billion as at December 31, 2022 is mainly due to higher taxable net income in the fiscal year 2022 vs 2021.

Short-term loans payable account increased by P100.0 Million mainly due to availments of working capital bank loan by the Liquor Distribution segment net of debt servicing made by the Real Estate segment.

Current maturities of long-term loans due within one year amounted to P120 Million as at December 31, 2022 representing the current portion of the long-term corporate notes issued by the Grocery Retail segment.

Lease liabilities due within one year account increased by P246.74 Million from P1.22 Billion in December 2021 to P1.47 Billion in December 2022 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the current period.

Due to related parties increased by P4.74 Billion mainly due to the amount payable to related parties representing the unpaid portion of the equity investments acquired in Bodegas by the Liquor Distribution segment and property acquired by the Grocery Retail segment.

Other current liabilities increased by 8.49% from P776.87 Million as at December 31, 2021 to P842.83 Million as at December 31, 2022 relatively due to receipt of advances from suppliers intended for future promotional activities by the Grocery Retail segments.

Noncurrent Liabilities

As at December 31, 2022 and 2021, total non-current liabilities amounted to P48.34 Billion and P43.71 Billion, respectively, for an increase of P4.63 Billion or 10.6%.

Long-term loans payable-net of current portion amounted to P11.54 Billion as at December 31, 2022 which decreased by P104.66 Million due to settlements.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by all the business segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P4.18 Billion from P30.27 Billion in December 2021 to P34.45 Billion in December 2022 due principally to the net effect of additional leases, interest expense amortization and lease payments made during the period.

Retirement benefit liability decreased by P288.44 Million mainly due to the net effect of recognition of additional benefit cost during 2022 and the effect of remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P843.08 Million or 190.68% from P442.13 Million in December 2021 to P1.289 Billion as at December 31, 2022 due to recognition of customer deposits and advance rentals by the Real Estate segment and accrued fixed assets by the Grocery Retail segment.

Equity

As at December 31, 2022 and 2021, total equity amounted to P132.80 Billion and P123.09 Billion, respectively, for an increase of P9.71 Billion or 7.89%.

Treasury shares increased by P131.80 million from P1.73 Billion in December 2021 to P1.87 Billion as at December 31, 2022 due to additional buyback by the Parent Company and Grocery Retail segment during the period pursuant to its existing share buyback programs.

Retained earnings increased by P5.68 Billion or 8.61% from P65.94 Billion in December 2021 to P71.62 Billion as at December 31, 2022 representing net income realized by the Group during the period.

Non-controlling interest increased by P3.94 Billion or 9.43% from P41.79 Billion in December 2021 to P45.73 Billion as at December 31, 2022 mainly due to share in the consolidated profit.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2022**	2021
Net cash flows from operating activities	**P15,739,227**	P 16,955,382
Net cash flows from (used in) investing activities	**(14,252,865)**	3,303,285
Net cash flows used in financing activities	**(5,661,176)**	(5,253,227)
Net increase in cash and cash equivalents	**(P4,177,942)**	P14,992,461

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

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, investments in government securities and additional equity investments made by the Liquor Distribution segment during the year.

Net cash used in financing activities principally resulted from the net settlements of bank loans by Real Estate and Grocery Retail segment during the year, repayment of principal and interest by the group relating to lease liability, payment of 2021 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2021 and 2020

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2021 and 2020.

(In Thousands)	FY2021	%	FY2020	%	*INCREASE (DECREASE)*	%
REVENUES	**174,453,773**	*100.00%*	177,316,299	*100.00%*	***(2,862,526)***	***-1.61%***
COST OF SALES/SERVICES	**140,822,162**	*80.72%*	145,021,136	*81.79%*	***(4,198,974)***	***-2.90%***
GROSS PROFIT	**33,631,611**	*19.28%*	32,295,163	*18.21%*	***1,336,448***	***4.14%***
OTHER OPERATING INCOME	**3,216,628**	*1.84%*	3,157,850	*1.78%*	***58,778***	***1.86%***
GROSS OPERATING INCOME	**36,848,239**	*21.12%*	35,453,013	*19.99%*	***1,395,226***	***3.94%***
OPERATING EXPENSES	**21,461,845**	*12.30%*	20,147,712	*11.36%*	***1,314,133***	***6.52%***
INCOME FROM OPERATIONS	**15,386,394**	*8.82%*	15,305,301	*8.63%*	***81,093***	***0.53%***
OTHER INCOME (CHARGES) - net	**(1,883,189)**	*-1.08%*	(1,471,766)	*-0.83%*	***(411,423)***	***27.95%***
INCOME BEFORE INCOME TAX	**13,503,205**	*7.74%*	13,833,535	*7.80%*	***(330,330)***	***-2.39%***
INCOME TAX EXPENSE	**2,991,716**	*1.71%*	3,824,607	*2.16%*	***(832,892)***	***-21.78%***
NET INCOME FOR THE YEAR	**10,511,490**	*6.03%*	10,008,927	*5.64%*	***502,562***	***5.02%***
PATMI	**6,151,761**	*3.53%*	5,900,196	*3.33%*	***251,565***	***4.26%***
Non-controlling interests	**4,359,728**	*2.50%*	4,108,731	*2.32%*	***250,997***	***6.11%***
	10,511,490	*6.03%*	10,008,927	*5.64%*	***502,562***	***5.02%***
EARNINGS PER SHARE (EPS)	**0.88516**		0.84792			***4.39%***
EBITDA	**20,010,975**	*11.47%*	19,703,561	*11.11%*	***307,413***	***1.56%***

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the “Group”) posted a consolidated revenue of P174.45 Billion for the year ended December 31, 2021 which reflects a decrease by P2.86 Billion or representing a decline by 1.61% compared to last year’s revenue of P177.31 Billion.

The revenues of the Group’s business segments during 2021 have continued to be affected in varying degrees by the business and social disruptions resulting from the continuing general community quarantine and mobility restrictions imposed by the Philippine Government on a nationwide scale due to the Covid-19 pandemic. For comparative analysis purposes, revenues generated during 2020 were likewise affected by the impact of the government imposed lockdown starting on March 16, 2020.

Due to the resurgence of the increasing rate of positivity infections in the National Capital Region and neighboring provinces (NCR+) coupled by the discovery of new variants of the Covid 19 virus, the government imposed a stricter level of restrictions (NCR+ Bubble) initially for a period of 15 days starting on March 22, 2021 which subsequently evolved into the re-imposition of the ECQ starting on April 5, 2021 until April 11, 2021 which involved closure of the commercial malls as well as other non-essential business establishments. From August 6 to 20, the government imposed another community lockdown in the NCR and other neighboring provinces in order to contain the increasing rate of positivity infections driven by the Delta variant. The extent of the business impacts on each segment are more fully described in the specific segment operating and financial highlights section.

The successful implementation and roll-out of the nationwide vaccination program jointly undertaken by the government and private sector which started during the first quarter 2021 provides a source of national relief and optimism that will determine the shape of the macro-economic and socio-political policies and environment as well as the continued impact on the Group’s business for the balance of the year.

Growth in Net Income

During the same period and despite the lower revenues experienced, the Group, however, managed to realize a consolidated net income of P10.51 Billion which represents a growth of 5.02% as compared to last year's net income of P10.0 Billion.

This was mainly driven by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by continued strategic costs and expense reduction and management. The implementation of the reduced corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2021 amounted to about P6.15 Billion which increased by P251.56 million or 4.26%% as compared to the 2020 PATMI amounting to P5.90 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During 2021, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P164.12 Billion or a decrease of P4.51 Billion or about 2.67% decline as compared to the segment's revenue contribution of P168.63 Billion for the same period of last year. Revenues generated in 2020 experienced a robust growth and uptick particularly in the first quarter due to consumer panic buying in preparation for the looming community lockdown restrictions due to the emerging Covid-19 pandemic which was eventually imposed by the Philippine Government on March 16, 2020. The uptick in revenue during 2020 amounted to P5.04 billion.

The supermarket business continued to experience and deal with the challenges of a decline in traffic count and a negative SSSG during 2021 due mainly to the continuing effects of the general mobility restrictions and reduced consumer spending particularly the most vulnerable sector of the consuming public being served. While basket size growth was registered, it was not sufficient to cushion the impact of the decline in traffic count.

To cushion these impacts, management continued to implement strategic initiatives to enhance cost of goods sold through suppliers' support, reinforced its sari-sari store customers base, localized marketing and promotional activities as well as expand its online and e-commerce platforms.

The warehouse club business, on the other hand, continued to consistently deliver a robust growth in sales performance as well as growth in its net income driven by a strong growth in both traffic count as well as basket size clearly showing the resilience of the A and B segment of the consumer segment that it serves.

As a result and despite the decline in revenues from the supermarket business, the Grocery Retail segment realized a 1.4% growth consolidated net income contribution in 2021 amounting to P8.18 Billion which increased by P113.19 Million as compared to the net income contribution of P8.07 Billion in the same period in 2020.

Real Estate Segment

The commercial real estate business segment, which contributed P812.12 Million to the Group's consolidated revenue in 2021, continued to experience a decline in its rental income of 22.86% from the segment's revenue contribution during the same period last year amounting to P1.06 Billion.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions wherein management continued to extend rental reliefs and related supports to its affected tenants portfolio during 2021 in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

Consolidated net income contribution in 2021 amounted to about P885.28 Million which increased by about P112.40 Million or 16.04% as compared to net income in 2020 amounting to P768.88 Million due to strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.95 Billion to the Group's consolidated revenue in 2021 representing an increase by P2.0 Billion or 33.69% higher as compared to the 2020 revenue contribution of P5.95 Billion.

The growth is mainly attributable to the continued easing of the economy and lifting of liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities with the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections during the year. It has to be noted that revenues generated in 2020 were affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020. The on-premise segment which includes hotels, bars and restaurants as well as travel retail segment continued to be the most affected market sectors of the industry since the start of the pandemic up to the present.

Consolidated net income contribution in 2021 amounted to about P1.58 Billion which increased by P402.75 Million or 34.09% as compared to the net income contribution in 2020 amounting to P1.18 Billion.

Specialty Retail

Office Warehouse, Inc. contributed about P1.55 Billion to the Group's consolidated revenue during 2021 representing a decrease by about P115.97 Million or 6.95% lower as compared to the 2020 revenue contribution of P1.67 Billion.

The segment's sales performance during the period continued to be affected by the government imposed community and mobility restrictions and the temporary closure of the company's predominantly CBD-centric store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the infection rates. Further, revenues generated during 2020 were affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020.

Net income contribution in 2021 amounted to about P49.71 Million which decreased by P6.11 Million or 10.95% as compared to the net income contribution in 2020 amounting to P55.82 Million due to decline in revenue.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales
For the year ended December 31, 2021, the Grocery Retail segment posted a consolidated net sales of P164,125 million for a decrease of P4,507 million or 2.7% compared to P168,632 million in 2020. The decrease in net sales was primarily driven by a decline in customer's visits particularly for the Puregold stores, with the government implementing health protocols in 2021 and people cautious of contracting the virus. Also, base sales is higher than usual in 2020 specially in the first quarter, with people buying in panic, due to the looming lockdown brought about by the pandemic.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**-9.7%**	**4.7%**
Net Ticket	**8.0%**	**2.6%**
Traffic	**-16.4%**	**2.1%**

Gross Profit
For the year ended December 31, 2021, the Grocery Retail segment realized an increase of 3.2% in consolidated gross profit from P29,156 million in 2020 at 17.3% margin to P30,083 million at 18.3% margin in 2021, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year.

Other Operating Income
Other operating income slightly increased by P55 million or 1.7% from P3,155 million in 2020 to P3,210 million in 2021. With the lockdown restrictions starting to loosen up, some tenants resume operation which resulted to increase in rent income.

Operating Expenses
Operating expenses increased by P1,397 million or 7.4% from P18,953 million in December 31, 2020 to P20,350 million in 2021. This is mainly driven by the increase in operating expenses of Kareila both from newly opened stores and old stores. In addition, operating expenses in prior period were partly lower driven by lockdown period in the first half of 2020.

Other Expense - net
Other expenses net of other income amounted to P2,290 million and P1,925 million in December 31, 2021 and 2020, respectively. The increase is primarily due to interest expense on corporate notes issued by the Parent Company in the last quarter of 2020.

Net Income
For the year ended December 31, 2021, the Grocery Retail segment earned a consolidated net income of P8,180 million at 5.0% net margin and an increase of 1.4% from P8,067 million at 4.8% net margin in 2020.. Despite the decline in revenues, this was principally driven by the continuous management effort to improve gross margins, sustained strategic cost and expense management as well as the effect of the reduced corporate income tax with the implementation of the CREATE Law.

Commercial Real Estate

The Group's Real Estate Segment posted a revenue of P1.69 Billion in 2021 which is of the same level of revenue generated in 2020.

This was mainly attributable to the continuing impact of the government imposed community and mobility restrictions and management's continued policy response to extend rental reliefs and related support to its affected tenants portfolio during the period in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected. The reduced rental rates and related reliefs are being reviewed by management on a quarterly basis. The Real estate segment has extended waiver or reduction of rentals on the following categories: food-nation brands, nonfood-retail/services, food-MSME and kiosks.

Income from operations before depreciation amounted to P1.16 Billion for the year 2021 which is almost of the same level in 2020.

Net income for the period amounted to P885.28 Million or a 16.04% increase from last year's P762.88 Million strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment in 2021 increased to P11.03 Billion in 2021 or 35.11% higher from last year's P8.17 Billion on the back of a 32% growth in volume (no. of cases) of sales

The strong growth in sales performance is mainly attributable to the continued strong sales performance of its leading brandy category amidst the gradual easing of the economy and lifting of liquor bans imposed by different LGUs at the NCR and neighboring provinces and selected affected key urban cities following the recent re-imposition of more stringent restrictions due to the resurgence of the Covid-19 infections during first quarter 2021 and the subsequent ECQ lockdowns in August 2021 due to the increasing infection rate driven by the Delta variant. Further, revenues generated in 2020 were similarly affected by the impact of the government imposed lockdown starting on March 16, 2020 that lasted until August 18, 2020.

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

Income from operations, increased to P1.99 Billion in 2021 or 22.46% growth from last year's P1.63 Billion principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the year 2021 grew by 34.28% from P1.18 Billion in 2020 to P1.58 Billion in 2021. The effect of reduced income tax rates resulting from the passage of CREATE Law also contributed to the growth in net income.

Specialty Retail

Office Warehouse

Sales revenues amounted to P1.55 Billion in 2021 or 6.95% lower as compared to the 2020 revenue of P1.67 Billion.

The operations of the company's store outlets during the period continued to be affected by the government imposed community and mobility restrictions and the temporary closure of the company's store outlets having been classified as non-essential business during the recently re-imposed NCR+ Bubble and ECQ due to the resurgence of the infection rates. Further, revenues generated in 2020 were also affected by the impact of the government imposed lockdown starting on March 16, 2020 up to August 18, 2020.

Net income in 2021 amounted to about P49.71 Million which in decreased by P6.11 Million or 10.95% as compared to the net income contribution in 2020 amounting to P55.82 Million due to decline in revenue.

Consolidated Statements of Financial Position

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

(In Thousands)	FY2021	%	FY2020	%	INCREASE (DECREASE)	%
Cash and cash equivalents	**63,860,207**	**34.04%**	48,867,746	27.42%	**14,992,462**	**30.68%**
Receivables - net	**4,735,784**	**2.52%**	10,308,181	5.78%	**(5,572,397)**	**-54.06%**
Financial asset at FVOCI	**6,784**	**0.00%**	8,365	0.00%	**(1,581)**	**-18.91%**
Financial asset at FVPL	**30,726**	**0.02%**	2,411,375	1.35%	**(2,380,649)**	**-98.73%**
Inventories	**25,390,956**	**13.54%**	24,914,272	13.98%	**476,683**	**1.91%**
Due from related parties	**60,341**	**0.03%**	184,852	0.10%	**(124,511)**	**-67.36%**
Prepayments and other current assets	**1,648,099**	**0.88%**	1,450,993	0.81%	**197,106**	**13.58%**
TOTAL CURRENT ASSETS	**95,732,896**	**51.03%**	88,145,784	49.47%	**7,587,112**	**8.61%**
Noncurrent Assets						
Property and equipment - net	**29,818,280**	***16.96%***	28,683,979	*16.10%*	**1,134,301**	**3.95%**
Right-of-use assets	**24,406,913**	***13.01%***	24,270,253	*13.62%*	**136,660**	**0.56%**
Investment properties - net	**11,487,812**	***5.06%***	11,145,393	*6.25%*	**342,419**	**3.07%**
Intangibles and goodwill - net	**21,057,378**	***11.23%***	21,074,976	*11.83%*	**(17,598)**	**-0.08%**
Investments	**715,393**	***0.38%***	729,909	*0.41%*	**(14,516)**	**-1.99%**
Deferred oil and mineral exploration costs	**6,154**	***0.00%***	-	*0.00%*	**6,154**	**100.00%**
Deferred tax assets-net	**882,764**	***0.47%***	902,719	*0.51%*	**(19,955)**	**2.21%**
Other non-current assets	**3,484,160**	***1.86%***	3,236,813	*1.82%*	**247,347**	**7.64%**
TOTAL NONCURRENT ASSETS	**92,051,732**	***48.97%***	90,044,042	*50.53%*	**2,007,691**	**2.02%**
TOTAL ASSETS	**187,784,628**	***100.00%***	178,189,826	*100.00%*	**9,594,802**	**5.28%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**16,872,386**	***8.99%***	16,667,022	*9.35%*	**205,364**	**1.23%**
Income tax payable	**1,054,585**	***0.56%***	1,534,051	*0.86%*	**(479,466)**	**-31.25%**
Short-term loans payable	**48,000**	***0.03%***	42,000	*0.02%*	**6,000**	**14.29%**
Current portion of long-term borrowing	**120,000**	***0.06%***	3,866,957	*2.18%*	**(3,766,957)**	**-**
Lease liability	**1,223,723**	***0.65%***	1,035,180	*0.58%*	**188,543**	**18.21%**
Due to related parties	**692,219**	***0.37%***	762,031	*0.43%*	**(69,812)**	**-9.16%**
Other current liabilities	**776,867**	***0.41%***	662,449	*0.37%*	**114,418**	**17.27%**
TOTAL CURRENT LIABILITIES	**20,787,781**	***11.08%***	24,589,690	*13.80%*	**(3,801,909)**	**-15.46%**
Noncurrent Liabilities						
Retirement benefit liability	**1,346,544**	***0.72%***	1,431,760	*0.80%*	**(85,216)**	**-5.95%**
Lease liability-net of current portion	**30,271,128**	***16.14%***	29,149,190	*16.36%*	**1,121,938**	**3.85%**
Deferred tax liabilities	**-**	***-***	144,588	*0.08%*	**(144,588)**	**-100.0%**
Long term loans payable - net of debt issue cost	**11,650,458**	***6.21%***	12,682,743	*7.12%*	**(1,032,285)**	**-8.06%**
Other non-current liabilities	**442,128**	***0.24%***	412,525	*0.23%*	**29,603**	**7.18%**
TOTAL NONCURRENT LIABILITIES	**43,710,258**	***23.30%***	43,820,807	*24.59%*	**(110,549)**	**-0.25%**
TOTAL LIABILITIES	**64,583,603**	***34.38%***	68,410,496	*38.39%*	**(3,912,548)**	**-5.72%**
EQUITY						
Capital stock	**7,405,264**	***3.95%***	7,405,264	*4.16%*	**-**	**0.00%**
Additional paid-in capital	**9,634,644**	***5.14%***	9,634,644	*5.41%*	**-**	**0.00%**
Remeasurement of retirement liability - net of tax	**52,651**	***0.03%***	(82,145)	*-0.05%*	**134,796**	**- 164.09%**
Reserve for fluctuations in value of financial assets at FVOC	**3,178**	***0.00%***	4,759	*0.00%*	**(1,581)**	**-33.23%**
Share in associate OCI	**(1,318)**	***0.00%***	-	*0.00%*	**(1,318)**	**100%**
Treasury shares	**(1,734,603)**	***-0.92%***	(1,652,861)	*-0.93%*	**(81,742)**	**4.95%**
Retained earnings	**65,943,338**	***35.15%***	58,915,686	*33.06%*	**7,027,652**	**111.93%**
Total Equity Attributable to Equity Holders of Parent Company	**81,303,154**	***43.34%***	74,225,347	*41.66%*	**7,077,807**	**9.54%**
Non-controlling interest	**41,790,558**	***22.28%***	35,553,982	*19.95%*	**6,236,576**	**17.54%**
TOTAL EQUITY	**123,093,712**	***65.62%***	109,779,329	*61.61%*	**13,314,383**	**12.13%**
TOTAL LIABILITIES AND EQUITY	**187,591,750**	***100.00%***	178,189,826	*100.00%*	**9,401,925**	**5.28%**

Current Assets

As at December 31, 2021 and 2020, total current assets amounted to P95.73 Billion or 50.98% of total assets and P88.14 Billion or 49.47% of total assets, respectively, for an increase of P7.59 Billion or 8.61% as at December 31, 2021.

Cash and cash equivalents amounted to P63.86 Billion as at December 31, 2021 with an increase of P15.0 Billion or 30.68% from December 31, 2020 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2020 cash dividends, loan availments and settlements and payments for capital expenditures during the year. This also includes the net proceeds from the equity capital raising by the liquor distribution business segment amounting to P4.36 Billion through a Follow-On Offering of common shares of The Keepers Holdings, Inc. (TKHI) sometime in November 2021. TKHI is the newly-acquired holding company of the three liquor subsidiaries of Cosco implemented through a share-swap transaction duly approved by the Philippine SEC sometime in May 2021.

Receivables decreased by 54.06% from December 31, 2020 balance of P10.31 Billion to this year's balance of P4.73 Billion due mainly to the net effect of collections made on trade and non-trade receivables as well as loans granted to companies under common control.

Inventories increased by 1.91% P476.68 or from 2020 balance of P24.91 Billion to this year's balance of P25.39 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P21.56 Billion.

Prepaid expenses and other current assets increased by P197.10 Million or 13.58% at the end of December 2021, mainly due to amortization of prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties decreased by P124.51 Million at the end of December 2021, due primarily to settlement of advances.

Non-current Assets

As at December 31, 2021 and 2020, total non-current assets amounted to P91.86 Billion or 48.97% of total assets, and P90.04 Billion or 50.53% of total assets, respectively, for an increase of P1.81 Billion or 2.02%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.13 Billion from P28.68 Billion in December 2020 to P29.82 Billion in December 2021 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment. The Grocery Retail segment has opened a total of 32 stores in 2021.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P136.66 Million from P24.27 Billion in December 2020 to P24.40 Billion in December 2021 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to rental properties including land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P342.42 Million from P11.14 Billion in December 2020 to P11.49 Billion in December 2021.

Investments decreased by P11.27 Million from P741.17 Million in December 2019 to P729.91 Million in December 2020 representing the share in results of operations of investees.

Deferred tax assets decreased by P19.95 Million or 19.16% from P902.72 Million in December 2020 to P882.76 Million in December 2021 resulting mainly from the reversal of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P247.35 Million from P3.23 Billion in December 2020 to P3.48 Billion in December 2021. About 73% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to additional security deposits, advance payment to contractors, accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17 and application of deferred input VAT.

Current Liabilities

As at December 31, 2021 and 2020, total current liabilities amounted to P20.79 Billion and P24.47 Billion respectively, for a decrease of P3.80 Billion or 15.46%.

About 76% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The decrease by P479.47 Million from P1.53 Billion as at December 2020 to P1.05 Billion as at December 31, 2021 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2021 and the effect of CREATE law.

Short-term loans payable account decreased by P6.0 Million mainly due to settlements made by the Real Estate segment.

Current portion of long-term borrowing decreased by P3.77 Billion mainly due to the settlements of long term loans of the Parent Company maturing in 2021.

Lease liabilities due within one year account increased by P188.54 Million from P1.03 Billion in December 2020 to P1.22 Billion in December 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Due to related parties decreased by P69.82 Million mainly due to the settlements made.

Other current liabilities increased by 17.27% from P662.45 Million as at December 31, 2020 to P776.77 Million as at December 31, 2021 relatively due to deposits from tenants by the Real Estate segment and output VAT during the year by the Grocery Retail segment.

Noncurrent Liabilities

As at December 31, 2021 and 2020, total non-current liabilities amounted to P43.71 Billion and P43.94 Billion, respectively, for decrease of P110.55 Million.

Long-term loans payable-net of current portion decreased by P1.03 Billion mainly due to the settlements of maturing long term corporate notes by the Parent Company and Grocery Retail segment.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P1.12 Billion from P29.15 Billion in December 2020 to P30.27 Billion in December 2021 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability decreased by P82.22 Million mainly due to the net effect of recognition of additional benefit cost during 2021 and the effect of remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P29.60 Million or 7.18% from P412.52 Million in December 2020 to P442.13 Million as at December 31, 2021 recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2021 and December 31, 2020, total equity amounted to P123.09 Billion and P109.78 Billion, respectively, for an increase of P13.31 Billion or 12.13%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2021, the account increased by P134.77 Million due to unrealized gain on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P81.74 million from P1.65 Billion in December 2020 to P1.73 Billion as at December 31, 2021 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback program.

Retained earnings increased by P7.03 Billion or 11.93% from P58.91 Billion in December 2020 to P65.94 Billion as at December 31, 2021 due to profit realized by the Group, net of cash dividend declaration.

Non-controlling interest increased by P6.24 Billion or 17.54% from P35.55 Billion in December 2020 to P41.79 Billion as at December 31, 2021 mainly due to share in the consolidated profit, additional listing of shares of a subsidiary and effect of gain in dilution.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2021**	2020
Net cash flows from operating activities	**P 16,955,382**	**P18,567,985**
Net cash flows used in investing activities	**3,303,285**	**(469,433)**
Net cash flows used in financing activities	**(5,253,227)**	**6,406,190**
Net increase in cash and cash equivalents	**P14,992,461**	**P24,465,778**

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail, Real Estate, special retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash f used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, collection of loans receivable, investments in bonds and proceeds from the eventual sale thereof.

Net cash used in financing activities principally resulted from the net settlements of bank loans by Real Estate and Grocery Retail segment and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2020 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2020 and 2019

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2020 and 2019.

(In Thousands)	FY2020	%	FY2019	%0	*INCREASE (DECREASE)*	%2
REVENUES	**177,316,299**	***100.00%***	166,066,712	*100.00%*	***11,249,586***	***6.77%***
COST OF SALES/SERVICES	**145,021,136**	***81.79%***	136,177,667	*82.00%*	***8,843,470***	***6.49%***
GROSS PROFIT	**32,295,163**	***18.21%***	29,889,045	*18.00%*	***2,406,116***	***8.05%***
OTHER OPERATING INCOME	**3,157,850**	***1.78%***	3,262,853	*1.96%*	***(105,003)***	***-3.22%***
GROSS OPERATING INCOME	**35,453,013**	***19.99%***	33,151,898	*19.96%*	***2,301,113***	***6.94%***
OPERATING EXPENSES	**20,147,712**	***11.36%***	19,147,089	*11.53%*	***1,000,623***	***5.23%***
INCOME FROM OPERATIONS	**15,305,300**	***8.63%***	14,004,809	*8.43%*	***1,300,489***	***9.29%***
OTHER INCOME (CHARGES) - net	**(1,471,766)**	***-0.83%***	4,909,863	*2.96%*	***(6,381,629)***	***129.98%***
INCOME BEFORE INCOME TAX	**13,833,534**	***7.80%***	18,914,672	*11.39%*	***(5,081,140)***	***-26.86%***
INCOME TAX EXPENSE	**3,824,607**	***2.16%***	3,521,465	*2.12%*	***303,142***	***8.61%***
NET INCOME FOR THE YEAR	**10,008,926**	***5.64%***	15,393,207	*9.27%*	***(5,384,282)***	***-34.98%***
CORE NET INCOME	**10,008,926**	***5.38%***	9,319,603	***5.61%***	***689,324***	***7.40%***
CORE NET PATMI	**5,900,195**	***3.28%***	5,871,259	***3.54%***	***28,936***	***0.49%***
PATMI	**5,900,195**	***3.33%***	11,597,381	*6.98%*	***(5,697,186)***	***-49.12%***
Non-controlling interests	**4,108,731**	***2.32%***	3,795,826	*2.29%*	***312,904***	***8.24%***
	10,008,926	***5.64%***	15,393,207	*9.27%*	***(5,384,282)***	***-34.98%***

<u>Growth in Revenues</u>

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P177.31 Billion during the year ended December 31, 2020 which reflects an increase by P11.25 Billion or 6.77% compared to last year's revenue of P166.07 Billion.

The revenue growth was largely contributed by the grocery retail segment primarily attributed to the continued organic expansion as well as robust SSSG performance of both the supermarket and the warehouse club brands which registered a consolidated year on year growth of 9.2% in 2020.

The revenues from the group's commercial real estate, liquor and wine distribution and specialty retail business segments have continued to experience varying degrees of declines during the year 2020 compared to their 2019 levels particularly during the second and third quarters primarily resulting from the business and social disruptions due to the global Covid-19 pandemic. However, said business segments started to recover during the third quarter due to gradual easing in government restrictions in economic activities. The extent of the business impacts on the respective business segments are more fully described in the specific segment operating and financial highlights section.

<u>Growth in Net Income</u>

During the year, the Group realized a consolidated net income of P10.0 Billion which is lower by P5.38 Billion representing a decline of 34.98% year on year as compared to last year's net income of P15.39 Billion.

The 2019 net income includes a one-time gain realized from the sale of the group's equity interest in Liquigaz Philippines Corporation amounting to P6.14 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2020 would show a growth by 7.40%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2020 amounted to about P5.90 Billion which decreased by about P5.70 Billion or 49.12% as compared to the 2019 PATMI amounting to P11.60 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2020 would grew by 0.49% which is approximately the same PATMI in 2019.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2020, the Group's flagship grocery retail business segment registered a consolidated revenue contribution amounting to P168.63 Billion which grew by about 9.20% year on year as compared to the segment's revenue contribution of P154.59 Billion in 2019 in spite of the effects of the current Covid-19 pandemic on consumption spending in the country.

While the segment experienced some uptick in sales during the first quarter due to the initial precautionary consumer buying in preparation for the government imposed community quarantine which amounted to P5.04 billion, revenues from some stand-alone QSR outlets of S&R located at community malls and CBDs which were ordered closed experienced some declines during the period of enhanced community quarantine.

During the year 2020, the segment continued to experience growth in sales performance by around 9.20% accounting for 95% of the Group's consolidated revenues and providing a cushion to compensate the revenue declines experienced by the commercial real estate, liquor and wine distribution as well as the specialty retail business segments resulting from the Covid-19 pandemic.

Consolidated net income contribution in 2020 amounted to P8.07 Billion which increased by P1.29 Billion or 19.11% as compared to the net income contribution of P6.77 Billion in the same year in 2019.

Real Estate Segment

The commercial real estate business segment contributed P1.06 Billion to the Group's consolidated revenue in 2020 but experienced a decline of 28.88% from the segment's revenue contribution in 2019 amounting to P1.50 Billion. This was mainly attributable to the management's decision to extend rental reliefs to by way of rental waivers and/or reduced rentals to about 50% of the tenants portfolio directly affected during the temporary closures of all malls and commercial assets in response to the Philippine Government's enhanced community quarantine restrictions.

Consolidated net income contribution in 2020 amounted to about P762.88 Million which decreased by about P408.87 Million or 34.89% as compared to the net income contribution of P1.17 Billion in 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P5.95 Billion to the Group's consolidated revenue during the year 2020 representing a decline of 22.03% from the 2019 revenue contribution of P7.63 Billion. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020. The continuing mobility restrictions that affected the travel and tourism sectors nationwide has likewise contributed to the decline in the segment's revenue during the year.

Consolidated net income contribution in 2020 amounted to about P1.18 Billion which slightly decreased by P31.77 Million or 2.62% compared to the net income contribution in 2019 amounting to P1.21 Billion despite the decrease in revenue and this is mainly due to strategic cost-saving measures implemented by the segment.

Specialty Retail

Office Warehouse, Inc. contributed about P1.67 Billion to the Group's consolidated revenue during the nine-month period of 2020 representing a decrease by about P622.06 Million or 31.82% lower as compared to the 2019 revenue contribution of P2.45 Billion.

The decline was mainly attributable to the government-imposed lockdown and enhanced community quarantine restrictions starting on March 16, 2020 and the related temporary closure of the company's store outlets during the ECQ periods having been classified as non-essential business.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.21 Million or 42.48% as compared to the net income contribution in 2019 amounting to P97.03 Million.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales

For the year ended December 31, 2020, the Grocery Retail segment posted a consolidated net sales of P168,632 million for an increase of P14,142 million or a growth of 9.2% compared to P154,490 million in 2019. New organic stores put up in 2019 were fully operating in 2020 increasing consolidated net sales. In addition, like for like stores sales posted an increase as well as revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the Grocery Retail segment for the year ended December 31 are as follow:

	PGOLD	S&R
Net Sales	**2.4%**	**8.7%**
Net Ticket	**49.4%**	**10.4%**
Traffic	**-31.5%**	**-1.5%**

Gross Profit

For the year ended December 31, 2020, the Grocery Retail segment realized an increase of 12.4% in consolidated gross profit from P25,951 million in 2019 at 16.8% margin to P29,156 million at 17.3% margin in 2020, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income decreased by P108 million or 3.3% from P3,263 million in 2019 to P3,155 million in 2020. This is attributable to decrease in rent income brought about by decrease in rent rate and rent free periods given to tenants, in consideration to those affected by the pandemic.

Operating Expenses
Operating expenses increased by P1,123 million or 6.3% from P17,830 million in December 31, 2019 to P18,953 million in 2020. The increase in operating expenses were mainly attributable to depreciation expense, taxes and licenses, advertising and promotion and credit card charges principally related to the establishment and operation of new organic stores. Utilities and manpower expenses are declining due to the lockdown period enforced by the government and the skeletal workforce being implemented by the Grocery Retail segment.

Other Expense - net
Other expenses net of other income amounted to P1,925 million and P1,804 million in December 31, 2020 and 2019, respectively. Interest income increased in December 2020 due to higher placement in short-term investment as compared to placements made in 2019. Interest expense on loans also increased due to issuance of corporate bonds during the year.

Net Income
For the year ended December 31, 2020, the Grocery Retail segment earned a consolidated net income of P8,067 million at 4.8% net margin and an increase of 19.1% from P6,773 million at 4.4% net margin in 2019.. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

Commercial Real Estate

The Group's Real Estate Segment posted P1.69 Billion in revenues for the year ended December 31, 2020 or a 21.0% decrease from P2.15 Billion in 2019. This was mainly attributable to the temporary closures of all malls and commercial assets due to the enhanced community quarantine lockdown imposed by the national government and the management's response to extend rental reliefs by way of rental waivers and/or reduced rentals and other charges for all directly affected mall tenants representing about 50% of the tenants portfolio starting in the second quarter and which continued to the third and fourth quarters subject to management reviews on a quarterly basis.

Income from operations before depreciation decreased by P448.80 Million or 33.03% Million from P1.36 Billion in 2019 to P909.83 Million for the year ended December 31, 2020.

Net income for the year amounted to P699.51 Million or a 42.92% decrease from last year's P1.22 Billion brought about by decline in rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment decreased to P8.17 Billion during 2020 or 23.79% decline from last year's P10.72 Billion amidst a decline of 17% in volume (no. of cases) of sales.

The decline in revenue which was principally experienced in the first half directly resulted from the government imposed liquor bans as part of the government's enhanced community quarantine and related lockdown restrictions in response to the Covid-19 pandemic.

Sales performance during the period was still principally driven by its brandy portfolio which continued to account for more than 70% of sales mix augmented by the strong performance of the other spirits as well as wines and specialty beverages categories.

Income from operations, however, decreased to P52.13 Million in 2020 or 3.10% decline from last year's P1.68 Billion

Net income for the year 2020 decreased by only P32.61 Million or 2.69%, from P1.21 Million in 2019 to P1.18 Billion in 2020, due to strategic cost management measures.

Specialty Retail

Office Warehouse

Sales revenues in 2020 declined by 31.80% to P1.67 Billion as compared to the 2019 revenues of P2.45 Billion mainly attributable to the temporary closure of all the company's store outlets due to the enhanced community quarantine and related lockdown restrictions imposed by the government which started on March 16, 2020 that lasted until May 31, 2020 which resulted to a negative SSSG of 32.19% during the year. The continuing general community quarantine and related mobility restrictions particularly in the National Capital Region and other key regions and/or cities throughout the year contributed to the decline in business volume during the year.

Net income contribution in 2020 amounted to about P55.82 Million which decreased by P41.22 Million or 42.50% decline as compared to the net income contribution in 2019 amounting to P97.03 Million, due principally to the decline in level of business traffic and related sales revenue.

Consolidated Statements of Financial Position

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

(In Thousands)	FY2020	%	FY2019	%	INCREASE (DECREASE)	%
ASSETS						
Cash and cash equivalents	**48,867,746**	**27.42%**	24,402,014	15.80%	**24,465,732**	**100.26%**
Receivables - net	**10,308,181**	**5.78%**	16,637,892	10.77%	**(6,329,711)**	**-38.04%**
Financial asset at FVOCI	**8,365**	**0.00%**	9,209	0.01%	**(844)**	**-9.16%**
Financial asset at FVPL	**2,411,375**	**1.35%**	34,921	0.02%	**2,376,455**	**-**
Inventories	**24,914,272**	**13.98%**	24,722,271	16.01%	**192,002**	**0.78%**
Due from related parties	**184,852**	**0.10%**	192,068	0.12%	**(7,216)**	**-3.76%**
Prepayments and other current assets	**1,450,993**	**0.81%**	2,000,503	1.30%	**(549,510)**	**-27.47%**
Total current assets	**88,145,784**	**49.47%**	67,998,877	44.03%	**20,146,907**	**29.63%**
Property and equipment - net	**28,683,979**	***16.10%***	27,927,953	*18.08%*	**756,025**	**2.71%**
Right-of-use assets	**24,270,253**	***13.62%***	21,700,103	*14.05%*	**2,570,150**	**11.84%**
Investment properties - net	**11,145,393**	***6.25%***	11,125,998	*7.20%*	**19,396**	**0.17%**
Intangibles and goodwill - net	**21,074,976**	***11.83%***	21,089,717	*13.65%*	**(14,741)**	**-0.07%**
Investments	**729,909**	***0.41%***	741,175	*0.48%*	**(11,266)**	**-1.52%**
Deferred tax assets-net	**902,719**	***0.51%***	566,284	*0.37%*	**336,435**	**59.41%**
Other non-current assets	**3,236,813**	***1.82%***	3,299,789	*2.14%*	**(62,976)**	**-1.91%**
Total noncurrent assets	**90,044,042**	***50.53%***	86,451,018	*55.97%*	**3,593,024**	**4.16%**
Total Assets	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,931**	**15.37%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**16,667,022**	***9.35%***	15,127,981	*9.79%*	**1,539,042**	**10.17%**
Income tax payable	**1,534,051**	***0.86%***	1,164,727	*0.75%*	**369,324**	**31.71%**
Short-term loans payable	**42,000**	***0.02%***	871,124	*0.56%*	**(829,124)**	**-95.18%**
Current portion of long-term borrowing	**3,766,957**	***2.11%***	43,685	*0.03%*	**3,723,272**	**-**
Lease liability	**1,035,180**	***0.58%***	567,682	*0.37%*	**467,499**	**82.35%**
Due to related parties	**762,031**	***0.43%***	1,343,460	*0.87%*	**(581,429)**	**-43.28%**
Other current liabilities	**662,449**	***0.37%***	596,992	*0.39%*	**65,457**	**10.96%**
Total current liabilities	**24,469,690**	***13.73%***	19,715,651	*12.77%*	**4,754,039**	**24.11%**
Retirement benefit liability	**1,431,760**	***0.80%***	955,818	*0.62%*	**475,942**	**49.79%**
Lease liability-net of current portion	**29,149,190**	***16.36%***	26,101,259	*16.90%*	**3,047,932**	**11.68%**
Deferred tax liabilities	**144,588**	***0.08%***	128,586	*0.08%*	**16,003**	**12.45%**
Long term loans payable - net of debt issue cost	**12,802,743**	***7.18%***	5,094,577	*3.30%*	**7,708,166**	**151.30%**
Other non-current liabilities	**412,525**	***0.23%***	393,219	*0.25%*	**19,306**	**4.91%**
Total noncurrent liabilities	**43,940,807**	***24.66%***	32,673,459	*21.15%*	**11,267,348**	**34.48%**
Total Liabilities	**68,410,496**	***38.39%***	52,389,110	*33.92%*	**16,021,386**	**30.58%**
EQUITY						
Capital stock	**7,405,264**	***4.16%***	7,405,264	*4.79%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***5.41%***	9,634,644	*6.24%*	**-**	**-**
Remeasurement of retirement liability - net of tax	**(82,145)**	***-0.05%***	5,412	*0.00%*	**(87,557)**	**-**
Reserve for fluctuations in value of financial assets at FVOC	**4,759**	***0.00%***	5,603	*0.00%*	**(844)**	**-15.06%**
Treasury shares	**(1,652,861)**	***-0.93%***	(1,403,974)	*-0.91%*	**(248,887)**	**17.73%**
Retained earnings	**58,915,686**	***33.06%***	54,167,213	*35.07%*	**4,748,474**	**8.77%**
Total Equity Attributable to Equity Holders of Parent Company	**74,225,347**	***41.66%***	69,814,161	*45.20%*	**4,411,186**	**6.32%**
Non-controlling interest	**35,553,982**	***19.95%***	32,246,624	*20.88%*	**3,307,358**	**10.26%**
Total Equity	**109,779,329**	***61.61%***	102,060,785	*66.08%*	**7,718,544**	**7.56%**
Total Liabilities and Equity	**178,189,826**	***100.00%***	154,449,895	*100.00%*	**23,739,930**	**15.37%**

Current Assets

Cash and cash equivalents amounted to P48.88 Billion as at December 31, 2020 with an increase of P24.46 Billion or 100.26% from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, loan availments and settlements and payments for capital expenditures during the year.

Receivables decreased by 38.04% from December 31, 2019 balance of P16.64 Billion to this year's balance of P10.31 Billion due mainly to the net effect of collections made on trade and non-trade receivables as well as loans granted to companies under common control.

Financial assets at fair value through comprehensive income (FVOC) decreased by 9.16% from December 31, 2019 balance of P9.21 Million to this year's balance of P8.36 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) increased by 2.38 Billion from December 31, 2019 balance of P34.92 Million to this year's balance of P2.41 Billion due mainly to the recognition of investments in marketable debt securities made by the Grocery Retail segment.

Inventories increased by 0.78% from 2019 balance of P24.72 Billion to this year's balance of P24.91 Billion due to the additional stocking requirement of existing and new operating stores of Grocery Retail segment, while stocking requirements of the Liquor Distribution and Specialty Retail segments decreased due to the effect of quarantine restrictions. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P20.92 Billion.

Prepaid expenses and other current assets decreased by P549.51 Million or 27.47% at the end of December 2020, mainly due to amortization of prepayments made for advertising, taxes and licenses, and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties decreased by P7.22 Million at the end of December 2020, due primarily to settlement of advances.

Non-current Assets

As at December 31, 2020 and 2019, total non-current assets amounted to P90.04 Billion or 50.53% of total assets, and P86.45 Billion or 55.97% of total assets, respectively, for an increase of P3.59 Billion or 4.16%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P756.02 Million from P27.93 Billion in December 2019 to P28.68 Billion in December 2020 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P2.57 Billion from P21.70 Billion in December 2019 to P24.27 Billion in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P19.40 Million from P11.12 Billion in December 2019 to P11.14 Billion in December 2020.

Investments decreased by P11.27 Million from P741.17 Million in December 2019 to P729.91 Million in December 2020 representing the share in results of operations of investees.

Intangibles and goodwill-net decreased by P14.74 Million from P21.09 Billion in December 2019 to P21.07 Billion in December 2020 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P336.43 Million or 59.41% from P566.28 Million in December 2019 to P902.72 Million in December 2020 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets decreased by P62.97 Million from P3.30 Billion in December 2019 to P3.24 Billion in December 2020. About 77% of these assets are attributable to the Grocery Retail Segment and the decrease was primarily due to additional security deposits, advance payment to contractors, accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17 and application of deferred input VAT.

Current Liabilities

As at December 31, 2020 and 2019, total current liabilities amounted to P24.47 Billion and P19.71 Billion respectively, for an increase of P4.75 Billion or 24.11%.

About 78% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P1.54 Billion or 10.17% was primarily due to increase of trade and non-trade liabilities and accrual of cash dividends by the Grocery Retail segment and Parent Company in December 2020.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P369.24 Million from P1.16 Billion as at December 2019 to P1.53 Billion as at December 31, 2020 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P829.12 Million mainly due to settlements made by the Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing increased by P3.72 Billion mainly due to the reclassification of long term loans of the Parent Company maturing in 2021.

Lease liabilities due within one year account increased by P467.50 Million from P567.68 Million in December 2019 to P1.03 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Due to related parties decreased by P581.43 Million mainly due to the settlements made.

Other current liabilities decreased by 10.96% from P596.99 Million as at December 31, 2019 to P662.45 Million as at December 31, 2020 relatively due to deposits from tenants by the Real Estate segment and sale of gift certificates during the year by the Grocery Retail segment

Noncurrent Liabilities

As at December 31, 2020 and 2019, total non-current liabilities amounted to P43.94 Billion and P32.67 Billion, respectively, for an increase of P11.27 Billion or 34.48%.

Long-term loans payable-net of current portion increased by P7.71 Billion mainly due to the availment of long term corporate notes by the Grocery Retail segment net of reclassification to current portion of maturing long term corporate notes by the Parent Company.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P3.05 Billion from P26.10 Billion in December 2019 to P29.15 Billion in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P475.94 Million mainly due to the net effect of recognition of additional benefit cost during 2020 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities increased by P19.31 Million or 4.91% from P393.22 Million in December 2019 to P412.52 Million as at December 31, 2020 recognition of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2020 and December 31, 2019, total equity amounted to P109.78 Billion and P102.06 Billion, respectively, for an increase of P7.72 Billion or 7.56%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020, the account decreased by P87.56 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P248.89 million from P1.40 Billion in December 2019 to P1.65 Billion as at December 31, 2020 due to additional buyback by the Parent Company during the year pursuant to its existing share buyback program.

Retained earnings increased by P4.75 Billion or 8.77% from P54.17 Billion in December 2019 to P58.91 Billion as at December 31, 2020 due to profit realized by the Group, net of cash dividend declaration.

Non-controlling interest increased by P3.31 Billion or 10.26% from P32.24 Billion in December 2019 to P35.55 Billion as at December 31, 2020 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2020**	2019
Net cash flows from operating activities	**P18,567,985**	P17,596,154
Net cash flows used in investing activities	**(469,433)**	(5,030,032)
Net cash flows used in financing activities	**6,406,190**	(5,006,579)
Net increase in cash and cash equivalents	**P24,465,778**	P7,617,153

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail, Real Estate and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash f used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment, collection of loans receivable, investments in bonds and proceeds from the eventual sale thereof.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Comparative Years 2019 and 2018

The table below shows the consolidated results of operations of the Group for the years ended December 31, 2019 and 2018.

(In Thousands)	FY2019	%	FY2018	%	*INCREASE (DECREASE)*	%
REVENUES	166,066,712	100.00%	168,210,357	100.00%	(2,143,644)	-1.27%
COST OF SALES/SERVICES	136,177,666	82.00%	139,809,619	83.12%	(3,631,953)	-2.60%
GROSS PROFIT	29,889,046	18.00%	28,400,738	16.88%	1,488,308	5.24%
OTHER OPERATING INCOME	3,262,853	1.96%	2,994,765	1.78%	268,088	8.95%
GROSS OPERATING INCOME	33,151,900	19.96%	31,395,503	18.66%	1,756,397	5.59%
OPERATING EXPENSES	19,147,089	11.53%	18,326,809	10.90%	820,280	4.48%
INCOME FROM OPERATIONS	14,004,811	8.43%	13,068,694	7.77%	936,117	7.16%
OTHER INCOME (CHARGES) - net	4,909,862	2.96%	(1,301,028)	-0.77%	6,210,890	477.38%
INCOME BEFORE INCOME TAX	18,914,673	11.39%	11,767,667	7.00%	7,147,007	60.73%
INCOME TAX EXPENSE	3,521,465	2.12%	3,285,862	1.95%	235,604	7.17%
NET INCOME FOR THE YEAR	15,393,208	9.27%	8,481,805	5.04%	6,911,403	81.49%
Equity Holders of the Parent Company	11,597,381	6.98%	5,381,485	3.20%	6,215,896	115.51%
Non-controlling interests	3,795,827	2.29%	3,100,319	1.84%	695,508	22.43%
	15,393,208	9.27%	8,481,805	5.04%	6,911,404	81.49%
EARNINGS PER SHARE (EPS)	1.65437		0.75975			117.75%
CORE EPS	0.83754		0.73362			14.16%

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the “Group”) posted a consolidated revenue of P166.06 Billion during the year ended December 31, 2019 which reflects a decrease by P2.14 Billion or 1.27% compared to last year’s revenue of P168.21 Billion.

The 2019 revenue figures do not anymore include the revenue contributions from Liquigaz in view of the divestment of the group’s equity interests which was closed and completed on February 13, 2019. Excluding Liquigaz’s revenue contribution in 2018 amounting to about P17.09 Billion, for like for like comparability, consolidated revenues of all the business segments in 2019 would reflect a normalized growth of 9.89% year on year over 2018 performance.

Growth in Net Income

During the same year, the Group realized a consolidated net income of P15.39 Billion which is higher by P6.91 Billion representing a growth of 81.49% as compared to last year’s net income of P8.48 Billion which was restated to reflect the retrospective effect of the adoption of new lease accounting standard on Grocery Retail, Real Estate, Liquor Distribution and Specialty Retail segments’ net income.

The 2019 net income includes a one-time gain realized from the sale of the group’s equity interest in Liquigaz Philippines Corporation amounting to P6.07 Billion. Excluding this one-time gain on sale of investment, core consolidated net income for the year ended December 31, 2019 amounted to P9.32 Billion at 5.61% net margin and for a growth of 14.79%.

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

Net income attributable to equity holders of the parent company (PATMI) in 2019 amounted to about P11.60 Billion which increased by about P6.21 Billion or 115.51% as compared to the 2018 PATMI amounting to P5.38 Billion. Similarly, excluding the one-time gain from the sale of investment abovementioned, core PATMI in 2019 would amount to P5.87 Billion which is 13.0% higher than the 2018 PATMI of P5.19 Billion.

Segment Revenue & Net Income Contributions

Grocery Retail Segment

During the year 2019, the Group's grocery retail business segment registered a consolidated revenue contribution amounting to P154.49 Billion or an increase of P13.35 Billion or about 9.46% growth as compared to the segment's revenue contribution of P141.14 Billion of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue.

Consolidated net income contribution in 2019 amounted to P6.77 Billion which increased by P573.29 Million or 9.25% as compared to the net income contribution of P6.20 Billion in 2018. This includes the one-time gain amounting to around P363 Million realized from the sale of shares in PG Lawson. Excluding this non-recurring item, core consolidated net income amounted to P6.75 Billion which registered a growth of 16.0% year on year from the previous year.

Real Estate Segment

The commercial real estate business segment contributed P1.49 Billion to the Group's consolidated revenue in 2019 representing a growth of about P118.54 Million or 8.59% of the segment's revenue contribution in 2018 amounting to P1.38 Billion. This was mainly attributable to the additional leasable area from the new mall assets added to the portfolio during the first quarter of 2018 and in 2019, sustained higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Consolidated net income contribution in 2018 amounted to about P1.17 Billion which increased by about P85.79 Million or 7.90% as compared to the net income contribution of P1.08 Billion in 2018, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Liquor Distribution Segment

The liquor distribution business segment contributed about P7.63 Billion to the Group's consolidated revenue in 2019 representing an increase by about P1.11 Billion or 17.12% higher as compared to the 2018 revenue contribution of P6.51 Billion mainly attributable to its continued strong sales performance of its brandy category particularly the Alfonso brand and on the back of its aggressive sales and marketing campaign during the period.

Consolidated net income contribution in 2019 amounted to about P1.21 Billion which increased by P470.15 Million or 63.26% as compared to the net income contribution in 2018 amounting to P743.18 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Specialty Retail
In view of the group's divestment in Liquigaz which was completed in February 2019 following the approval of the transaction by the Philippine Competition Commission, the financial performance of the Specialty Retail segment in 2019 covers only that of Office Warehouse.

Office Warehouse, Inc. contributed about P2.45 Billion to the Group's consolidated revenue during the fiscal year 2019 representing an increase by about P361.83 Million or 17.35% higher as compared to the 2018 revenue contribution of P2.08 Billion mainly attributable to its strong same store sales growth (SSSG) of 12.19% and its enhanced product offerings and aggressive sales and marketing campaign. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48.0% as compared to 2018 amounting to P65.58 Million, which was restated to reflect the retrospective effect of the adoption of the new lease accounting standard under PFRS 16 effective January 1, 2019.

Segment Operating & Financial Highlights

Grocery Retail

Net Sales
For the year ended December 31, 2019, the Grocery Retail Segment posted a consolidated net sales of P154,490 million for an increase of P13,351 million or a growth of 9.5% compared to P141,139 million in 2018. New organic stores put up in 2018 were fully operating in 2019 increasing consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the year.

Like for like consolidated sales performance indicators of the group for the year ended December 31 are as follow:

	PGOLD	**S&R**
Net Sales	**4.6%**	**8.3%**
Net Ticket	**8.5%**	**7.3%**
Traffic	**-3.5%**	**0.9%**

Gross Profit
For the year ended December 31, 2019, the Grocery Retail Segment realized an increase of 8.5% in consolidated gross profit from P23,929 million in 2018 at 17.0% margin to P25,951 million at 16.8% margin in 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period. The margin slightly declined during the current period accounting primarily to lower supplier support in relation to product cost.

Other Operating Income
Other operating income increased by P322 million or 10.9% from P2,941 million in 2018 to P3,263 million in 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

Operating Expenses
Operating expenses increased by P1,191 million or 7.2% from P16,639 million in December 31, 2018 to P17,830 million in 2019. The incremental operating expenses were mainly attributable to depreciation expense, taxes and licenses, repairs and maintenance, advertising and promotion, credit card charges and manpower expenses principally related to the establishment and operation of new organic stores.

Other Expense - net
Other expenses net of other income amounted to P1,804 million and P1,528 million in December 31, 2019 and 2018, respectively. Interest income increased in December 2019 due to higher placement in short-term investment as compared to placements made in 2018. Interest expense comprised bulk of the account as a result of adoption of the new accounting standard, PFRS 16 – Leases.

Net Income
For the year ended December 31, 2019, the Grocery Retail Segment earned a consolidated net income of P6,773 million at 4.4% net margin and an increase of 9.2% from P6,200 million at 4.4% net margin in 2018. Excluding the one-time gain on sale of investment in joint venture and share in equity investments, core consolidated net income grew by 16.0% at 4.4% and 4.1% net margin in 2019 and 2018, respectively. This was principally driven by the continuous organic expansion of the Grocery Retail Segment's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from the base stores as well as new stores and constant management efforts to strategically control operating expenses.

<u>Commercial Real Estate</u>

The Group's Real Estate Segment posted P2.14 Billion in revenues for the year ended December 31, 2019 or a 5.71% increase from P2.03 Billion from 2018. This was mainly attributable to the additional leasable area from its new mall assets added to its portfolio in early 2018 and 2019, higher occupancy rates and higher income from its oil storage tanks business unit operating within the Subic Bay Freeport.

Income from operations before depreciation increased by P69.43 Million or 4.5% from P1.53 Billion in 2018 to P1.60 Billion for the year ended December 31, 2019.

Net income for the year ended December 31, 2019 amounted to P1.22 Billion or a 12.8% increase from last year's P1.08 Billion brought about by additional rental revenue.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to P10.72 Billion in 2019 or 22.52% growth from last year's P8.74 Billion on the back of a robust sales performance in volume (no. of cases) sold which grew by about 43%. The strong sales performance is still principally driven by its brandy portfolio which accounts for more than 70% of sales augmented by the strong performance of the other spirits sector.

Income from operations increased to P1.68 Billion in 2019 or 66.63% higher from last year's P1.01 Billion.

Net income for the 2019 period increased by P474.09 Million from P738.36 Million in 2018 to P1.21 Billion in 2019 or 64.20% growth.

Specialty Retail

Office Warehouse

As at December 31, 2019, the company had expanded its retail network to 89 stores from 46 stores at acquisition date sometime in May 2014. Net selling area also increased to 15,589 sq.m. or a cumulative growth by 41.25% from the date of acquisition. Sales revenues increased to P2.45 Billion in 2019 or 17.3% higher as compared to the 2018 revenue of P2.09 Billion mainly attributable to its continuing stores network expansion program, enhanced product offerings as well as aggressive sales and marketing campaign which also drove a strong SSSG of 12.19% during the fiscal year 2019. Net income contribution in 2019 amounted to about P97.03 Million which increased by P31.45 Million or 48% as compared to the net income contribution in 2018 amounting to P65.58 Million

Liquigaz

On October 19, 2018, Liquigaz parent company, Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. signed a Share Purchase Agreement whereby Canaria sells all its shares in Liquigaz Philippines Corporation and Calor Phils. Holdings, Inc. to Fernwood Holdings, Inc. The transaction was subsequently approved by the Philippine Competition Commission on January 17, 2019 paving the way for its closing and completion on February 13, 2019.

The sale of investment in Liquigaz resulted to a one-time gain of P6.07 Billion, net of capital gains tax.

Revenues generated in 2018 amounted to P17.09 Billion and net income of P626.23 Million.

Consolidated Statements of Financial Position

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

(In Thousands)	2019	%	2018 (As Restated)	%	INCREASE (DECREASE)	%
Current Assets						
Cash and cash equivalents	**24,402,014**	**15.80%**	16,784,861	12.03%	**7,617,153**	**45.38%**
Receivables - net	**16,637,892**	**10.77%**	6,630,927	4.75%	**10,006,966**	**150.91%**
Financial asset at FVOCI	**9,209**	**0.01%**	7,026	0.01%	**2,182**	**31.06%**
Financial asset at FVPL	**34,921**	**0.02%**	36,503	0.03%	**(1,582)**	**-4.33%**
Inventories	**24,722,271**	**16.01%**	23,931,657	17.15%	**790,614**	**3.30%**
Due from related parties	**192,068**	**0.12%**	47,971	0.03%	**144,096**	**300.38%**
Prepayments and other current assets	**2,000,502**	**1.30%**	2,609,348	1.87%	**(608,846)**	**-23.33%**
	67,998,876	**44.03%**	50,048,292	35.87%	**17,950,584**	**35.87%**
Assets of disposal group classified as held for sale	**-**	**-**	7,320,895	5.25%	**(7,320,895)**	**-100.00%**
Total current assets	**67,998,876**	**44.03%**	57,369,187	41.11%	**10,629,689**	**18.53%**
Noncurrent Assets						
Property and equipment - net	**27,927,953**	***18.08%***	26,343,793	*18.88%*	**1,584,160**	**6.01%**
Right-of-use assets	**21,700,103**	***14.05%***	20,082,426	*14.39%*	**1,617,676**	**8.06%**
Investment properties - net	**11,125,998**	***7.20%***	10,836,618	*7.77%*	**289,379**	**2.67%**
Intangibles and goodwill - net	**21,089,717**	***13.65%***	21,095,502	*15.12%*	**(5,786)**	**-0.03%**
Investments	**741,175**	***0.48%***	603,175	*0.43%*	**138,000**	**22.88%**
Deferred oil and mineral exploration costs		***0.00%***	123,365	*0.09%*	**(123,365)**	**-100.00%**
Deferred tax assets-net	**566,284**	***0.37%***	96,263	*0.07%*	**470,021**	**488.27%**
Other non-current assets	**3,299,789**	***2.14%***	2,987,211	*2.14%*	**312,578**	**10.46%**
Total noncurrent assets	**86,451,018**	***55.97%***	82,168,354	*58.89%*	**4,282,665**	**5.21%**
Total Assets	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,354**	**10.69%**
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**15,127,981**	***9.79%***	13,016,166	*9.33%*	**2,111,814**	**16.22%**
Income tax payable	**1,164,727**	***0.75%***	930,909	*0.67%*	**233,818**	**25.12%**
Short-term loans payable	**871,124**	***0.56%***	4,866,300	*3.49%*	**(3,995,176)**	**-82.10%**
Current portion of long-term borrowing	**43,685**	***0.03%***	49,999	*0.04%*	**(6,314)**	**-12.63%**
Lease liabilities due within one year	**567,682**	***0.37%***	725,846	*0.52%*	**(158,164)**	**-21.79%**
Due to related parties	**1,343,460**	***0.87%***	1,365,863	*0.98%*	**(22,403)**	**-1.64%**
Other current liabilities	**596,992**	***0.39%***	434,901	*0.31%*	**162,091**	**37.27%**
	19,715,651	***12.77%***	21,389,984	*15.33%*	**(1,674,333)**	**-7.83%**
Liabilities of disposal group classified as held for sale	**-**	***-***	1,834,651	*1.31%*	**(1,834,651)**	**-100.00%**
Total current liabilities	**19,715,651**	***12.77%***	23,224,635	*16.64%*	**(3,508,984)**	**-15.11%**
Noncurrent Liabilities						
Retirement benefit liability	**955,818**	***0.62%***	508,533	*0.36%*	**447,285**	**87.96%**
Lease liabilities	**26,101,259**	***16.90%***	23,496,626	*16.84%*	**2,604,632**	**11.09%**
Deferred tax liabilities	**128,586**	***0.08%***	177,626	*0.13%*	**(49,040)**	**-27.61%**
Long term loans payable - net of debt issue cost	**5,094,577**	***3.30%***	6,572,209	*4.71%*	**(1,477,632)**	**-22.48%**
Other non-current liabilities	**393,219**	***0.25%***	433,342	*0.31%*	**(40,123)**	**-9.26%**
Total noncurrent liabilities	**32,673,459**	***21.15%***	31,188,337	*22.35%*	**1,485,123**	**4.76%**
Total Liabilities	**52,389,110**	***33.92%***	54,412,971	*39.00%*	**(2,023,861)**	**-3.72%**
EQUITY						
Capital stock	**7,405,264**	***4.79%***	7,405,264	*5.31%*	**-**	**-**
Additional paid-in capital	**9,634,644**	***6.24%***	9,634,644	*6.90%*	**-**	**-**
Retirement benefits reserve	**5,412**	***0.00%***	113,822	*0.08%*	**(108,410)**	**-95.25%**
Other reserve	**5,602**	***0.00%***	3,420	*0.00%*	**2,182**	**63.78%**
Treasury shares	**(1,403,974)**	***-0.91%***	(1,197,727)	*-0.86%*	**(206,247)**	**17.22%**
Retained earnings	**54,167,212**	***35.07%***	42,775,502	*30.66%*	**11,391,710**	**26.63%**
Total Equity Attributable to Equity Holders of Parent Company	**69,814,160**	***45.20%***	58,734,925	*42.09%*	**11,079,235**	**18.86%**
Non-controlling interest	**32,246,624**	***20.88%***	26,389,644	*18.91%*	**5,856,980**	**22.19%**
Total Equity	**102,060,784**	***66.08%***	85,124,569	*61.00%*	**16,936,215**	**19.90%**
Total Liabilities and Equity	**154,449,894**	***100.00%***	139,537,541	*100.00%*	**14,912,353**	**10.69%**

Current Assets

Cash and cash equivalents amounted to P24.40 Billion as at December 31, 2019 with an increase of P7.62 Billion or 45.38% from December 31, 2018 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables principally from the Grocery Retail Segment and Parent Company, payment of 2019 cash dividends, settlement of loans and payments for capital expenditures during the year.

Receivables increased by 150.91% from December 31, 2018 balance of P6.63 Billion to this year's balance of P16.64 Billion due mainly to the net effect of collections made and the loans granted to companies under common control.

Assets of disposal group classified as held for sale pertain to current and noncurrent assets of Liquigaz Philippine Corporation (LPC) which were reclassified as at December 31, 2018 in view of the sale of the group's equity interest in LPC) through a Share Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019. The sale transaction was closed and completed on February 13, 2019, thus paving the way for the derecognition of these assets in the consolidated statements of financial position.

Financial assets at fair value through comprehensive income (FVOC) increased by 31.06% from December 31, 2018 balance of P7.02 Million to this year's balance of P9.21 Million due mainly to the effect of changes in stock prices.

Financial assets at fair value through profit or loss (FVPL) decreased by 4.33% from December 31, 2018 balance of P36.50 Million to this year's balance of P34.92 Million due mainly to the effect of changes in stock market prices.

Inventories increased by 3.30% from 2018 balance of P23.93 Billion to this year's balance of P24.72 Billion due additional stocking requirement of existing and new operating stores, as well as the additional stocking requirements of the Liquor Distribution segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the Grocery Retail Segment amounting to P19.53 Billion.

Prepaid expenses and other current assets decreased by P608.85 Million or 23.33% at the end of December 2019, mainly due to amortization of prepayments made for advertising, taxes and licenses, availment of new policies for insurance of new stores and application of input VAT by Grocery Retail, Real Estate and Liquor Distributions segments.

Due from related parties increased by P144.09 Million at the end of December 2019, due primarily to additional advances made.

Non-current Assets

As at December 31, 2019 and 2018, total non-current assets amounted to P86.41 Billion or 55.96% of total assets, and P82.17 Billion or 58.89% of total assets, respectively, for an increase of P4.24 Billion or 5.17%.

Property and equipment-net pertains to the buildings and equipment owned mostly by the Grocery Retail segment. Book values of property and equipment increased by P1.58 Billion from P26.34 Billion in December 2018 to P27.93 Billion in December 2019 due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Real Estate, Liquor Distributions and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . Book values of ROU increased by P1.62 Billion from P20.08 Billion in December 2018 to P21.70 Billion in December 2019 due principally to additional ROU assets recognized from new lease contracts entered into pertaining to new organic stores established in the current period net of depreciation recognized during the same year.

Investment properties-net pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of investment properties increased by P289.38 Million from P10.84 Billion in December 2018 to P11.12 Billion in December 2019.

Investments increased by P138 Million from P603.17 Million in December 2018 to P741.17 Million in December 2019 representing the additional equity investments by the Liquor Distribution segment in Pernod Philippines.

Intangibles and goodwill-net decreased by P5.78 Million from P21.09 Billion in December 2018 to P21.09 Billion in December 2019 primarily due to the periodic amortizations of computer software cost recognized during the year.

Deferred tax assets increased by P432.59 Million or 448.35% from P96.26 Million in December 2018 to P527.86 Million in December 2019 resulting mainly from the additional recognition of deferred tax assets by the Grocery Retail segment from ROU assets recognized.

Other non-current assets increased by P312.58 Million from P2.99 Billion in December 2018 to P3.30 Billion in December 2019. About 73% of these assets are attributable to the Grocery Retail Segment and the increase was primarily due to additional security deposits, advance payment to contractors and advance rentals in relation to new leases acquired for new stores development pipeline as well as the accrued rental income pertaining to future periods in accordance with the lease accounting standards under PAS 17.

Current Liabilities

As at December 31, 2019 and 2018, total current liabilities amounted to P19.71 Billion and P23.22 Billion respectively, for a decrease of P3.51 Billion or 15.11%.

About 75% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Grocery Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate, Liquor Distribution and Specialty Retail segments. The increase by P2.11 Billion or 16.22% was primarily due to increase of trade and non-trade liabilities and declaration of dividends by the Grocery Retail segment and Parent Company in 2019.

Significant portion of the **income tax payable** pertains to that of the Grocery Retail segment. The increase by P233.82 Million from P930.31 Million as at December 2018 to P1.16 Billion as at December 31, 2019 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2019 in relation to the same period in 2018.

Liabilities of disposal group classified as held for sale pertain to current and noncurrent liabilities under LPC which were reclassified as at December 31, 2018 in view of the sale of the group's equity interest in LPC through a Share Purchase Agreement signed on October 19, 2018 between Canaria Holdings Corporation (CHC) and Fernwood Holdings, Inc. which was subsequently approved by the Philippine Competition Commission on January 17, 2019. The sale transaction was closed and completed on February 13, 2019, thus paving the way for their derecognition from the consolidated statements of financial position.

Short-term loans payable account decreased by P3.99 Billion mainly due to settlements made by the Grocery Retail, Real Estate and Liquor Distribution segments.

Current portion of long-term borrowing decreased by P6.1 Million mainly due to amortization of debt issue cost.

Lease liabilities due within one year account increased by P82.35 Million from P643.49 Million in December 2018 to P725.85 Million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P22.40 Million mainly due to the settlements made.

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

Noncurrent Liabilities

As at December 31, 2019 and December 31, 2018, total non-current liabilities amounted to P32.67 Billion and P31.19 Billion, respectively, for an increase of P1.48 Billion or 4.76%.

Long-term loans payable-net of current portion decreased by P1.48 Billion mainly due to the settlements by the Grocery Retail segment of its long term bank loans.

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments pursuant to the retrospective adoption of the new lease accounting standards under PFRS 16 which became effective January 1, 2019. . The account increased by P2.60 Billion from P23.50 Billion in December 2018 to P26.10 Billion in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability increased by P447.28 Million mainly due to the net effect of recognition of additional benefit cost during 2019 and the effect of additional remeasurements arising from the effect of changes in financial assumptions and experience adjustments.

Other non-current liabilities decreased by P40.12 Million or 9.26% from P433.34 Million in December 2018 to P393.22 Million as at December 31, 2019 due to application of customer deposits and advance rentals by the Real Estate segment.

Equity

As at December 31, 2019 and December 31, 2018, total equity amounted to P102.02 Billion and P85.12 Billion, respectively, for an increase of P16.90 Billion or 19.85%.

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2019, the account decreased by P108.41 Million due to unrealized loss on re-measurement of defined benefit liability as a result of changes in financial assumptions and experience adjustments.

Treasury shares increased by P206.25 million from P1.20 Billion in December 2018 to P1.40 Billion as at December 31, 2019 due to additional buyback by the Parent Company during the year in relation to its existing buyback program.

Retained earnings increased by P11.39 Billion or 26.63% from P42.77 Billion in December 2018 to P54.17 Billion as at December 31, 2019 due to profit realized by the Group, net of cash dividend declaration and the effect of adoption of PFRS 16, *Leases*.

Non-controlling interest increased by P5.85 Billion or 22.19% from P26.39 Billion in December 2018 to P32.25 Billion as at December 31, 2019 mainly due to share in the consolidated profit and the effect of top-up placement by the Grocery Retail segment.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	For the years ended December 31	
(In thousands)	**2019**	2018
Net cash flows from operating activities	**P17,139,067**	P12,184,405
Net cash flows used in investing activities	**(4,544,140)**	(5,259,386)
Net cash flows used in financing activities	**(5,006,579)**	(5,517,456)
Net increase in cash and cash equivalents	**P7,617,153**	P1,431,763

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the Grocery Retail and Liquor Distribution Segment during the year, purchase of inventories for new stores stocking requirements and other related current operating items to support the segment's expansion.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional capital expenditures by the Grocery Retail segment's new stores expansion and additional assets acquisition and capital expenditures by the Real Estate segment and Specialty Retail segment and the proceeds from divestment of Liquigaz.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the Grocery Retail, Liquor Distribution, Real Estate and Parent Company during the year, repayment of principal and interest by the group relating to lease liability, payment of 2019 cash dividends declared and shares buyback program by the Grocery Retail segment and Parent Company.

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

Material Events and Uncertainties

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

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

ANNEX "B"

C O V E R   S H E E T

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, 2022, 2021 and 2020

With Independent Auditors' Report

cosco capital
incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Signature ______________________
LUCIO L. CO / Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO / President

Signature ______________________
TEODORO A. POLINGA / Chief Finance Officer

APR 17 2023

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

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

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

Signed this ___ day of APR 17 2023, 2023

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

REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

April 17, 2023
Makati City, Metro Manila

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Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
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900 Romualdez Street
Paco, Manila

Opinion

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

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

R.G. MANABAT & CO.

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

April 17, 2023
Makati City, Metro Manila

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

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

See Notes to the Consolidated Financial Statements.

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

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 28)	**Additional Paid-in Capital**	**Treasury Shares** (Note 28)	**Retirement Benefits Reserve** (Note 26)	**Other Reserve** (Note 8)	**Retained Earnings** (Note 1)	**Total**	**Non-controlling Interests** (Notes 1 and 28)	**Total Equity**
Balance at December 31, 2019	P7,405,264	P9,634,644	(P1,403,974)	P5,412	P5,602	P54,167,212	P69,814,160	P32,246,624	P102,060,784
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,900,195	5,900,195	4,108,731	10,008,926
Other comprehensive income (loss)	-	-	-	(87,557)	(844)	-	(88,401)	(88,005)	(176,406)
	-	-	-	(87,557)	(844)	5,900,195	5,811,794	4,020,726	9,832,520
Acquisition of treasury shares	-	-	(248,887)	-	-	-	(248,887)	-	(248,887)
Cash dividends	-	-	-	-	-	(1,151,721)	(1,151,721)	(713,368)	(1,865,089)
Balance at December 31, 2020	**7,405,264**	**9,634,644**	**(1,652,861)**	**(82,145)**	**4,758**	**58,915,686**	**74,225,346**	**35,553,982**	**109,779,328**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	6,294,194	6,294,194	4,217,296	10,511,490
Other comprehensive loss	-	-	-	134,796	(2,899)	-	131,897	137,108	269,005
	-	-	-	134,796	(2,899)	6,294,194	6,426,091	4,354,404	10,780,495
Issuance of shares by a subsidiary									
Net proceeds	-	-	-	-	-	-	-	4,326,867	4,326,867
Gain on dilution of ownership interest	-	-	-	-	-	1,599,029	1,599,029	(1,599,029)	-
	-	-	-	-	-	1,599,029	1,599,029	2,727,838	4,326,867
Acquisition of treasury shares	-	-	(81,742)		-	-	(81,742)	-	(81,742)
Cash dividends	-	-	-	-	-	(862,851)	(862,851)	(807,045)	(1,669,896)
Acquisition of noncontrolling interest						(2,720)	(2,720)	(38,620)	(41,340)
Balance at December 31, 2021	**P7,405,264**	**P9,634,644**	**(P1,734,603)**	**P52,651**	**P1,859**	**P65,943,338**	**P81,303,153**	**P41,790,559**	**P123,093,712**
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	7,054,012	7,054,012	5,229,387	12,283,399
Other comprehensive income	-	-	-	218,184	516	-	218,700	218,852	437,552
	-	-	-	218,184	516	7,054,012	7,272,712	5,448,239	12,720,951
Acquisition of treasury shares	-	-	(131,799)	-	-	-	(131,799)	-	(131,799)
Cash dividends	-	-	-	-	-	(1,364,696)	(1,364,696)	(1,427,146)	(2,791,842)
Acquisition of noncontrolling interest	-	-	-	-	-	(10,773)	(10,773)	(86,231)	(97,004)
Effect of acquisition of a subsidiary	-	5,847	-	-	-	-	5,847	6,030	11,877
Balance at December 31, 2022	**P7,405,264**	**P9,640,491**	**(P1,866,402)**	**P270,835**	**P2,375**	**P71,621,881**	**P87,074,444**	**P45,731,451**	**P132,805,895**

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

Forward

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

1. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[(a)] *PPCI acquisition of its own shares resulted in 2021 in the increase in Cosco's ownership interest.*

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

2. Basis of Preparation

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

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

Historical cost is used as the measurement basis except for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards and Frameworks
The Group adopted the following relevant amendments to standards and frameworks starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidation

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

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

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

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

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

Business Combinations

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

Common Control Business Combinations

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

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

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

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

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

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

Statement of Cash Flows

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

Segment Reporting

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

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

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

Financial Instruments

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

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

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

Investment in Joint Arrangements and Associates

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

	Number of Years
Land improvements	25
Buildings	10 - 50

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

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

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

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

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

Construction in Progress

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

Assets Held for Sale

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Balances

Receivables

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

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

Contract Liabilities

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

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

<u>Cost and Expense Recognition</u>

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

Vendor Rebates and Allowances

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

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

Operating Expenses

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

Leases

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

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

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

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

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

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

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

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

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

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

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

5. Receivables

This account consists of:

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

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

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

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

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

6. Inventories

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

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

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

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

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

The movements in these securities are as follows:

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

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

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

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

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

The quoted shares are designated as FVOCI.

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

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

The movements in this account are as follows:

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

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

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

9. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

Prepaid expenses consist of the following:

(In thousands)	**2022**	2021

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

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

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

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

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

10. Investment in Associates and Joint Venture

This account consists of:

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

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

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

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

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

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

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

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

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

**Unrecognized prior period adjustments based on unaudited amounts*

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

Investment in Joint Ventures

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

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

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

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

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

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

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

OTHERS

AyaGold Retailers, Inc.

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

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

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

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

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

11. Property and Equipment

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

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

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

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

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

12. Investment Properties

This account consists of:

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

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

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

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

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

13. Goodwill and Other Intangibles

This account consists of:

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

Goodwill

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

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

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

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

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

VIU

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

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

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

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

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

Computer Software and Licenses

The movements in computer software and licenses are as follows:

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

Leasehold Rights

The movements in leasehold rights are as follows:

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

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

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

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Other Noncurrent Assets

This account consists of:

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

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

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

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

16. Accounts Payable and Accrued Expenses

This account consists of:

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

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

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

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

17. Loans Payable

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

a. Short-term Loans

Details of short-term loans follow:

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

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

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

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

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

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

a. PPCI

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

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

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

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

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

The movements in debt issuance costs are as follows

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

Changes in Liabilities Arising from Financing Activities:

The movements and balances of this account are as follows:

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

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

18. Other Current Liabilities

This account as at December 31 consists of:

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

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

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

Contract Liabilities

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

Below is the rollforward of contract liabilities:

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

19. Revenues

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

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

20. Cost of Revenues

Cost of goods sold consists of:

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

Cost of rent consists of:

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

21. Leases

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

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

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

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

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

	P35,926,028	P31,494,851

The movements in lease liabilities are as follows:

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

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

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

The following are the amounts recognized in profit or loss:

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

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

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

As Lessor

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

The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there are no outstanding charges against the tenant. Customers' deposits amounted to P739.1 million and P709.9 million as at December 31, 2022 and 2021, composed of current and noncurrent portion, broken down as follows:

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

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

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

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

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

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

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

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

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

22. Other Revenue

This account consists of:

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

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

23. Operating Expenses

This account consists of:

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

24. Other Income (Charges)

This account consists of:

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

25. Related Party Transactions

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

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

a. Loans Receivable

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

b. Money Market Placements

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

c. Advances from a Stockholder

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

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

d. Management Agreement

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

e. Lease Agreement - As a Lessor

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

f. Lease Agreement - As a Lessee

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

g. License Agreement

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

h. Acquisition of investment

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

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

Related Party Transactions and Balances Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2022 and 2021 are as follows:

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

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

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

b Receivables from subsidiaries to their fellow subsidiaries

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

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

c Sale of goods of the subsidiaries within the Group

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

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

d Sale of services of the subsidiaries within the Group

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

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

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

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

2021	2,235,887	1,499,988

Cash dividends are due on payment date.

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

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

Cash dividends are due on payment date.

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

Right-of-Use assets

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

Lease liabilities

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

h Loan receivable issued by the Parent Company to a subsidiary

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

26. Retirement Benefits Cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2022

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

2021

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

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

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

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

The 10-year maturity analysis of the benefit payments:

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

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

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

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

Asset-liability Matching (ALM)

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

The Group has no expected future contribution for 2022.

27. Income Taxes

The provision for income tax consists of:

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

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

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

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

Net deferred tax assets as at December 31:

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

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

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

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

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

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

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

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

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

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

28. Equity

Capital Stock

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

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

Treasury Shares

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

Retained Earnings

Declaration of Cash Dividends

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

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

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

Non-controlling Interests

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

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

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

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

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

29. Segment Information

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

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

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

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

Segment Revenue and Results

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

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

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

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

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

The Group's reportable segments are all domestic operations.

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

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

30. Earnings Per Share

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

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

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

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

31. Financial Risk and Capital Management Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

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

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

(In thousands)	***Note***	**2022**	2021
Cash and cash equivalents [1]	*4*	**P57,967,494**	P63,285,980
Receivables - net	*5*	**6,363,575**	4,735,784
Financial assets at FVPL	*7*	**4,299,380**	30,726
Security deposits [2]	*15*	**2,494,764**	2,299,378
Due from related parties	*25*	**60,502**	60,341
Financial assets at FVOCI	*8*	**14,449**	15,279
		P71,200,164	P70,427,488

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

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

	December 31, 2022			
(In thousands)	**Grade A**	**Grade B**	**Grade C**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	**P57,967,494**	**P -**	**P -**	**P57,967,494**
Receivables	**4,400,758**	**1,849,593**	**113,224**	**6,363,575**
Due from related parties	**60,502**	**-**	**-**	**60,502**
Security deposits[2]	**-**	**2,494,764**	**-**	**2,494,764**
Financial Assets at FVPL				
Investments in trading securities	**4,299,380**	**-**	**-**	**4,299,380**
Financial Assets at FVOCI				
Investments in preferred shares	**7,262**	**-**	**-**	**7,262**
Investment in common shares	**-**	**-**	**-**	**-**
Quoted	**4,883**	**-**	**-**	**4,883**
Unquoted	**2,304**	**-**	**-**	**2,304**
	P66,742,583	**P4,344,357**	**P113,224**	**P71,200,164**

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

	December 31, 2021			
(In thousands)	Grade A	Grade B	Grade C	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P63,285,980	P -	P -	P63,285,980
Receivables	3,146,083	1,500,432	89,269	4,735,784
Due from related parties	60,341	-	-	60,341
Security deposits[2]	-	2,299,378	-	2,299,378
Financial Assets at FVPL				
Investments in trading securities	30,726	-	-	30,726
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares	-	-	-	-
Quoted	5,713	-	-	5,713
Unquoted	2,304	-	-	2,304
	P66,538,409	P3,799,810	P89,269	P70,427,488

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

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

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

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

c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.

d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

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, 2022				
(In thousands)	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year to 5 Years**	**More than 5 Years**
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	**P27,218,068**	**P27,218,067**	**P27,218,067**	**P -**	**P -**
Short-term loans	**148,000**	**148,000**	**148,000**	**-**	**-**
Lease liabilities	**34,455,564**	**70,137,048**	**3,756,603**	**14,564,157**	**51,816,289**
Due to related parties	**5,436,169**	**5,436,169**	**5,436,169**	**-**	**-**
Long-term loans[2]	**11,545,793**	**14,728,959**	**769,141**	**8,878,837**	**5,228,980**
Accrued fixed assets	**1,121,326**	**1,361,806**	**320,424**	**1,041,381**	**-**
Customers' deposits[3]	**739,136**	**739,136**	**-**	**-**	**-**
	P80,664,056	**P119,769,185**	**P37,648,404**	**P24,484,375**	**P57,045,269**

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

	December 31, 2021				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P16,256,771	P16,256,771	P16,256,771	P -	P -
Short-term loans	48,000	48,000	48,000	-	-
Lease liabilities	30,132,436	60,809,748	3,318,570	13,982,999	43,508,179
Due to related parties	692,219	692,219	692,219	-	-
Long-term loans[2]	11,770,458	15,418,859	500,593	2,002,374	12,915,892
Customers' deposits[3]	709,941	709,941	-	-	-
	P59,609,825	P93,935,538	P20,816,513	P15,985,373	P56,424,071

[1] Excluding due to government agencies.
[2] Including current, non-current portion and future interest payment.
[3] Including current and non-current portion.

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, 2022 and 2021.

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

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

Financial Assets at FVPL (Level 2)
The fair values are based on observable market inputs for government securities and quoted market prices in an active market for equity securities.

Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

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

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

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

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

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

- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

As at December 31, 2022 and 2021, the Group's financial assets at FVPL for equity securities, and quoted equity investments at OCI are classified as Level 1 while financial assets at FVPL for government securities are classified as Level 2.

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Cosco Capital, Inc. and Subsidiaries** (the “Group”) as at and for the year ended December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 on which we have rendered our report dated April 17, 2023.

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group’s management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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

April 17, 2023
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2022 and 2021 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 95177-SEC, Group A, valid for five (5) years
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April 17, 2023
Makati City, Metro Manila

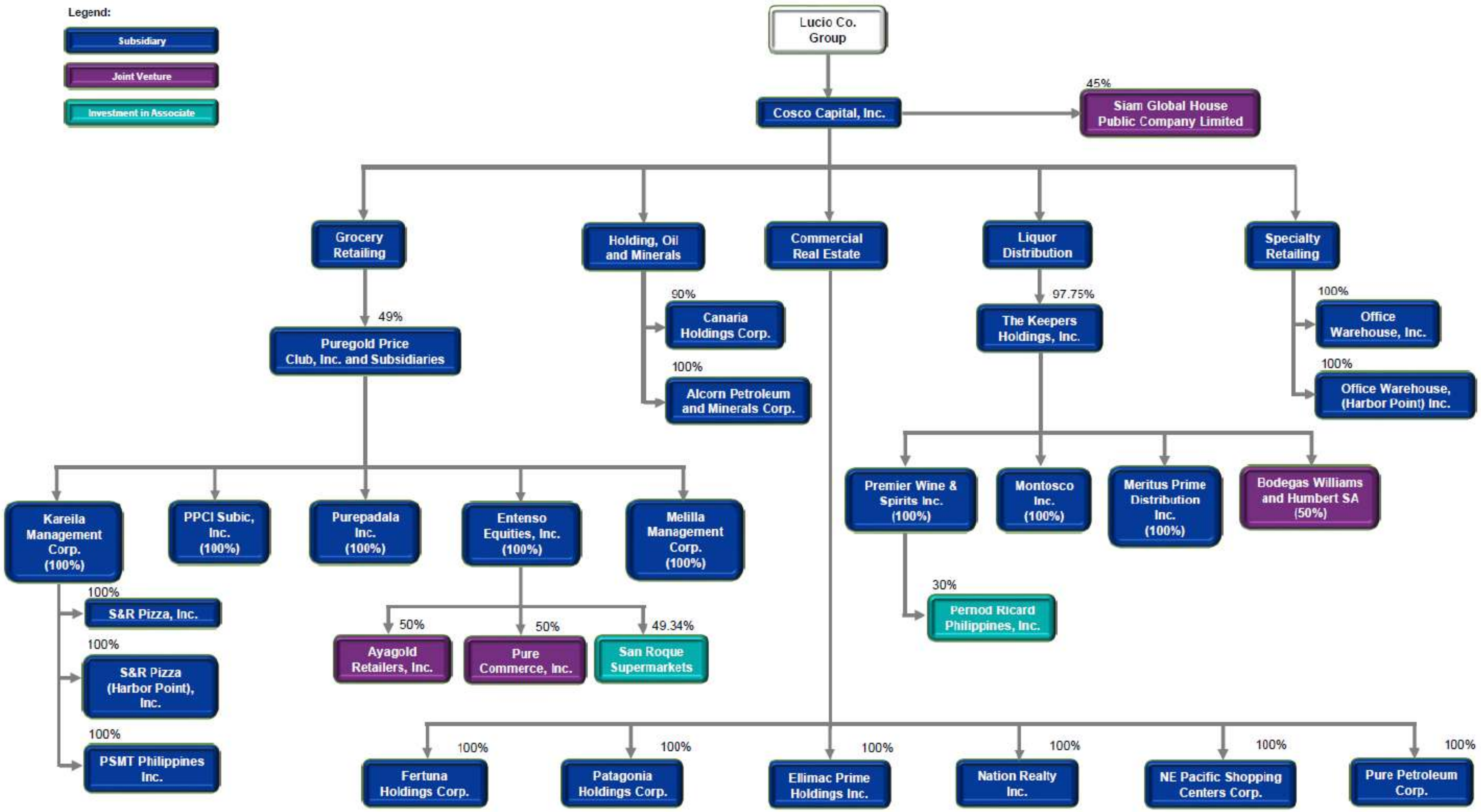
Cosco Capital Inc. and Subsidiaries
As of December 31, 2022

Ratio	Formula		Years ended December 31	
			2022	2021
Current ratio	Total Current Assets divided by Total Current Liabilities		2.94	4.61
	Total current assets	P110,032,840		
	Divide by: Total current liabilities	37,386,879		
		2.94		
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		1.88	3.30
	Total current assets	P110,032,840		
	Less: Inventories	34,697,639		
	Other current assets	4,922,380		
	Quick assets	70,412,292		
	Divide by: Total current liabilities	37,386,879		
	Acid-test ratio	1.88		
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities)		0.19	0.23
	Net income	P12,283,399		
	Add: Depreciation and amortization	4,315,784		
	Total	16,599,183		
	Divide by: Total liabilities	85,731,511		
	Solvency ratio	0.19		
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity)		0.65	0.52
	Total liabilities	P85,731,511		
	Divide by: Total equity	132,805,895		
		0.65		
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity)		1.65	1.52
	Total assets	P218,537,406		
	Divide by: Total equity	132,805,894		
		1.65		

Ratio	Formula	Years ended December 31	
		2022	2021
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P18,486,599 Divide by: interest expense 2,559,538 7.22	7.22	6.36
Return on equity	Return on Equity (Net Income by Total Equity) Net income P12,283,399 Divide by: Total equity 132,805,895 9%	9%	9%
Return on assets	Return on Assets (Net Income by Average Total Assets) Net income P12,283,399 Divide by: Average Total assets 203,064,578 6%	6%	8%
Net profit margin	Net profit margin (Profit over Total Revenue) Net income P12,283,399 Divide by: Total Revenue 197,136,764 6.23%	6.23%	6.03%
Other ratios	Operating profit margin (Operating profit over Total Revenue) Operating profit P P17,739,767 Divide by: Total Revenue 197,136,764 9.00%	9.00%	7.80%

COSCO CAPITAL, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS
(Amounts in Thousands, except Number of Shares Principal amounts of Bonds and Notes)

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Various banks/Cash and cash equivalents	N/A	P57,967,494	P57,967,494	694,256*
Various customers and suppliers/Receivables - net	N/A	6,363,575	6,363,575	670,706
Various lessors/Security deposit	N/A	2,432,206	2,432,206	-
Bureau of Treasury (BTR)/Government securities	4,268,095	4,268,095	4,230,505	115,203*
Various publicly-listed companies/Financial Assets at FVPL	1,041	31,285	31,285	323,622**
Various publicly-listed companies/Financial Assets at FVOCI	95,999	14,449***	14,449	213**
Due from related parties/Related parties outside the Group	N/A	60,502	60,502	-
P71,137,606		P71,137,606	P71,100,016	

Notes:

*This represents interest income earned, net of final tax
** This represents unrealized valuation loss on trading securities.

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Lucio L. Co - Chairman	P125,973	P176,070	(P125,973)	P -	P176,070	P -	P176,070
Various Employees	11,132,417	108,388	(11,132,417)	-	108,388	-	108,388
	P11,258,390	**P284,458**	**(P11,258,390)**	**P -**	**P284,458**	**P -**	**P284,458**

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Advances							
Ellimac Prime Holdings, Inc.	P3,724,902	P -	P -	P -	P3,724,902	P -	P3,724,902
Fertuna Holdings Corporation	68,341	-	-	-	68,341	-	68,341
Patagonia Holdings Corporation	828,508	-	-	-	828,508	-	828,508
Nation Realty, Inc.	240,966	-	-	-	240,966	-	240,966
Alcorn Petroleum and Minerals Corporation	301,733	-	-	-	301,733	-	301,733
Canaria Holdings Corporation	10,500	-	-	-	10,500	-	10,500
Dividends							
Puregold Price Club, Inc.	705,434	1,213,346	705,434	-	1,213,346	-	1,213,346
Canaria Holdings Corporation	450,000	-	-	-	450,000	-	450,000
The Keepers Holdings, Inc.	-	607,500	-	-	607,500	-	607,500
NE Pacific Shopping Centers Corp.	-			-	-	-	-
Nation Realty, Inc.	-			-	-	-	-
Patagonia Holdings Corporation	-			-	-	-	-
Ellimac Prime Holdings, Inc.	75,000	46,403	75,000	-	46,403	-	46,403
Fertuna Holdings Corporation	-	-	-	-	-	-	-
Pure Petroleum Corporation	-	-	-	-	-	-	-
Montosco, Inc.	-	-	-	-	-	-	-
Premier Wines and Spirits, Inc.	-	-	-	-	-	-	-
Trade and Other Receivables							
Meritus Prime Distributions Inc	266,542	1,045,484	1,016,786	-	295,240	-	295,240
Montosco, Inc.	308,156	1,953,552	1,916,992	-	344,716	-	344,716
Nation Realty, Inc	48,680	19,274	67,633	-	321	-	321
Premier Wines and Spirits, Inc..	292,009	792,660	897,012	-	187,657	-	187,657
Canaria Holdings Corporation	1,086,903	-	-	-	1,086,903	-	1,086,903
Fertuna Holdings Corporation	637	-	-	-	637	-	637
Ellimac Prime Holdings, Inc.	48,107	713,399	684,380	-	77,126	-	77,126
NE Pacific Shopping Center Corp.	2,601	36,698	39,299	-	-	-	-
Alcorn Petroleum and Minerals Corporation	72,284	-	-	-	72,284	-	72,284
Patagonia Holdings Corporation	86,000	127,123	208,830	-	4,240	-	4,240
Note Receivable							
Canaria Holdings Corporation	3,637,500	-	-	-	3,637,500	-	3,637,500
Advances							
Ellimac Prime Holdings, Inc.	-	3,724,902	-	-	3,724,902	-	3,724,902
	P12,254,803	**P10,280,341**	**P5,611,366**	**P -**	**P16,923,725**	**P -**	**P16,923,725**

COSCO CAPITAL INC. AND SUBSIDIARIES

SCHEDULE D. LONG TERM DEBT
(Amount in Thousands)

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installme nts	Final Maturity
Long-term debt	China Banking Corporation	P3,384,468,750	P35,000,000	P3,349,468,750	4.5%	N/A	September 30, 2030
	Development Bank of the Philippines	2,922,696,429	30,000,000	2,892,696,429	4.0%	N/A	September 30, 2027
	Keb Hana Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,461,348,214	15,000,000	1,446,348,214	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,460,342,308	15,000,000	1,445,342,308	4.5%	N/A	September 30, 2030
	Metropolitan Bank & Trust Co.	974,571,428	10,000,000	964,571,428	4.0%	N/A	September 30, 2027
	Shinhan Bank	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
	The Insular Life Assurance Company, Ltd.	487,455,357	5,000,000	482,455,357	4.0%	N/A	September 30, 2027
Totals		**P11,665,793,200**	**P120,000,000**	**P11,545,793,200**			

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,378,524	4,812,820,374	-

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022
(Amounts in Thousands)

COSCO CAPITAL, INC.
900 Romualdez Street, Paco, Manila

Unappropriated Retained Earnings, as adjusted, beginning		**P973,989**
Net Income during the period closed to Retained Earnings		**1,758,996**
Less: Non-actual/unrealized income net of tax		
Equity in net income of associates	P -	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Equity in net income of a joint venture	-	
PFRS 16 adjustment on DTA	-	
Deferred tax benefit	1,674	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total		**1,674**
Add: Non-actual losses		
Unrealized loss on fair value adjustment of investment through P/L	-	
Deferred tax expense	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total		**-**
Net income actually earned during the period		**1,757,322**
Add (Less):		
Dividends declared during the year		**(1,364,696)**
Movement in treasury shares		**(34,796)**
Unappropriated Retained Earnings, as adjusted, ending		**P1,331,819**

ANNEX "C"

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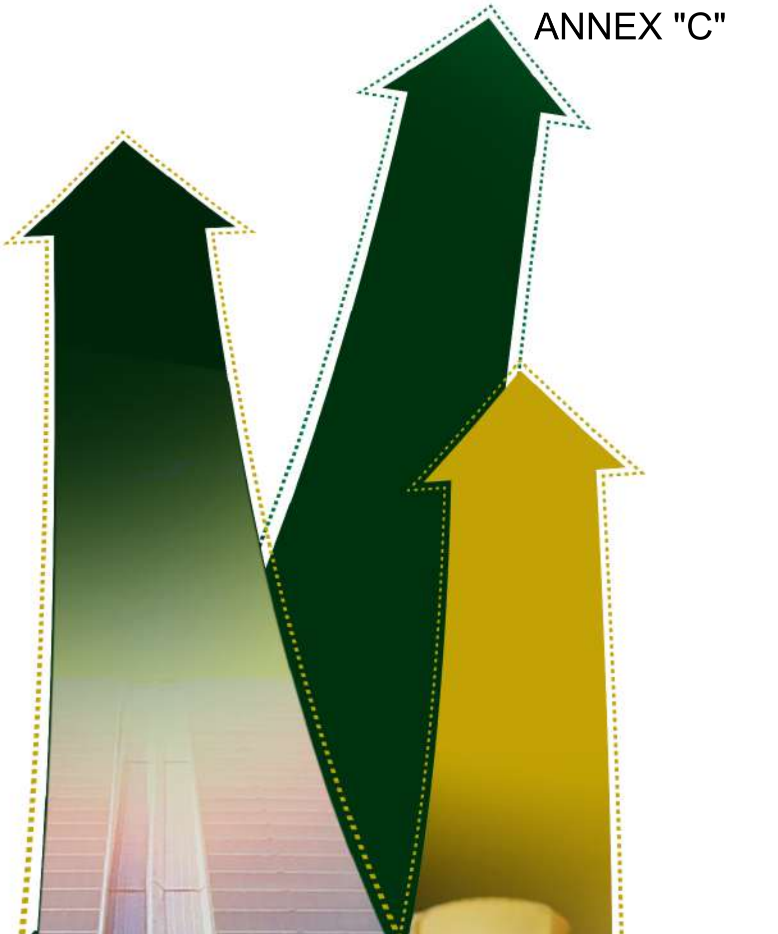
Sustainability as a Lifestyle

2022 Sustainability Report



About the Report

Welcome to our sustainability report for the year 2022, which outlines our performance and achievements on economic, environmental, and social sustainability and our ESG commitments for the future. The data in this year's report was collected between January 2022 and December 2022. Our sustainability reports thus far were based on the Philippines SEC guidelines; this is our first report that has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (2021). The current report covers performance of all the diversified business segments under Cosco Capital Inc., including:

Grocery Retail

Puregold Price Club Inc.

Kareila Management Corporation (S&R Membership Shopping and S&R New York Style Pizza QSR)

Specialty Retail

Office Warehouse

Wine & Liquor Distribution

The Keepers Holdings Inc. (Montosco Inc., Meritus Prime Distributions Inc., Premier Wine & Spirits Inc., Fertuna Distributions, Inc. and Bodegas Williams & Humbert SA)

Real Estate

Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Patagonia Holdings Corp., Nation Realty Inc., Canaria Holdings Corporation, NE Pacific Shopping Centers Corp., Pure Petroleum Corp.

Oil & Minerals

Alcorn Petroleum and Minerals Corp.

For questions and clarifications regarding the contents of the report, please contact:

John T. Hao,
Investor Relations and Sustainability Officer
Cosco Capital Inc.
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Rey Arr L. Cahaponon
ESG Officer
Cosco Capital Inc.
rey.cahaponon@coscocapital.com

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Statement from the Leadership

We are very pleased to present our first GRI standards-based sustainability report for the year 2022. Having the experience from reporting using the Sustainability reporting guidelines of the Philippines Securities Exchange Commission (SEC), this was a good level-up for us as an organization. We cherish every moment spent understanding the guidelines in detail and in assimilating data in accordance with the requirements of GRI. While this report is the end product, the reporting process has greatly helped us reflect on our sustainability priorities, performance, and goals allowing us to formulate a corporate sustainability framework – one that is cognizant of the needs of all our stakeholders.

Cosco Capital's business portfolio is largely retail as well as store-front oriented and we have always accorded immense priority to our customers and other key stakeholders while running the operations. This has led to the adoption of environmental and social sustainability practices alongside our growth journey since 1988. Our recent endeavour towards disclosing our economic, environmental, and social performance has helped us assign more structure to these initiatives. With the learnings from such ESG performance disclosures, we hope to integrate sustainability as a culture into our way of business in the coming years.

2022 was a landmark year in many ways, with several laurels coming our way. Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar. Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors. In 2021, the S&R Group was recognised among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.

The total amount we spent on community development projects in the reporting year was around 202.1 Million Philippine Pesos, of which 126.2 million was spent on infrastructure development, 65.4 million was spent on educational scholarships, and 10.5 million on COVID-19 vaccine donations. Over the past couple of years, local hiring by Puregold and S&R have been at 98% and 95% respectively – which has ensured fostering of skills and livelihood promotion among the local communities. Our workforce at Puregold and S&R already comprise an average of 51% women, which reflects the degree of importance we give to gender diversity at the workplace. Moreover, 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries that are well over the prescribed minimum wages.

On the environmental front, Office Warehouse launched the Puno ng Pag-ibig Program in 2022 (a Tree Planting Project partnership with the Department of Environment and Natural Resources). Puregold has implemented a "No Plastic Use" program nationwide called the "Walastik Plastik Program" that is rolled out every Monday and Wednesday, when customers are required to bring their own reusable bags. As of 2022, 63% of our Puregold stores are using paper bags, and 37% are using biodegradable plastic bags. We are still advocating for the use of eco-bags at these stores as well.

The above figures represent a few highlights based on our sustainability performance in the year 2022. A more detailed account of our economic, environmental, and social performance in the year 2022 is provided in further sections of this report. We hope you enjoy reading and gain a deeper understanding of our efforts toward making sustainability integral to our work. Happy reading!

About Cosco Capital

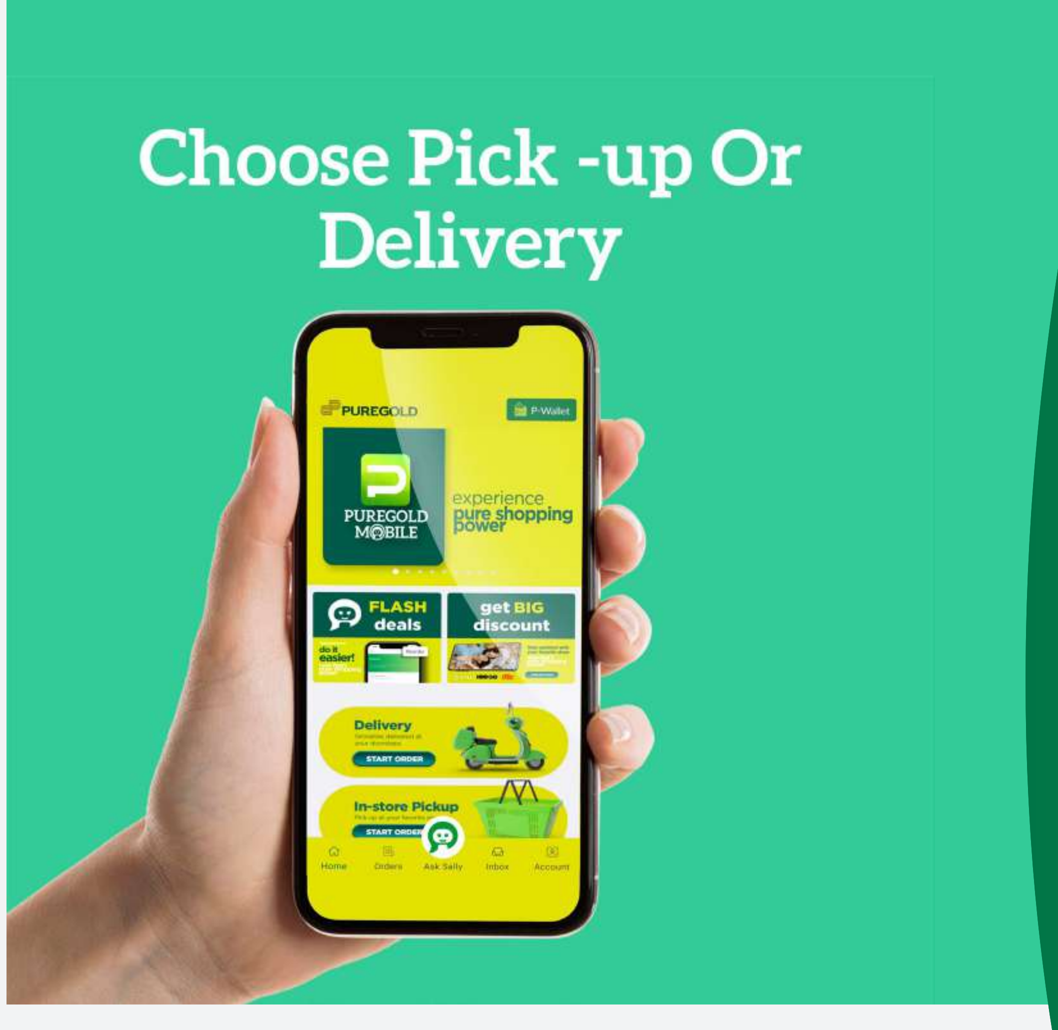
Cosco Capital was incorporated on January 19, 1988 as Alcorn Petroleum and Minerals Corporation. On January 13, 2000, we diversified our business into many segments (described below) and got incorporated as a retail holding company. Our company's vision is to be a leading retail and investment holding company providing quality products and services to communities where we operate, while also pursuing a growth journey that benefits all our stakeholders. We seek to do this through ensuring the affordability and accessibility of products and services that contribute to the healthy lifestyles of our customers (mainly Filipinos). Our core values are encapsulated in the infographic below:

Integrity and Accountability
by ensuring transparency in disclosure on our ESG performance and fostering regular communications with our stakeholders

Genuine Partnership
with regular and global partners who share our values and principles on ESG and general conduct of business

Customer Satisfaction
through regular and frequent communication with customers and emphasis on quality of products and services

Social Responsibility
through our community engagement endeavours and efforts to improve the lives of the communities surrounding our operations



Grocery Retail

Puregold Price Club Inc.

Puregold is Cosco's flagship grocery retail chain, which was opened in Mandayulong City in 1998. Currently, Puregold has 452 grocery stores across the country. The retail chain operates across three store formats:

Apart from this, an online shopping option and an option to pre-book products and pick them up later are available on the Puregold website. Customers can also shop using their mobile phones through the Puregold mobile app.

Puregold's flagship programmes are described below:

Tindahan ni Aling Puring (TNAP)

This program was introduced in 2003 - customized membership program designed specifically for Puregold's primary customers from the Micro, Small and Medium Enterprises (MSME) segment such as the sari-sari stores, minimarts, karinderyas, catering and other types of resellers. Green and Gold Cards are provided under this programme; the former for new and active members of TNAP, and the latter for members who make minimum purchases of 1.3 million annually.

The Puregold "Perks" Card

is a loyalty card program that rewards shoppers with points every time they shop at Puregold Price Club, Puregold Supermarket and Puregold Minimart.

Puregold Price Club

Hypermarkets offering food and non-food products to retail customers and small business owners (stores include mini marts, cafeterias, retaurants, bakeries, pharmacies).

Selling space: between 2,000 to 2,500 sqm

Puregold Supermarket

Smaller stores offering targetted consumer items and a limited variety of general merchandise, with focus on food and fresh products.

Selling space: average 500 sqm

Puregold Minimart

Sale of top-selling brands and products across all categories, with limited number of consumer goods

Selling space: average 250 sqm

S&R Membership Shopping

S&R membership shopping club's primary aim is to deliver significant value to member-customers based on a system driven by aggressive buying, low-cost distribution, and streamlined operations. S&R started functioning in 2006 with four warehouses. The current number of warehouses is 22. Products from S&R are offered in "club packs", and are mostly sourced from the United States of America. Our product offerings under S&R include:

- **Fresh produce and fruits**
- **Australian / New Zealand beef**
- **Cereals / Snacks**
- **Soap / Sundries**
- **Imported chocolates**
- **Imported wine and spirits**
- **Consumer electronics and appliances**
- **Health and Beauty Products**

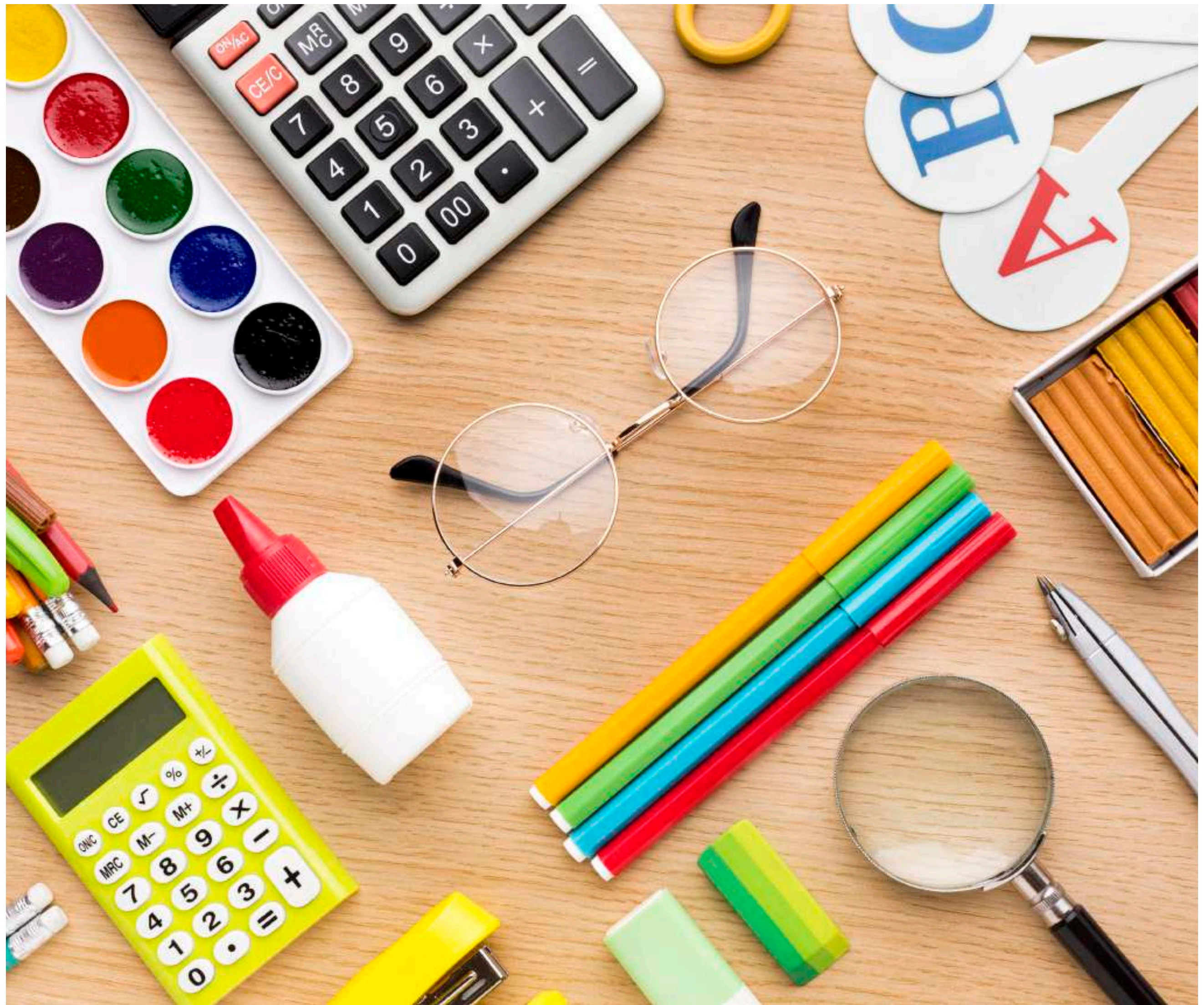
In 2014, S&R opened its first four quick service restaurants (QSRs) named S&R New York Style Pizza. As of the end of 2022, there are 51 S&R New York Style Pizza QSRs all over the Philippines.

Specialty Retail

Office Warehouse

This segment mainly deals in products such as office and school supplies, modern functional furniture pieces, and technology used in everyday office functioning. There are a total of 94 stores operating under this segment, offering home delivery and store pick-up services. The Points Plus Loyalty Program is present, which customers can subscribe to exclusive perks and privileges. Our key customers are small and medium businesses, small offices, home offices, and the education market. Our diverse range of products is listed in the table below:

Furniture	Chairs, tables, cabinets & shelves, and safes
Office & School Supplies	Copy & printer paper, Paper supplies, Filing & storage, Writing instruments, Tapes & adhesives, Desk accessories, Art & craft, General supplies, Display boards
Technology	Printers, Ink & toner, Computer accessories, Data storage, Calculators, Biometrics, Paper shredders, Office machines, Thermal & sanitizing equipment



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Wine and Liquor Distribution

The Keepers Holdings Inc.

The Keepers owns three of the major players in the Philippine liquor, wine, and specialty beverage distribution industry – Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. Collectively, our group continue to be the largest distributor of imported spirits in the Philippines as of 2022. In 2020, we had a market share of 74.0% based on volume and 66.9% based on retail sales value according to IWSR. A snapshot of the brands that the group imports and distributes is presented below:

Montosco Inc.

Montosco, Inc. is a liquor importer and distributor. Under this segment, we import a range of products including affordable and premium quality labels.

Aside from this, we are exclusive importers and distributors of the brands Gilbey's, Islands, Vino Fontana, Alfonso Brandy, Muga Wines, Diageo, Castel Wines, and Pegoes Seagrams 7 in the Philippines.

Meritus Prime Distributions Inc.

This company is also an exclusive distributor for many international liquor brands in the Philippines. Meritus has put in gradual efforts towards expanding the business, and now also distributes products in the Premium wine category. The brands that we import under this segment are: Beam, Jim Beam, Courvoisier, Sauza Tequila, Pinnacle Vodka, Maker's Mark , Beam Suntory, Auchentoshan, Hibiki, Laphroaig, The Hakushu Single Malt Whisky, The Yamazaki Single Malt Whisky, Suntory Whisky, Treasury Wine Estates, The Little Penguin, Rosemount Estate, Willian Grant & Sons, Glenfiddich, Grants Blended Scotch Whisky, The Balvenie Single Malt Scotch Whisky, Hendrick's Gin, DGB, Bellingham, Tree Series, Mill Stream, The Saints, Honey Badger, Strawberry Lips, Familia Zuccardi, Santa Julia, and others.

Premier Wine & Spirits Inc.

Premier Wine & Spirits engages in distribution and marketing of imported wine, spirits, beer, and specialty beverage brands. PWSI caters to the premium segment of liquor buyers and has been operating in the Philippines for 20 years. The products distributed by this company include Absolut Vodka, Chivas, Distell, The Glenlivet, Gruppo Campari, Heaven Hill Distilleries, Jagermeister, Jose Cuervo, Marques de Riscal, Martell Cognac, Perrier, Red Bull, Ruffino Dal 1877, Santa Carolina, and Wolf Blass.

Fertuna Distributions, Inc.

Bodegas Williams and Humbert SA

Real Estate

Ellimac Prime Holdings Inc.

Ellimac Prime Holdings, Inc. is the flagship company of Cosco's real estate group. It was formed through the merger of four property companies in December 2012, namely: PILGOR Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings, Inc. and Pajusco Realty Corporation.

The company owns and operates a portfolio of 55 properties in Metro Manila, Bulacan, Nueva Ecija, Quezon, and Cagayan, mainly serving the commercial retail building segment.

Fertuna Holdings Corp.

Fertuna Holdings has established a 6.5-hectare land as a commercial retail complex called "Harbour Point", which Puregold has occupied since 2012. This is located inside the Subic Bay Metropolitan Authority special economic zone in the Central Luzon region, and has tax and duty free importation privileges under the Republic Act 7277.

Patagonia Holdings Corp.

Patagonia owns a total of 1.3 hectares, out of which an S&R Membership has been operating since 2000 with a steady stream of customers visiting the outlet owing to its prime location. This outlet is located at the Bonifacio Global City (BGC).

Nation Realty Inc.

This company engages in mall development. The main project that we run under this brand name is the "999 Shopping Mall" which is located in Binondo. It seeks to provide affordable and quality products to Filipinos who live in this locality.

NE Pacific Shopping Centers Corp.

This company owns and operates the NE Pacific Mall, which is a family shopping and entertainment destination in Nueva Ecija. It is a 12.5-hectare commercial property housing supermarkets, departmental stores, hardware, appliance centres and restaurants. A Puregold Supermarket as well as an S&R Warehouse Club are among its anchor tenants. Regular marketing and promotional events are conducted at the mall along with scouting for more food and retail tenants to make it a preferred destination for customers.

Canaria Holdings Corporation

Oil and Minerals

Alcorn Petroleum and Minerals Corporation

This is a wholly owned subsidiary of Cosco Capital Inc. organized in 2013 to hold and operate its legacy oil and mining exploration assets and related activities. APMC's current projects include:

Service Contract (SC) 14-C2 in the West Linapacan Area and Service Contract 6B in the Bonita-Cadlao Area, are the operational blocks granted by the Department of Energy. These projects are still in the project development stage.

Limestone exploration and development project located in Merida and Isabel Leyte. The renewal of the Mineral Production Sharing Agreement for 25 years was approved on June 14, 2022.

Awards and Recognitions

- Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar.
- Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors.
- In 2021, the S&R Group was recognized among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.

Sustainability at a Glance

Economic

PHP4.98B
Taxes paid to the Government

PHP3.14B
Employee wages and benefits

PHP202.1M
Invested to community (including LCCK)

12,038
Total no. of direct employees

0
Incidents of corruption

Environmental

3%
Clean electricity used

101M
Reduction of plastic bags used in Puregold stores compared to 2018 base year

Roof-top Solar Power in **22** S&R Warehouse Clubs, **1** S&R Distribution Center and **2** Puregold Stores

63%
of Puregold stores use paper bags and promote monthly upsizing to reduce single-use

Gearing towards **100%** conversion of Puregold and S&R stores to LED lamps

4771MT
Solid waste diverted from disposal

29%
Scope 1 and 2 GHG Emissions Reduction

Rainwater Catchment and Gray Water venture

Social

56%
female employees in the workforce

866 scholars graduated, **107** passed the licensure exam, and **312** current no. of scholars

28.8M
Safe man-hours

760,000+
Puregold Sari-Sari Store members (support local economy)

1.43M
Puregold mobile app downloads

Store Network Expansion

24
New Puregold stores opened

4
S&R Quick-Service Restaurants (QSR) opened

525
Total Stores Nationwide

452
Puregold

22
S&R

51
S&R QSR

Our Sustainability Strategy

At Cosco Capital, our sustainability strategy is driven by four critical areas of focus, which together form our sustainability framework. We use this framework to define key priorities and actions on sustainability going forward.

Business and ecosystem viability

Economic advancement and resilience.

Conscious conduct of operations

Climate change
Sustainable production
Sustainability outside operations

Value for people

Looking after our people
Sustained customer relationships
Ethical practices
Engagement with the community.

Respect to the rule of the land

Governance and Anti-Corruption
complaince to the law

Business and ecosystem viability

The sustained survival of our business and the long-term value creation for all stakeholders in our ecosystem is a primary significant area of focus. We strongly believe that pursuing the achievement of our financial goals in an ethical manner will not only increase our profits, but also improve the livelihoods of people associated with us and contribute to regional economic development. This is because the retail sector is driven by interactions with multiple stakeholders at various touch points along our value chain.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Economic advancement and Resilience	Economic Growth	**GRI** 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices
	Disaster Preparedness	**Non-GRI** Disaster management frameworks or policies in the company
	Technology & Innovation	**Non-GRI** Successful initiatives by the company that employ advanced technology

Conscious conduct of operations

As a retail business, the footprint of our operations is extremely widespread, with the presence of multiple branches, warehouses, and locations. Therefore, it is very important for us to adopt sustainable consumption and production practices across our operations and the supply chain, ensure effective waste management practices and align with the need to respond to the climate change crisis. While we already comply with all regulatory requirements in this respect, we seek to go a step further in the next couple of years by adopting industry-leading resource efficient practices on operational sustainability.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Energy and Emissions	**GRI** 302: Energy 305: Emissions **Non-GRI** Any initiatives on energy saving
Sustainable production	Waste and Recycling of Packaging waste	**GRI** 301: Materials 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling / treatment initiatives
	Food Waste	**GRI** 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling / treatment initiatives
	Optimising Water Use	**GRI** 303: Water and Effluents **Non-GRI** Water recycling / saving initiatives
Sustainability outside operations	Sustainable Supply Chain	**GRI** 303: Water and Effluents 301: Materials 308: Supplier Environmental Assessment
	Sustainable Product Mix	**GRI** 416: Customer Health & Safety **Non-GRI** Initiatives to introduce sustainable products

Value for people

As highlighted above, Cosco's very fabric of existence is based on interactions with multiple stakeholders throughout our value chain. Since the inception of our business, we have taken utmost care to ensure the presence of sustained and healthy relationships with all our internal and external stakeholders. With the onset of our ESG journey, we have identified an entirely new host of opportunities to enhance such relationships. In the near future, we aim to promote the adoption of sustainability in the business and lives of our stakeholders – through a combination of capacity building activities and handholding support.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Employee engagement & diversity	**GRI** 401: Employment 402: Labour / Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced / Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples **Non-GRI** Employee engagement practices
Sustained customer relationships	Customer health and safety	**GRI** 416: Customer Health and Safety
	Promoting sustainable lifestyles	**Non-GRI** Initiatives to promote sustainable lifestyles among customer groups
	Customer Privacy & Cybersecurity	**GRI** 418: Customer Privacy
Ethical Practices	Fair Marketing and Labelling Practices	**GRI** 417: Marketing and Labelling
Engagement with the Community	Communities and Livelihoods	**GRI** 413: Local Communities

Respect for the Rule of the Land

As a business, we have a watertight commitment towards respecting the law of the land. We believe that this will aid business survival and goodwill in the long run, and also that it will help us maintain healthy relationships with the government in the future. This could also help us contribute in a significant manner to local policy dialogue through advocacy endeavours in the future.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Adhering to the Law	Governance and Anti-Corruption	**GRI** 205: Anti-corruption 206: Anti-competitive behaviour
	Compliance to the Law	**Non-GRI** Governance structure for handling compliance management

Stakeholder Engagement

Key Stakeholders	Key Topics/ Concerns	Engagement Platforms/ Channels	Frequency
Investors	Growth Opportunities	Investors Meetings (Virtual and In-person)	Quarterly As needed
	ESG Performance	Company Website	
	Financial Performance	Emails and Calls	
	Corporate Updates and Strategies	Store Visits	
		Quarterly Briefings	
		Conferences and Non-deal Roadshow	
Shareholders	Transfer of shares	Philippine Stock Exchange	Annual, Quarterly As needed
	Annual Operational and Financial Review	Annual Stockholders Meetings	
	Inquiry on Cash Dividend	Investors Meeting	
	Product availability	Company Website	
	Supply chain resilience	Quarterly Briefings	
	Policy and advocacy, governance	Emails and Calls	
Government / Regulatory Bodies	Compliance	Direct interactions with government agency	As needed, Regular
	Taxes	Periodic Reporting	
	Community Development	Emails and Company Website	
		Store Visits	
		Meetings	

Stakeholder Engagement

Key Stakeholders	Key Topics/ Concerns	Engagement Platforms/ Channels	Frequency
Customers	Affordability of products	Emails and Calls	As needed, Annually
	Convenient buying options and experiences	In-store customer service/ Membership counter	
	Healthy and safe product options	Social Media	
	Product availability	Company Events or Conventions	
	Data security and cybersecurity		
	Plastic waste		
Suppliers/Vendors	Consumer protection	Meetings	As needed, Regular
	Data security and cybersecurity	Emails and Calls	
	Supply chain transparency		
Employees	Benefits and Compensations	Emails and Chats	Annually, Daily, As needed
	Health and Safety	Meetings	
	Engagement and Retention	Performance Appraisal	
	Training and Development	Periodic Orientation/Seminar	
Local Communities	Job Creation	Emails and Social Media	As needed
	Community Development	Meetings	
Media	Events	Emails and Calls	As needed
	Company Press Release	Meetings	
		Company Events or Conventions	

Materiality Assessment

For the year 2022, we initially conducted an extensive and comprehensive materiality assessment involving key internal stakeholders from all our subsidiaries. Since this is the first time, we are using the new guidance based on GRI Standards 2021 for the materiality assessment, we have collected the views of only those within our company – however, we have ensured that we have fully and fairly considered the welfare of all our stakeholders listed above while conducting the assessment. The assessment was conducted online (through Google Forms), after a detailed workshop for all members on how to fill the materiality assessment questionnaire.

The material topics were identified based on in-depth research on our industry peers, and were prioritised based on the process below:

Step 1
Scoring of material topics based on organisational context

Step 2
Identification of potential and actual positive and negative impacts

Step 3
Providing scores for likelihood/severity/significance of potential/actual impacts

Step 4
Final score - an average of scores on organisational context and impact

The output of this materiality assessment was the prioritization of material topics. The table and graph below indicate which are our high, medium, and low-priority material topics:

High Priority	Medium Priority	Low Priority
Economic Growth	Energy and Emissions	Food Waste
Disaster Preparedness	Optimising Water Use	Fair Marketing and Labelling Practices
Technology and Innovation	Waste & Recycling of Packaging Waste	Sustainable product mix
Customer Health and Safety	Communities and Livelihoods	
Customer Privacy, Cybersecurity	Promoting sustainable lifestyles	
Employee Health and Safety	Sustainable supply chain	
Employee Engagement, Diversity		
Governance, Anti-Corruption		
Compliance to the Law		

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Economic Advancement and Resilience				
Economic Growth	Sustained economic performance drives better sales, revenue, and profits for the company. Apart from ensuring business survival in the long run, focusing on economic growth could also improve the livelihoods of our employees and workers.	**GRI** 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices 207: Tax	Within Cosco	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH
Disaster Preparedness	Cosco mainly operates within the Philippines, which is a country prone to typhoons and related natural calamities owing to its geography. Fostering preparedness for disasters helps us sustain our performance even during emergencies, while also ensuring that we lend our hand towards helping out communities who suffer during these times.	**Non-GRI** Disaster management frameworks or policies in the company	Within and outside Cosco	15 LIFE ON LAND
Technology and Innovation	As a company mainly operating in the retail industry, employing the latest technology for upgrading our offerings is essential so that we stay relevant. We also continuously seek to introduce new and innovative ways of promoting customer retention and loyalty.	**Non-GRI** Successful initiatives by the company that employ advanced technology	Within Cosco	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Climate Change				
Energy and Emissions	Cosco operates a vast network of retail stores, which consume energy for everyday operations. We believe that making concerted efforts towards reducing energy consumption / replacing with cleaner alternatives in all these stores could contribute significantly to the reduction of GHG emissions and natural resource usage.	**GRI** 302: Energy 305: Emissions **Non-GRI** Any initiatives on energy saving	Within and outside Cosco	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainable Production				
Waste & Recycling of Packaging Waste	Throughout our business segments, packaging is a critical element and its reduction could also minimise waste generation by our customers. We seek to come up with a structured packaging reduction plan in the future, and working towards this is a chief priority for us.	**GRI** 301: Materials 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling/ treatment initiatives	Within and outside Cosco	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Food Waste	We aim to target our food (quick service restaurants and bakery) business as a vehicle for minimising and optimising waste generation by using green alternatives to cutlery. In the future, we also aim to redirect our food waste to more environmentally friendly channels such as composting or socially beneficial avenues such as donation.	**GRI** 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling/ treatment initiatives	Within and outside Cosco	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 2 ZERO HUNGER
Optimising water use	Water consumption at our stores is monitored regularly. Even though our store operations are not water intensive, we have always accorded priority to sensitise our employees on the importance of water conservation.	**GRI** 303: Water and Effluents **Non-GRI** Water recycling/ saving initiatives	Within and outside Cosco	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainability outside operations				
Sustainable supply chain	Our supply chain is complex, since we import and source products from multiple international and local suppliers. It is a challenging task to implement sustainable supply chain practices since we stock multiple brands. However, we aim to build internal capacity and awareness on this front and incrementally implement supplier ESG screening as far as possible.	**GRI** 301: Materials 308: Supplier Environmental Assessment	Within and outside Cosco	11 Sustainable Cities and Communities 12 Responsible Consumption and Production
Sustainable product mix	We always stock products based on our customer needs and preferences. Recent times have seen consumer preferences tilting towards sustainable / organic options that improve customer lives, and our proportion of sustainable products has also increased. We plan to combine advocacy for sustainable products along with increasing green choices so that supply and demand work together to promote customer preference for sustainability.	**GRI** 416: Customer Health & Safety **Non-GRI** Initiatives to introduce sustainable products	Within and outside Cosco	3 Good Health and Well-Being 11 Sustainable Cities and Communities
Looking after our people				
Employee engagement and diversity	Our employees are at the centre of our growth strategy. We have always believed that supporting their individual growth leads to overall productivity and organisational growth. Therefore, we have always accorded maximum importance to treating employees fairly and equally and the workplace, and will continue to explore avenues to improve their experience with us.	**GRI** 401: Employment 402: Labour/ Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced/Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples **Non-GRI** Employee engagement practices	Within Cosco	3 Good Health and Well-Being 4 Quality Education 5 Gender Equality 8 Decent Work and Economic Growth

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustained customer relationships				
Customer Health and Safety	Since we engage in the sale of products that are sometimes directly consumed by our customers, we have a critical responsibility towards ensuring watertight quality standards in all the products we stock. Customer health and safety is hence at the heart of our operations, and we always strive to improve our quality monitoring endeavours.	**GRI** 416: Customer Health and Safety	Within and outside Cosco	3 Good Health and Well-Being
Promoting sustainable lifestyles	As a direct customer-facing business, we realise that we have immense power to influence our customers' choices. While we have already started holding awareness campaigns and programmes on sustainability, we seek to formalise our approach towards promoting sustainability among customers through a structured program.	**Non-GRI** Initiatives to promote sustainable lifestyles among customer groups	Within and outside Cosco	3 Good Health and Well-Being 11 Sustainable Cities and Communities
Customer privacy and Cybersecurity	Our grocery retail segment considers the use of customer data to optimize their experience with us as vital to its business. Therefore, we also have a responsibility towards protecting their data against potential cybersecurity risks and related privacy breaches. We are constantly on our toes with regard to compliance with data privacy regulations, and are implementing continuous improvements to our existing data storage security and controls.	**GRI** 418: Customer Privacy	Within and outside Cosco	16 Peace, Justice and Strong Institutions
Ethical Practices				
Fair Marketing and Labelling Practices	Marketing and labelling of the products that we sell are largely the onus of our suppliers, even though we ensure that they adhere to all regulatory norms with respect to the labels on our products.	**GRI** 417: Marketing and Labelling	Within and outside Cosco	16 Peace, Justice and Strong Institutions

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Engagement with the Community				
Communities and Livelihoods	Maintaining healthy relationships with local communities is key to sustained growth and progressive positive reputation. We seek to combine our technical expertise with the monetary / in-kind support we provide to communities surrounding our stores, so that our CSR initiatives are effective.	**GRI** 413: Local Communities	Within and outside Cosco	10 REDUCED INEQUALITIES
Adhering to the Law				
Governance and Anti-Corruption	Since our inception, we have accorded utmost importance to anti-corruption training among our employees as well as execution of anti-corruption practices and controls. We also prioritise the upholding of our values and principles throughout the course of our everyday operations.	**GRI** 205: Anti-corruption 206: Anti-competitive behaviour	Within and outside Cosco	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Compliance to the Law	In due course, we seek to contribute to regulatory discourse on sustainability and climate change and act as a policy advocate for ESG. To do this, we understand that strict regulatory compliance and monitoring of breaches is the best way to earn goodwill and reputation for engagement with the government in the future.	**Non-GRI** Governance structure for handling compliance management	Within and outside Cosco	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Impact Summary

Material Topics

Economic Growth

Long-Term:
The pursuit of economic growth and business expansion by Cosco group could foster local employment and income promotion in communities where we operate. Additionally, stable economic performance also ensures sustained, regular payment of taxes from our end to the government. On the flipside, economic growth may also cause erosion of resources from promoting agricultural economy, increased possibilities of pollution without proper focus on sustainability practices.

Short-Term:
One of our main target customer groups is the small and medium enterprise (SME) segment, whom we seek to support by offering products / membership at affordable rates. We believe that our efforts help MSMEs venture and expand; and as an extension, attract investments into the Philippines. The opening of new stores by Cosco group each year also promotes employment opportunities in local regions, and increased tax payments to the government. Currently, we are in a transition period in which we are trying to make our business more sustainable than it already is. This means that our supply chain is an open loop system wherein we still have a significant environmental footprint.

Governance and Anti-Corruption

Long-Term:
Over a period of time, strengthening governance practices could drive better corporate accountability and transparency, lead to zero incidents of corruption, and create a conflict-free workplace. However, poor monitoring of adherence to anti-corruption could lead to reduced stakeholder trust, and frequent conflicts within the workforce.

Short-Term:
Currently, our governance practices promote organisational discipline and contribute to building our reputation, which leads to better productivity / performance of the business. The Cosco group reported no incident of corruption for the reporting year 2022.

Compliance to the Law

Long-Term:
Continued adherence to national and local laws and regulations promotes not only a culture of compliance but primarily harmonious conduct of our business operations within the society we operate. It could likewise result in avoidance of fines and penalties in the near future, in addition to augmenting the incomes of local and national governments in the long run due to regular tax payments. Accumulation of goodwill for the company among investors, customers, and suppliers is also a potential impact of unwavering compliance to the law. On the other hand, gaps in compliance management could lower employee morale and damage relationships with local governments.

Short-Term:
Due to our existing, watertight commitment towards regulatory compliance, we pay no fines/penalties towards non-adherence on any count. This has resulted in continued renewal of customer, investor, and supplier trust. Strict adherence to rules and regulations has also boosted employee confidence in us, and improved our employee retention. A practical challenge we face while updating our compliance registry is the risk of oversight due to too many compliance requirements.

Disaster Preparedness

Long-Term:
We feel that having a proper disaster preparedness plan in place could provide an effective risk management framework for us to follow. It could increase overall organizational efficiency in the long run, and creates a market edge for Cosco. However, poor disaster management practices could lead to human, physical, and opportunity losses, in addition to higher costs of managing inadequate practices and poor technologies that reach obsolescence in a short time.

Short-Term:
Our emergency response plan supported by recent technology updates helps us mitigate losses, promotes faster communication and efficiency. We ensure that proper training and awareness of our emergency response plan and practices are being conducted for new and existing employees of the company. Furthermore, all of the stores and properties are fully insured to cover the risks of financial losses of the company in case of natural calamities or disasters.

Technology and Innovation

Long-Term:
Adoption of new technologies and brainstorming for new ideas from time to time could lead to employee motivation and productivity improvement. However, plans on shifting to technology-based alternatives could also lead to fears about manpower replacement, data security (virus attacks) threats, and extended periods of return or reduced return based on the success of its implementation. This could affect employee confidence.

For the past years, refrigeration and air conditioning technology has become far more advanced than the Freon-powered clunkers of the 1960s. Businesses can significantly increase both their energy efficiency and sustainability by implementing new technologies when it comes to managing, maintaining and retiring refrigeration systems. It's important to consider prioritizing sustainable refrigeration because it can help reduce energy consumption, decrease the risk of global warming and potentially saves lives due to food spoilage.

A few of the most promising, environmentally conscious refrigeration technologies on the horizon that are worth considering are CO_2 refrigerant, thermoelectric cooling and magnetic refrigeration

Short-Term:
The efforts that we have taken so far to adopt technology where possible has led to tangible benefits including lesser power consumption due to energy efficiency, improved cost efficiency of operations because of regular data monitoring, and smoother communications through technology-driven platforms. We have also faced issues in this regard, including occasional connectivity problems, and awareness gaps in using the technologies introduced.

Waste and Recycling of Packaging Waste

Long-Term:
With proper planning on recycling of packaging waste and reducing waste generation in general, we could conserve resources over a period of time and also obtain financial gains through reclaimed waste, in addition to preventing health issues among communities located close to landfills. Poor monitoring of such initiatives could lead to improper / inconsistent waste practices due to the possibility of higher priority being accorded to earning from waste.

Short-Term:
Through our existing initiatives on waste management, we have achieved packaging cost reduction and reduced plastic waste through recycling, and reduced hazardous waste generation in general. We regularly monitor our waste disposal practices and seek to continuously improve them by ensuring to comply with all government regulations on waste management.

Food Waste

Long-Term:
Lower food wastes and consequent cost savings are positive impacts that we could garner over time, as a result of implementing an effective strategy for food waste management.

Short-Term:
Our attempts to forecast food waste and efforts to promote paperless transactions at our food joints lead to significant cost savings and a reduction in the amount of waste that we generate.

Energy and Emissions

Long-Term:
With a comprehensive energy management and conservation strategy, we could contribute to reduced emissions and pollution, and reduced consumption of electricity (including added income from selling power back to grids). If energy conservation is not prioritized it could lead to multiple repercussions, including increased pollution, wear and tear on machines not inspected for energy efficiency and increased carbon footprint.

Short-Term:
Our existing energy savings initiatives promote cost efficiency, in addition to helping us reduce carbon emissions and pollution from our end. It also leads to improved air quality and thereafter, a conducive working environment for employees. We have also realized that lack of a structured energy management plan leads to higher operational expenditure, emissions from a diesel-fuelled delivery fleet, increased costs from using non-inverter air conditioners and refrigeration, and more environmental pollution.

Optimising Water Use

Long-Term:
Concerted efforts by businesses such as Cosco to optimize water use could lead to water savings in reserves in the Philippines that are dependent on rainfall. This could lead to an increase in the availability of water for communities that depend on the same source, in addition to reducing water bills for the company. Lesser focus on water efficiency could lead to more operational expenditure and increased water demand. Another potential impact is resistance to adoption of water efficient fixtures due to high capital expenditure on them.

Short-Term:
Our current water conservation and water use reduction initiatives have led to improved cost efficiency, and the availability of additional water for plant and toilet maintenance. Another impact is employee satisfaction as a result of smooth and efficient functioning of water equipment due to regular checks. In the past, our water conservation efforts have been impacted due to increased water demand from new store openings and consumer foot traffic inside the stores.

Sustainable Product Mix

Long-Term:
Over time, consistent endeavours towards creating a sustainable product mix could drive customer preferences towards cleaner and greener alternatives. It could also improve Cosco's brand image and promote customer health and safety. However, the availability of more affordable alternatives could also affect the sales of sustainable products if customers choose the former.

Short-Term:
In the current scenario, we have observed that making sustainable products (such as organic ones) available in our stores helps in satisfying health-conscious customers, and promotes the use of sustainable products within our customer community. However, we have also observed limited sales of sustainable products, stocking issues with products that are demanded more, and higher cost of promotions.

Sustainable Supply Chain

Long-Term:
Though our supply chain is complex, attempting to integrate sustainable supply chain practices could open avenues for more partnerships in the future, improve our ability to meet customer demands on sustainability, and reduce pressure on the environment. However, shifting to sustainable supply chain management could also entail higher costs in the process of supplier adaptation, challenges in monitoring ESG performance across the supply chain, and in finding ESG compliant suppliers.

Short-Term:
Currently, our efforts towards creating a greener and low-waste supply chain has led to the use of more recyclable material in our stores, more planned stock replenishment, more efficient deliveries, and better revenue as a result. An existing challenge that we face is supplier resistance to ESG-related requirements, in addition to higher costs of sustainable raw materials.

Promoting Sustainable Lifestyles

Long-Term:
Over the long term, promoting sustainable choices by customers could promote customer loyalty and improve brand reputation. It could also motivate more customers to save resources in their everyday lives. Yet, promoting behaviour and lifestyle changes among employees and consumers is a challenging and time-consuming process given that sustainable products are priced higher, and also because it is essential to keep up with changing trends.

Short-Term:
Our sustainability advocacy efforts so far have helped customers realize the value of optimal resource use, and have also helped employees be more productive as a result of living sustainably. However, the lack of a regulatory framework to promote sustainability among communities makes it difficult to create change. Moreover, additional time taken to conduct sustainability awareness sessions among employees cuts into their time for working and pushes them to work more hours to compensate for the actual tasks required in their roles.

Employee Engagement and Diversity

Long-Term:
Building on our current emphasis on employee engagement and prioritising diversity and inclusion among employees could promote equal employment opportunities for those who wish to join Cosco group, better engagement and creativity of employees, a diverse talent pool, and better retention and productivity. However, if less attention is paid to engagement and diversity, it could lead to incidents of discrimination, low morale, high employee turnover, and additional costs of team building activities.

Short-Term:
Our existing team-building activities are leading to more involved, engaged, and creative employees who are more productive. It has also led to the creation of a gender-equal workforce. But in instances where there was poor employee communication due to unavoidable reasons, this has led to low employee morale. Additionally, we face higher financial costs as a result of more employee engagement activities implemented by us.

Employee Health and Safety

Long-Term:
Over a period of time, high priority to employee health and safety will eventually increase employee satisfaction and security, and improve employee morale and accountability. Not managing occupational health and safety matters well could lead to more injuries, disabilities, and a high attrition rate.

Short-Term:
Our attention to detail with respect to occupational health and safety has led to better employee efficiency, productivity, lesser instances of absenteeism, and better awareness of health protocols among employees. However, an existing challenge with respect to health and safety restrictions is lower opportunities for engagement by employees. Higher costs of obtaining and maintaining OHS management systems certifications are also a challenge.

Fair Marketing and Labelling Practices

Long-Term:
Ensuring that all products we source follow strict standards on marketing and labelling increases customer satisfaction in the long run, and promotes a safe customer experience at stores due to public confidence in products. Not including quality checks in place (for marketing and labelling) could affect customer loyalty and lead to regulatory issues, in addition to posing challenges in meeting changing government regulations.

Short-Term:
Our strict adherence to quality requirements on marketing and labelling has led to customer loyalty, minimal customer complaints, and no regulatory fines / penalties in this regard.

Customer Privacy and Cybersecurity

Long-Term:
We realise that ensuring strict protocols on data security could increase customer trust and help us use the data better and form partnerships driven by the use of data. However, leaving gaps in cybersecurity practices could make our data prone to hacking, phishing, and identity theft.

Short-Term:
With strict protocols in place, we have been able to use customer data for improving the membership shopping experience, our online and mobile sales have improved, and better communication protocols have been established with customers.

Communities and Livelihoods

Long-Term:
The creation of shared value in the long term through our community support initiatives helps more and more SME entrepreneurs venture and expand, promotes job creation among local communities, and leads to lessened income inequalities. If CSR programs are not managed properly, this could affect relations with local communities.

Short-Term:
Our CSR initiatives have promoted job creation among local communities, and ensured the availability of affordable office and school supplies to members of the local community.

Business and Ecosystem Viability

This thematic area concerns our economic and financial performance over a period of time, considering all factors in the ecosystem that influence this – including natural calamities and disasters, procurement practices, latest technologies, and others. We believe that maintaining sustained financial performance is the first step towards being able to ensure the welfare of our stakeholders. Our performance in this regard is outlined in the sections below.

Economic Growth

At Cosco Capital, finance teams in individual subsidiaries are responsible for overseeing matters related to financial reporting, budgeting, and setting revenue targets. We also have an internal audit mechanism to monitor our performance. Our economic performance for the year is encapsulated in the table below:

Particulars	2022 (Philippine Peso in Million)	2021 (Philippine Peso in Million)	2020 (Philippine Peso in Million)
Direct Economic Value Generated			
Revenues	200,324,008,737	177,670,401,306	180,474,149,423
Revenue from financial investments and other sources	805,978,804	494,616,068	696,109,532
Grand Total	**201,129,987,541**	**178,165,017,374**	**181,170,258,955**
Direct Economic Value Distributed			
Operating costs	23,574,161,211	21,461,844,669	20,147,712,147
Employee wages and benefits	3,139,628,016	3,038,541,961	2,571,143,840
Payment to provider of funds	None	None	None
Interest payment made to provider of loans	527,169,296	697,383,984	440,335,510
Dividends to all shareholders	2,791,727,089	1,669,896,000	1,865,088,832
Sub total	**30,032,685,612**	**26,867,666,614**	**25,024,280,329**
Payments to government (taxes)	4,981,210,761	4,253,790,186	5,291,309,846
Community Investments	202,100,000	10,670,000	25,125,192
Reinvested to maintain and develop operations:			
Depreciation and amortisations	4,315,783,633	4,624,580,000	4,152,877,300
Retained profit	71,597,332,975	65,943,338,000	58,915,686,000
Deferred Tax	1,245,673,897	882,764,000	758,131,000
Sub total	**82,342,101,266**	**75,715,142,186**	**69,143,129,338**
Grand Total	**313,504,774,419**	**280,747,826,174**	**275,337,668,623**

With respect to salaries and wages, we always set a competitive hiring rate based on the region's minimum wage law and industry rate. 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries higher than the minimum wage prescribed. This convention is followed across our subsidiaries. Our local hiring rates stand at 100% for Puregold and The Keepers Holdings, for whom "local" means native Filipinos. 68.5% of the senior management were hired locally by S&R, wherein "local" refers to areas surrounding the stores.

In 2022, the Cosco group spent Php 9.2 billion for infrastructure investments on capital expenditure for new store openings, repairs and maintenance, and IT investment (this is a 100% increase from the year 2021). These investments impact communities in a positive manner given the opening of new stores creates more local employment, and improves the standards of living of our employees and their families.

Local procurement is always prioritized by Cosco Capital, across our subsidiaries. We try to go local in order to support the regional economy; however, in our retail stores, we include a lot of imported brands as well to satisfy the wants of our customers. Our local procurement data (for 2022) is provided in the table below:

Subsidiary	% of spending on local suppliers
Puregold Price Club Inc.	90%
S&R Membership Shopping	60%
The Keepers' Holdings	8%
Real Estate Group	100%
Office Warehouse	90%

We also contribute to local economic growth by paying our taxes in full and on-time, in accordance with our tax strategy that is applicable for all subsidiaries. Our strategy is based on tracking and payment of whatever taxes are applicable to us. The President of the group reviews every tax payment that is made, ensuring accountability in this regard. We embed the principle of on-time tax payments amidst our employees by regularly tracking the websites of Tax Authorities for new policies and regulations, and encouraging them to attend seminars related to these. Once tax payments are processed, these are evaluated for gaps / improvements needed, if any. All our tax obligations and payments are properly disclosed in the audited financial statements.

Disaster Preparedness

Given the widespread footprint of our operations that could be affected in case natural calamities occur, we have a group contingency plan that outlines procedures to be followed in such situations. The guidelines describe how the security team, employees, and civilians should respond to emergency situations during the occurrence of various disasters (the definitions for which are also provided in the plan). A snapshot of these points is provided in the table below:

Calamity / Disaster	Response Plan
Earthquake	Security team to secure access points, guide civilians and employees, and stay alert; employees to exit based on company's instructions; civilians to exit calmly.
Storm, Typhoon and Flood	Since these disasters usually have forewarnings, security teams stay in for prolonged periods to protect life and property, and respond according to pre-planned contingency plans for such situations.
Fire	Preventive measures outlined: smoking prohibition, checking flickering lights, not storing disposable materials unnecessarily, making firefighting accessories available, firefighting personnel / staff to be trained. In case of fire occurrence, the security team follows a contingency plan, calls the fire department immediately, decides on evacuation only if needed, and evacuates employees through designated points.
Sabotage & Bomb Threat	Nature of such incidents are outlined, along with procedures on how to respond in case threats are received on the phone.

Apart from this, Puregold also has a separate Critical Incident Management manual outlining guidelines on the role of the Critical Incident Management Committee, activities of the Emergency Operation Center, evacuation and relocation, damage assessment and recovery, and the emergency management cycle.

Technology and Innovation

As a customer-facing business, we are constantly on the mission to innovate and improve our methods of engagement and diversify the products that we offer. Technology has been a key enabler in this process, especially after the pandemic. The top management constantly drives the group towards market expansion and innovation by encouraging the establishment of new supermarkets and warehouse clubs nationwide, helping the group gradually expand its footprint to reach out to more customers. Our recent innovations to improve customer satisfaction (some of them integrating technology) are listed below:

Puregold mobile application, which addressed customer concerns on safety and mobility during the pandemic. As of 2022, 1.43 million users have downloaded this application.

Tindahan ni Aling Puring program, that provides market offers and best value on money deals for supporting small businesses local to the Philippines. 760,000+ TNAP members are a part of this program, offered through the "Sari-Sari" stores of Puregold.

Puregold Perks Program, provision of access to groceries for 1.5 million Puregold Perks customers even during the pandemic, through online shopping, door-to-door delivery delivery options and other methods (through caravans / shopping on wheels).

Our initiatives led to Puregold winning the **"Most Chosen Retailer"** award in 2022 for the FMCG sector, based on the consumer reach points method.

Conscious Conduct of Operations

The sheer number of stores that we operate means that we create significant environmental impact through our resource consumption for everyday activities. We recognise the multiple opportunities to reduce our resource use and recycle waste at all our stores. Our actions in this regard influence many stakeholders including our employees and our customers; therefore, we hold ourselves responsible for setting the right example.

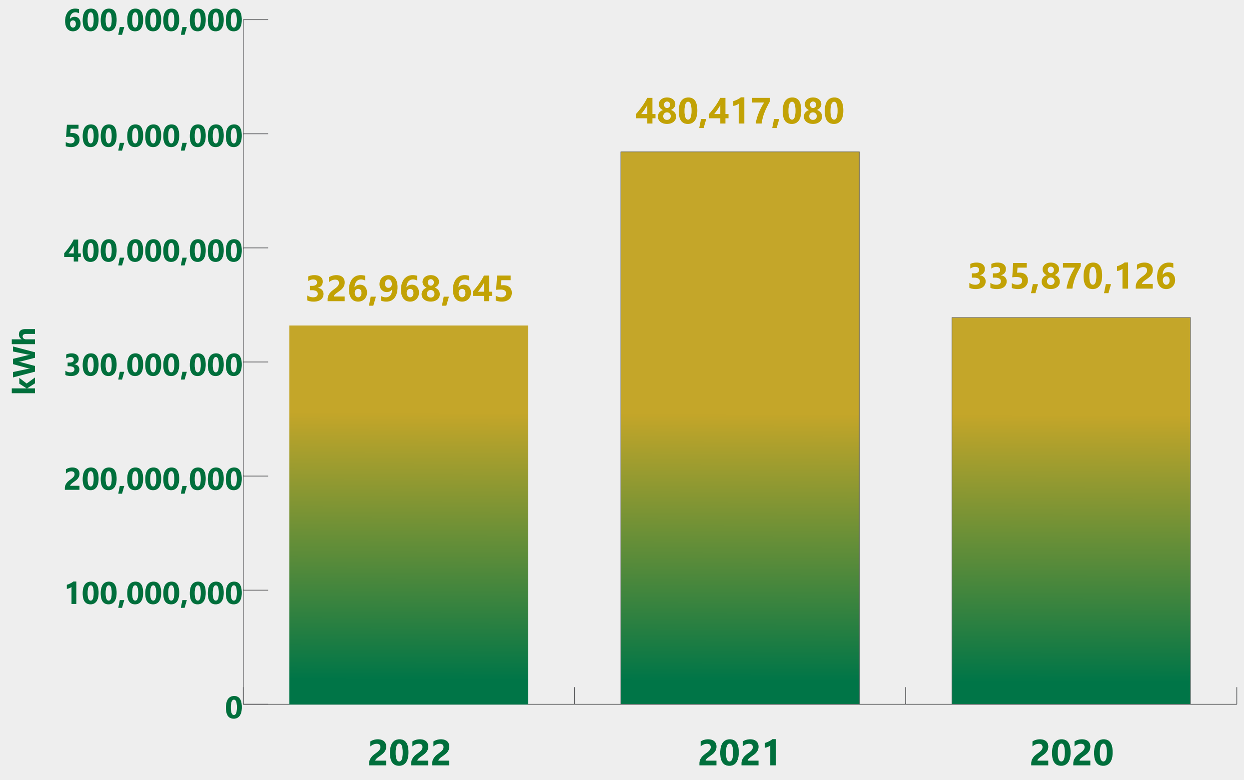
Energy and Emissions

Our operations team in each subsidiary is responsible for energy management and monitoring energy data. Our energy consumption is mainly from diesel and gasoline for power generators and for trucks that load / unload our sticks, and liquified petroleum gas for cooking in the stores that sell food.

Our total energy consumption over the past three years is presented in the table below:

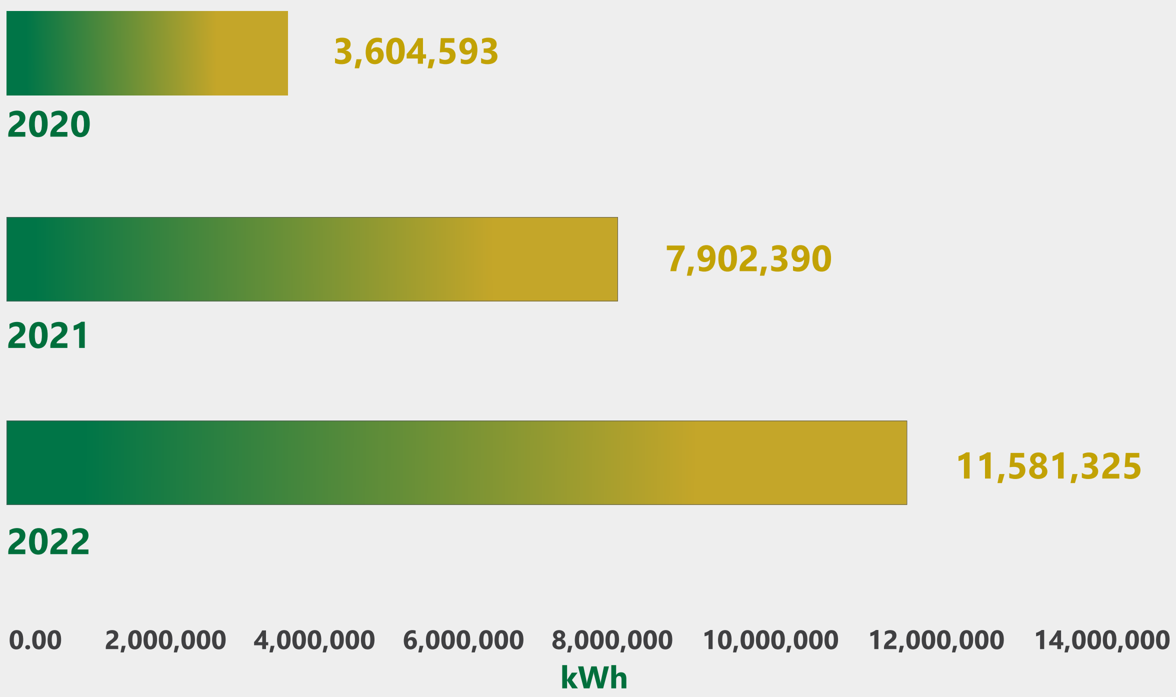
	Sources of Energy within the organization	Unit	2022	2021	2020
1	Diesel	GJ	2,115,266	5,794	3,759
2	Gasoline	GJ	178,913	9,205	4,794
3	LPG Gas used in Canteen in KG	GJ	2,016,683	69,355	191,240
4	Renewable energy	kWh	11.58 million	7.9 million	3.6 million
5	Electricity from Grid	kWh	326.97 million	480.42 million	335.87 million

Data on electricity purchased is provided in the graph below (we purchase from Meralco electricity):



There has been a decrease in electricity purchased in 2022 as compared to 2021, the reduction in energy consumption can be attributed to the implementation of energy conservation programs and the company's growing production of renewable energy despite new store expansion, resumption of normal operations, and increased foot traffic inside the stores.

As for energy produced by us, we have started installing rooftop solar facilities in 24 stores and 1 distribution center. This has led to a marked increase in the solar energy produced by us, mainly due to the rooftop solar units introduced by Puregold in 2022, in addition to S&R's solar energy production. This is represented in the graph below (in kWh):



We have implemented several initiatives towards energy conservation in 2022, which are listed below

- Strict implementation of energy conservation programs such as turning off the lights during lunch break, maintaining room temperature 25+/-1 degree celsius in air conditioners, by Cosco Group.
- Incandescent bulbs were converted to LED bulbs, neon building ID signage were converted to LED signage by Puregold, S&R and Office Warehouse, in addition to specifying guidelines and procedures for switching off lights and air conditioners as per schedule.
- Solar PV panels have been installed in 22 S&R warehouse and 1 S&R distribution center since 2018, of which 41,027.48 GJ of energy has been saved to date.
- Puregold is gearing towards 100% LED main lighting in all stores.
- Conversion of water-cooled ACU using R22 refrigerant to Air-cooled Inverter type using R410 refrigerant.
- Installation of solar photovoltaic panels in 2 stores of Puregold in September 2022 led to 315,780 kWh of electricity being saved. The details are provided in the below two tables:

Phase 1		
Particulars (completed projects)	**North Commonwealth Store**	**Sucat Store**
System Size (Solar Capacity, KWp)	366.24	296.4
Project Completion	Sep 2022	Sep 2022
No. of Days of Operation	168	159
Total Generated from Solar Facility (Kwh)	156,406	159,374
Average Daily Savings (KwH)	931	1,002

Phase 2		
Particulars (completed projects)	**Qi – Central Store**	**Taguig Store**
System Size (Solar Capacity, KWp)	752.40	673.20
Project Start Date	December 2022	December 2022
Targeted Completion Date	Apr 2nd week 2023	Apr 4th week 2023
Projected % Savings upon completion	23%	20%

Our GHG emissions for the reporting year and the previous two years are shown in the table below:

Carbon Emissions	2022	2021	2020
Total Scope 1 Emissions in tCO2e	13,586	5,977	5,577
Total Scope 2 Emissions in tCO2e	232,868	342,155	239,206

Our Scope 1 emissions are mainly from our energy consumption, and this has increased in 2022 compared to the previous years 2021 and 2020. Scope 2 emissions are from electricity purchased. While we have not tracked Scope 3 emissions in 2022, we intend to identify priority categories under Scope 3 and implement appropriate practices to include them in the GHG inventory and sustainability accounting process moving forward. In 2021, Puregold reduced its CO2 emissions by 36% as a result of 25% of business being handled by cross-dock operations, which led to distribution efficiency. Between 60-80% of Puregold's refrigeration/chillers/ACUs have now been converted to R400 series, which is the more environmentally-friendly HCFC. Our emissions intensity for 2022 is 0.0015%.

Waste and Recycling of Packaging Waste

At Cosco, we believe in reducing the amount of materials used in our operations and thereafter. Reducing the amount of waste that we generate could be beneficial for building a closed loop system wherever possible, thereby advancing our part in promoting a circular economy. We do not track data on raw materials for most of our subsidiaries since we import various brands and resell them in the local market. We record material consumption data for S&R since they source plastic packaging in pieces. The amount of plastic packaging sourced in 2022 was 45,751,274 pieces, as compared to 52,064,567 pieces in 2021 – a 12% decrease in 2022 relative to 2021. The procurement team is responsible for matters related to material sourcing. Waste management is according to our Hazardous Waste Management Plan and the Solid Waste Management Plan.

Our solid waste management process is rigorous and comprehensive. An outline of this process (at Puregold) is presented in the infographic below:

Source segregation by categories: bio-degradable, non-bio-degradable, recyclable by using coloured bins

Transfer to depository/disposal area that is accessible only to authorised personnel for further segregation

Labelling of segregated waste - red for recyclable, green for biodegradable, blue for non-bio-degradable

Disposal only to government accredited third party garbage haulers/local government units with minimal spillages.

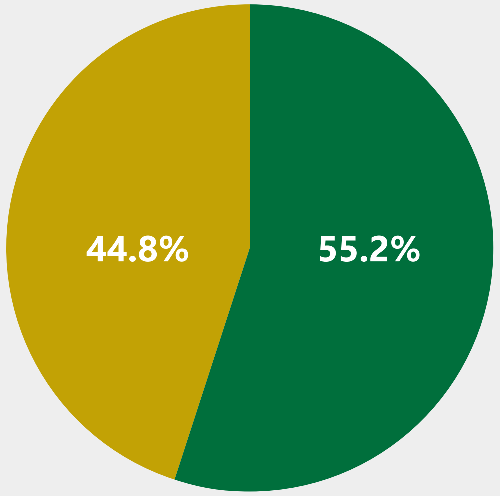
Recyclable waste sent to junk shop/scrap buyer, biodegradable waste to Barangay Material Recovery Facility, non-bio-degradable to sanitary landfill/long-term storage

Monitoring and Checking of depository area, adherence to solid waste management practices, and recording/updating data

The operations team is responsible for tracking waste data, which is shown in the chart and paragraph below (in metric tons):

Non Hazardous Waste

- Waste directed to disposal
- Waste diverted/reused on-site/recycled



Of the total non-hazardous waste generated by NE Pacific, Puregold, and S&R Membership Club, the majority comes from food, metal, glass, plastic, and paper. Most of it is directed to disposal (for recycling by a third party), while some of it is reused on-site for packaging of purchased goods by consumers (i.e. use of cartons as packaging).

Hazardous waste is mainly generated from Puregold and S&R (busted fluorescent lamps, used oils from generator sets, busted LED lamps, genset batteries, and grease wastes). In 2022, 536.72 MT of hazardous waste was generated and sent to an accredited third party that collects hazardous wastes. Puregold generates a small amount of electronic waste due to printers, copies, and credit card machines. 2.34 MT of electronic waste was generated in 2022 (this was sent to junk shops).

The hazardous waste management process followed by Puregold is outlined in the infographic below:

Source segregation of waste in clearly labelled containers, collected by designated staff

Storage of used oil/grease in closed drums; storage of expired bulbs in plastic drums (all in a dedicated storage area)

Labelling in yellow background with black test, classifying type of hazardous waste

Disposal through third party dealer accredited by DENR according to minimum weight requirements

Busted bulbs within warranty period kept separately and returned to suppliers

Store Manager, Store Operation Officer, Store Admin staff to check adherence to processes and record and update data

We are constantly on the lookout for new and unique initiatives to manage and reduce waste generated by us, apart from ensuring compliance to the local Solid Waste Act. Some of our initiatives implemented in 2021 and 2022 are listed below:

- Puregold aims to reduce its plastic use by launching a “No Plastic Use” program nationwide called Walastik Plastik Program that is applicable every Monday and Wednesday, where customers can bring their own reusable bags. Through this and other initiatives, Puregold and S&R have achieved a reduction of 100 million plastic bags in 2021 itself. Compared to five years ago, Puregold has reduced its plastic shopping bags usage by almost 50% despite the addition of more than 150 stores for the same period. Currently, 65% of Puregold stores use paper bags and promote monthly upsizing to reduce single-use plastic. S&R, as of 2022, has completely stopped the purchase of plastic bags.
- Reviving Puregold’s recycling program, where customers can exchange their recyclable materials such as plastic bottles, cans, cartons, and newspapers for Puregold gift certificates.
- S&R group introduced a recycling program to reuse and resell carton boxes and plastics, use of recyclable containers for oils, reusable plates, and cutlery in the food service program, and has stopped the purchase of plastic since the second half of 2021.
- As of 2022, 1,203 tonnes of solid waste generated was reused on site, while 900 tonnes was composted (for Cosco Capital as a whole).

Food Waste

Food wastes and other solid waste are generated from the food and fresh section of S&R, where the group processes meat, fish, and other poultry products. The scraps coming from the preparation of this food are sent to third-party accredited solid waste haulers, who send this waste to the landfill.

Optimising Water Use

Our water use is also monitored by the Operations team. While our activities are not water intensive, we consume water for drinking, cleaning, and washing – across our subsidiaries. We source our water from a third party, and our total water consumption for the year 2022 was 1914.2 megalitres. 90% of Puregold’s water consumed is later discharged into septic tanks and sewage treatment plants. 157 wastewater treatment facilities of Puregold are compliant with the Clean Water Act with respect to effluent release. Additionally, Puregold also implements water conservation measures such as rainwater harvesting, water recycling, and low-flow fixtures and waterless urinals. Puregold’s grey water strategy aims to reduce the potable water demand of the operation by using the treated wastewater for flushing and cleaning.

Case Study

Puregold's Building Sustainability Initiatives

Apart from all the above initiatives, we have a building design and material optimisation policy that seeks to reduce resource consumption in all our Puregold stores. Some aspects of this policy are outlined below:

Design

- Site potential optimisation which includes assessing a potential side for maintaining vegetation, for solar viability, reuse potential of existing fixtures, and proximity of customers / residents / employees to the site
- Energy Use Optimisation through use of LED lighting, high efficiency IE2 in water pump motors for energy efficiency
- Recycled STP water and recycled rain water to be used for flushing, gardening, landscape irrigation
- Use of concrete and steel for strong and solid buildings that can withstand extreme temperatures, severe storms, floods and other natural disasters.

Materials

- EIFS (Exterior Insulation and Finish System) - Reduces solar heat gain on walls and leads to approximately a 25% improvement in cooling within the building
- Double bubble double foil roof insulation with high R-value - Reduces solar heat by an estimated 15%.
- White roof coating, which has a solar reflective index of 80-90%
- HVLS (High-Volume, Low-Speed) Fans - They require little energy/electricity for large commercial and warehouse areas.
- Waterless urinals - They save an estimated 30,000 to 40,000 gallons of water per year, per urinal, compared to the standard flush-valve type.
- Use of water efficient toilet fixtures such as self-closing faucets that regulate the flow and release of water and low-capacity flush tanks.
- Use of cement/concrete - Provides long-life cycle, lower life-cycle costs and resilience following natural and man-made disasters.
- ACP (Aluminum Composite Panels) -. Recycling aluminium saves 95% of the energy required to produce Aluminum from raw materials.
- Use of steel, which is 100% recyclable.

Equipment

- Refrigeration Equipment - R404 Freon used is non-CFC (Ozone layer friendly)
- Use of inverter type air conditioning units, refrigeration equipment, and inverter type escalators, moving walks, and passenger elevators for lower energy consumption and lower electricity bill.

Aside from these, new stores being identified are structurally designed to carry solar panels, and to accommodate sewage treatment plants.

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Sustainable Supply Chain

The group-wide supplier code of conduct outlines principles and guidelines to be followed by suppliers while engaging with us. The procurement team is responsible for promoting adherence among the suppliers. Though we do not conduct full-fledged vendor assessments on environmental and social aspects, we administer a supplier self-assessment questionnaire that covers environmental and social aspects including their taxpaying record, SEC registration, and other such aspects. Logistically, it is a challenge for us to implement supplier screening on ESG even for our Tier 1 suppliers, given the number of brands we import (for our retail store and liquor segments).

However, we seek to explore this option for our real estate and office supplies segment in the near future. 21 new suppliers were added in 2022 (for the S&R membership shopping club).

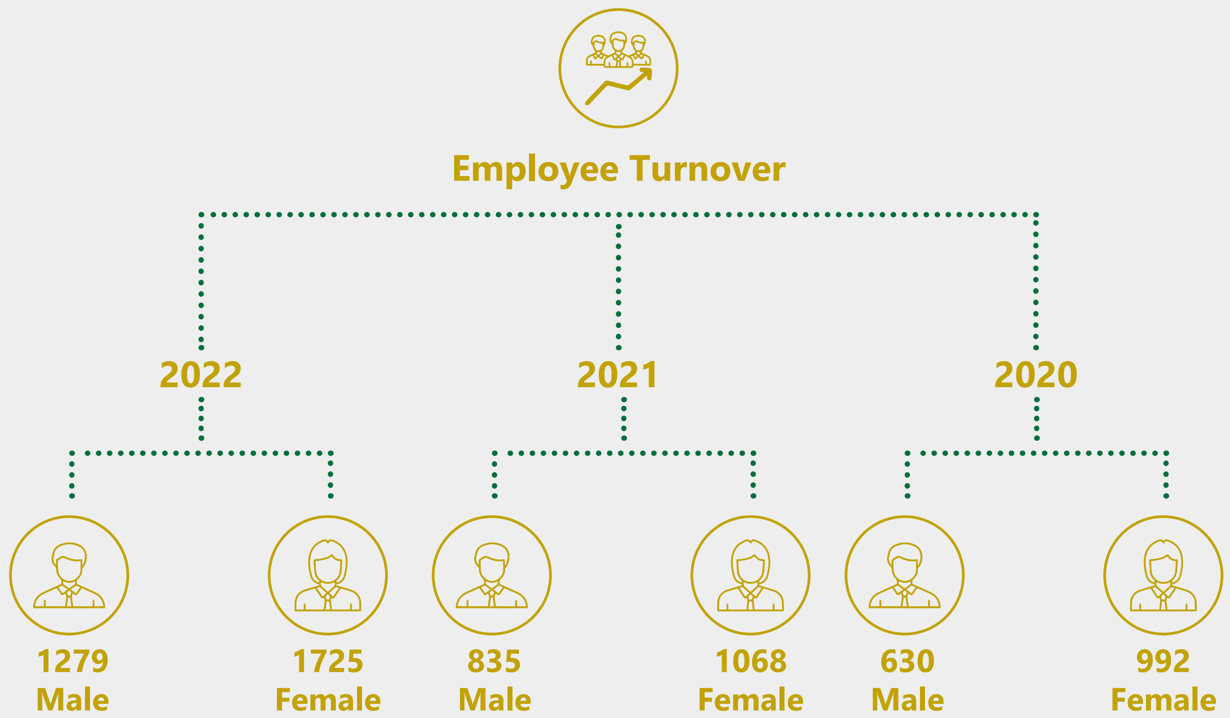
Value for People

The stakeholders that we are associated with throughout the course of our value chain are crucial elements to the success of our business. The commitment of our employees to organisational values and principles, customer loyalty and trust, and cooperation from the community that surrounds our operations are indispensable to the long term survival of Cosco Capital. We therefore have a host of programs and policies in place to ensure the wellbeing of these stakeholders, outlined in the sections below.

Employee Engagement and Diversity

Our group HR manual covers all matters with respect to our employees at all subsidiaries of Cosco Capital. The manual covers the following policies:

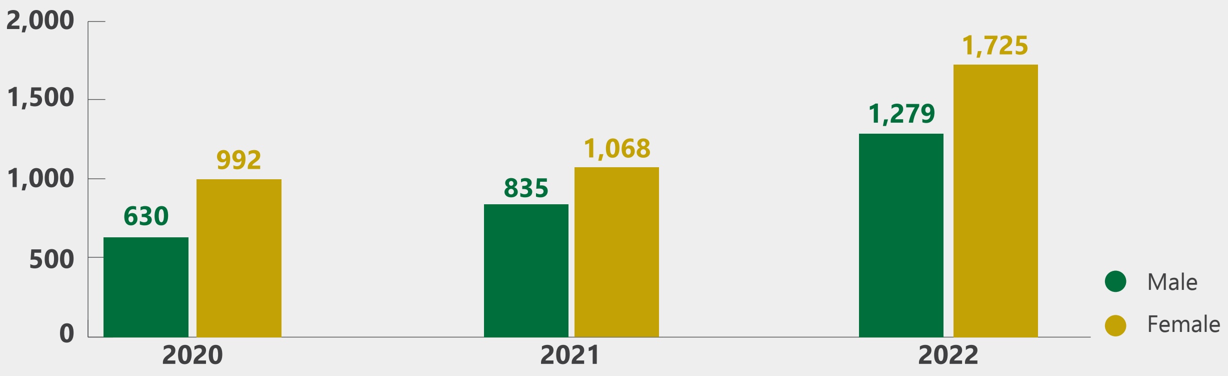
- Company Safety Policies: Outlines guidelines for observation of safety regulations, safety responsibilities of the employee and supervisor, worksite precautions for the entire company, offices and stockroom areas, and SOPs for safety inspection.
- Drug-Free Workplace Policy: Provides definitions of different types of illegal and legal drugs, norms for drug testing at the workplace (to prevent the use of illegal drugs at the workplace), and guidelines on disciplinary action against unauthorised use of illegal drugs.
- Rules and Regulations against Sexual Harassment: Description of what could constitute sexual harassment, guidelines on maintaining proper decorum, and investigation procedures for cases of sexual harassment (if any).
- Workplace Policy and Program on Paternal Leave: The policy covers all married male employees – 7 days for the first four deliveries with full pay.
- Company Policy and Rule on STD / HIV / AIDS: Mentions that the company will fully extend all rights and liberties of people tested with such diseases, and a strict stand against discrimination based on these aspects will be adopted.
- Workplace Policy and Program for Special Leave for Women: Outlines instances in which women can be granted special leave – for procedures that could include, but are not limited to dilation and curettage, and those involving reproductive organs.
- Workplace Policy and Program on Maternity Leave: A maternity leave of 105 days is granted for normal or caesarean delivery and additional 15 days for single mothers.
- Workplace Policy and Program on Solo Parents: Benefits that single parents (who turned single due to many possible causes) are entitled to, are outlined in this policy. Flexible work arrangements are also outlined.
- Workplace Policy and Program on Hepatitis B: Covers company's goals on education, preventive strategies, non-discriminatory policies and practices, confidentiality, work accommodation and arrangements, screening, diagnosis, test referrals, and compensation for affected employees.
- Workplace Policy and Program on Tuberculosis Prevention and Control: Guidelines are similar to the Hepatitis B policy – seeking to prevent and control cases of tuberculosis at the workplace, and to support those with TB.
- Worksite Lactation Program and Policy: To reduce barriers in breastfeeding for employees and their family members. This includes awareness programs, a culture of support for breastfeeding employees, and making private areas available for breastfeeding.



Our employee turnover by gender is represented in the figure above. The high turnover numbers (around 91% of the total turnover) can be attributed to junior staff members and non-supervisors, most of them who work on these jobs part-time, alongside their education. Challenges associated with handling customers and low possibilities of career growth in these roles are also potential reasons for employee turnover.

As of 2022, around 50.7% of our workforce is less than 30 years old, and around 48% is between the ages of 30 and 50 years old. Around 1.11% is greater than 50 years old. In 2021, 59% belonged to the less than 30 years old category, 38.4% belonged to the 30-50 years old category, and around 1.7% belonged to the >50 years category. These percentages were around 58%, 38%, and 4% respectively in 2020.

Our new joinee data is represented in the figure below:

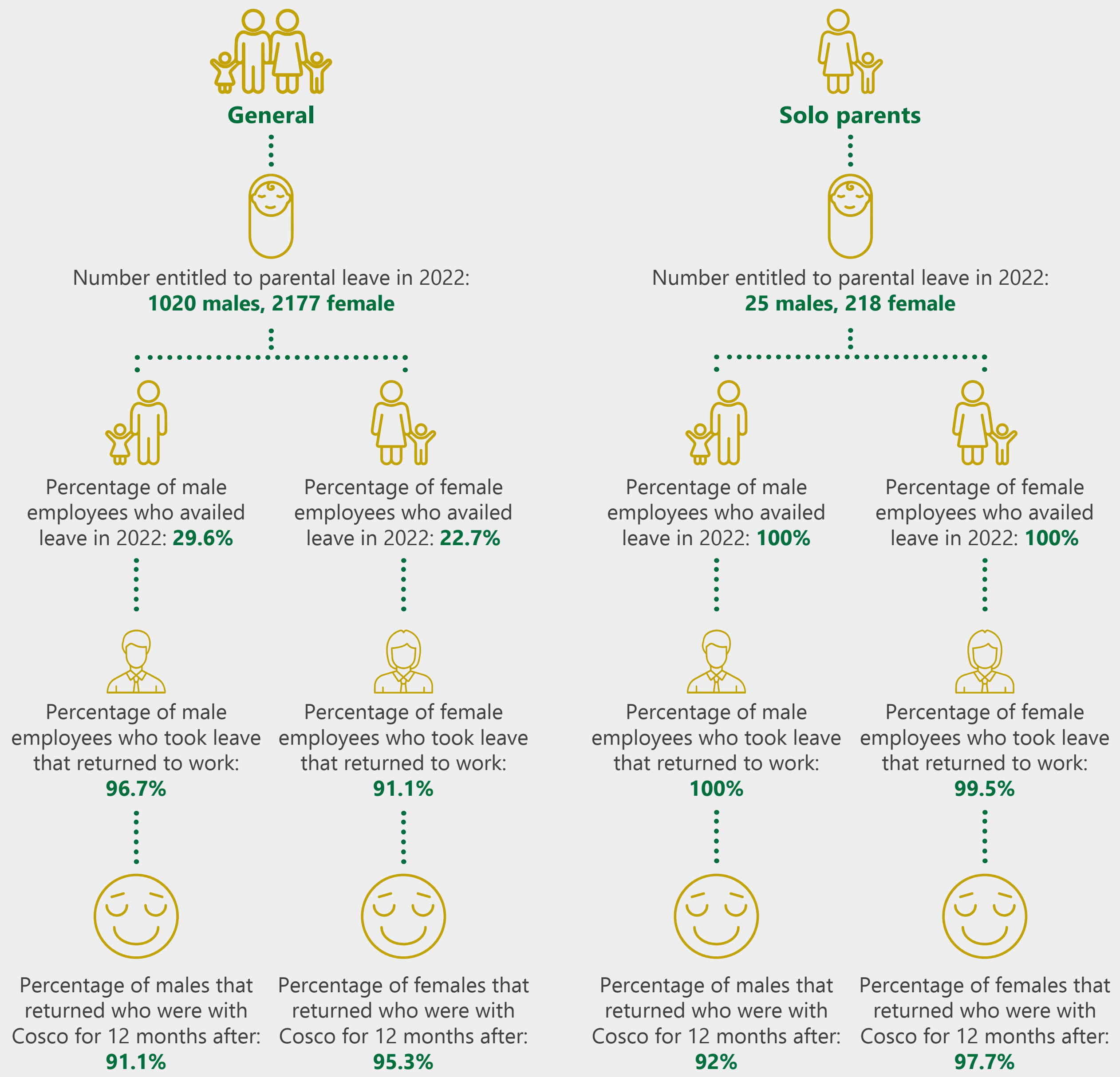


New Joinees	2022	Turnover %	2021	Turnover %	2020	Turnover %
By gender						
Male	1366	23.6	898	17.1	757	17.7
Female	1687	21.2	1167	17.3	944	22.7
By age						
<30 years	1973	20.2	1371	18.5	1084	20.8
30 - 50 years	1073	26	691	14.9	573	15.4
>50 years	7	2.1	6	2.2	4	1.4

The opening up of more stores and revival of the economy post pandemic has increased the number of new joinees in 2022, as compared to 2021 and 2020. The number of female new joinees is higher than males, and the maximum number of joinees was in the lesser than 30 years age category.

Parental leave policies are applicable to married men and women, and for solo parents. A paternity leave period of 7 days is allowed for the first four deliveries. For women, a maternity leave of 105 days is given for normal and C-section delivery with an additional 15 days for single mothers. 100% of the benefits are provided in all cases. Parental leave of 7 days is provided to solo parents, in addition to being able to access flexible work schedules.

This year's parental leave data is presented in the chart below:



For workers, the minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them ranges between 1 week and 1 month depending on the situation.

The benefits provided to our full-time employees are different for various subsidiaries, as shown below:

Puregold

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Transportation Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	X
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Scholarship of employee's children	✓	✓	✓	✓

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	All direct employees, upon hiring
Group Health Insurance Policy	Upon regularization
Joint Group Personnel Accident Policy	N/A
Stock ownership	N/A
Retirement provision	Upon retirement
Any other benefits - Group Life Insurance	Upon regularization

S&R

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✗	✗
Dependent Insurance	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✓	✓	✗	✗
Car Assignment	✓	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✓	✓
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Bereavement Fund	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	Regular employees
Group Health Insurance Policy	Regular employees
Joint Group Personnel Accident Policy	no
Stock ownership	no
Retirement provision	Regular Employees 60 Y.O - Voluntary 62 Y.O - Mandatory

The Keepers Holdings

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✗
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✓	✓	✓	✓
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓

Real Estate

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✓	✓	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Yes / No
Group Personnel Accident Policy	✓
Group Health Insurance Policy	✓
Joint Group Personnel Accident Policy	✗
Stock ownership	✗
Retirement provision	✗
Any other benefits	✓

NE Pacific

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Yes / No
Group Personnel Accident Policy	✓
Group Health Insurance Policy	✓
Joint Group Personnel Accident Policy	✗
Stock ownership	✗
Retirement provision	✗
Any other benefits	✗

Office Warehouse

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✗	✗	✗
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✗	✗	✗
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✓	✓	✓
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

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Occupational Health and Safety

As outlined above, the company safety policy outlines guidelines for safety management for the entire group. The HR department is primarily responsible for implementing guidelines in this regard. The occupational health and safety practices followed by our various subsidiaries are summarized below:

Puregold

PPCI is committed to comply with the requirements of RA 11058 and DOLE Department Order 198-18 (its Implementing Rules and Regulations) and the applicable provisions of the Occupational Safety and Health Standards (OSHS) (for all workers across all stores, including agency and indirect workers). PPCI ensures a safe and healthful workplace for all working people by affording them full protection against all hazards in their work environment. The following initiatives are implemented according to compliance requirements:

- All workers including new hires are provided with orientation and information on all types of hazards in the workplace.
- Provision for, and use of personal protective equipment
- Safety signage and devices that warn workers and the public on hazards at the workplace
- Implementation of Occupational Safety & Health Program
- Presence of a structured Safety & Health Committee (comprising a Safety Officer, a First Aider, a Chairperson, a Secretary, and Members). The Safety Officer is chiefly responsible for OHS-related offers.
- Safety Officer of the company attends a mandatory forty (40)-hour basic OSH training course as prescribed in the OSH standard.
- Trained First Aider is certified to administer first aid by the Philippine Red Cross
- Regular submission of Occupational Safety & Health Reports
- Free welfare facilities for employees and workers all workers, including agency and indirect workers
- Workers are not required to return to work if they feel imminent danger exists in their jobs
- Frequent monitoring and inspection of health or safety aspects of the store operations being undertaken with the participation of the officers and the employees
- Assistance to government inspectors in the conduct of safety and health inspection
- Transport is available on standby to transport injured personnel to the nearest clinic/hospital
- Regular direct employees are provided with HMO and accident, health insurance benefits
- Only authorized personnel have access to employee health records
- Issuance of Work Stoppage Order when necessary, based on the requirements and procedures provided by the OSH standards

S&R

S&R also follows local compliance requirements with respect to OHS. Continued improvement is pursued on OHS related matters by conducting regular trainings, seminars and drills annually. Periodic safety assessments are also conducted. Hazards and risk management processes are based on recognized standards. Recommendations based on incident investigation are made to eliminate hazards and minimize the risk of their occurrence, in addition to spot audits. Occupational health seminars are conducted according to legal requirements, and partnerships are built with health clinics to facilitate annual check-ups (for which transport is also arranged for employees if required). S&R adheres to the regulations under the Data Privacy Act, which requires maintaining confidentiality of personal information about workers, including their medical records. Workers are required to participate in all awareness activities with relation to occupational health and safety, which includes orientation, trainings, and drills. Employees exercise their respective functions and duties in formal committee meetings, and any disputes in related processes should be resolved by the officers of the committee. There are two OHS trainings that are provided regularly by S&R to all employees, which are described below:

- **The Basic Occupational Safety and Health Training (BOSH)** is a 40-hour course providing safety officers with a clear and concise explanation of their various responsibilities with regard to Occupational Safety and Health Standards. Trainees participate in a group discussion, a workshop and perform case analyses. Furthermore, the program aims to equip employees with detailed knowledge on OSH concepts, principles and practices applicable to the S&R clubs. Written and practical exams were administered and certificates of completion are awarded, which are valid for 5 years.
- **Basic Life Support and First Aid Training** is a 16-hour course. This training provides trainees with the knowledge and skills necessary to respond to breathing and cardiac emergencies. First Aid training teaches employees to recognize and care for a variety of first aid emergencies such as burns, cuts, scrapes, sudden illnesses, head, neck, back injuries, heat and cold emergencies. The employees who successfully passed and completed the course receive a first aider license valid for 2 years.

Real Estate Group

- The real estate segment follows rules set by the Department of Labor and Employment for the Occupational Safety & Health Standards. A Safety Officer and First Aider is present, who are trained on being certified first aid providers and safety officers. These employees usually belong to the Administrative, or Engineering & Maintenance Department. BOSH for SO1 is an 8-hour OSH orientation plus 2-hour Training of Trainers designed to impart knowledge and skills on basic concepts and principles of occupational safety and health to enable potential safety officers (SO1-certification) to implement their respective company's safety and health program.
- For NE Pacific mall, there are two safety officers (full-time employees of Cosco) and an accredited Pollution Control Officer (PCO) (on contract). This segment adheres to the guidelines of the Department of Labor and Employment, and the Department of Environment and Natural Resources. The safety officers are from the Operations Department, and the first aider is from the Leasing Department. Daily inspection and monitoring of all restricted areas of establishment are carried out. Workers also have the right to discuss any assignment that the feel are unsafe performing, with their supervisors. Since medical files of employees contain sensitive and confidential information, the files are saved appropriately with access only available for the HR staff. Workers' access to non-occupational medical services is facilitated through accident and health insurance provided by the company.

The possibility of safety incidents at Office Warehouse and The Keepers Holdings is negligible. At a group level, 51,838 employees and workers are not employed by Cosco, but are in the system because their work is controlled by Cosco.

Our OHS data (at a group level) is provided in the tables below:

Safety Data for Employees				
Description	**Unit**	**Male***	**Female***	**Total**
Fatalities as a result of work related-injury	Number	0	0	0
Fatalities as a result of work related-injury	Rate	0	0	0
High consequence of work-related injuries (excluding fatalities)	Number	1	0	0
High consequence of work-related injuries (excluding fatalities)	Rate	1	0	0
Recorded work related injuries	Number	12	1	13
Recorded work related injuries	Rate	12	1	13
Man-hours worked	Hours	12,655,200	16,212,000	28,867,200

**Except for S&R, all subsidiaries have zero work-related injuries*
**Zero work-related injuries for contract workers*

Safety Data for Employees					
Description	**Unit**	**Male***	**Female***	**Total**	**Description about main type of work-related ill health**
Fatalities as a result of work related-ill health	Number	0	0	0	
Cases of recordable work-related ill health	Number	0	0	0	

**Zero work-related ill health for contract workers*

Training and Education

At Cosco, training and education for all our employees and workers is one of the top priorities. The group focuses on keeping both employees and workers enabled with the skills required to ensure their maximum productivity at work, while also keeping in mind that it should improve their knowledge and professional expertise in the long run. In a nutshell, the focus is not only on improving their performance at Cosco, but also on furthering their careers.

Our training data for the year is represented in the table above. Average number of training hours has increased in 2022 from 2021, given the opportunities for in-person and online training.

Average hours of training			
	2022	**2021**	**2020**
Male employees	239,514	140,480	267,406
Female employees	201,439	221,615	249,362
Senior management	49	19	36
Middle management	188	77	136
Junior management	927	376	675
Workers (Permanent)	1,103	440	825
Non Supervisors	3,431	1,401	2,541
Contractual workers	0	0	0
Overall average training hours	**55,831**	**45,551**	**65,123**

The list of trainings provided by the group include:

Type and scope of programs implemented and assistance provided to upgrade employee skills	
Puregold	
Onboarding programs	New employee orientation program, Customer Service Standards, Departmental training course, Training course for section supervisor, management trainee, store managers, area managers,
Technical programs	HR upskilling program, Basic accounting for store operations, Supply Chain Module, Basic Work Management, People Management Coaching, Reliability (for accountability), Conversation Matters (for communication)
Essential Skills	Laws of Leadership, Managing your Team, Customer Service Program, "The Leader in Me", Internal Theft, Shoplifting
S&R	
Internal Developmental Trainings	Professional Image, Improving member service experience, Actions by Staff at touchpoints
Communication	Basic Grammar, Effective Presentation
Leadership	Effective Leadership, Basic Supervisory Skills, Basic Managerial Skills, On-the-job orientation
Customer Engagement Programs	Ring the Bell (during Christmas season) and Star Magic board (to build relationships with customers)
Technical Trainings	Front end Trainers Certification program, Touch points trainer certificate program, Membership trainers' certification program, Bakery training, CCTV Operators Certification Training, Fire Safety Training, Forklift Operators Training, Wholesale Telemarketers' Training
External Trainings	Basic OHS training, Red Cross First Aid with Basic Life Support Training, Forklift training (TESDA Certificate NCII), Tire Training
Apart from this, an official newsletter, **"S&R Connect"**, is issued twice a year to employees	
Office Warehouse	
Technical trainings	Product Knowledge Training, Furniture and Assembly Training, Customer Service Training, Sales Audit Training, Inventory Training, Safety Training, First Aid Training, Earthquake and Fire Drill Training, Team Building Training, Supervisory Training, Leadership Training, Financial Literacy Training

Transition assistance programs provided to facilitate employability and the management of career endings resulting from retirement or termination of employment	
Office Warehouse	Job Orientation Training
	Turnover training
	Coaching and counselling

All our employees undergo performance appraisals, which follow different conventions for various subsidiaries as follows:

- **Puregold:** Twice a year, the performance of regular employees is evaluated by their immediate supervisor. The assessment is in July for the period of January to June, and in January for the period of July to December. Web-based performance reviews are conducted through an online portal, with the intent of providing timely performance feedback, and for promoting communication and healthy working relationships that will improve productivity and efficiency.
- **S&R:** Performance appraisals are issued to regular employees on a semi-annual basis, similar to Puregold's procedure. For probationary employees, performance appraisal is done in the 3rd and 5th month of joining.
- **Real Estate and NE Pacific:** The performance review schedule begins after the probation period (in the 4th month of hiring). Annual performance reviews are conducted in November each year.
- **Office Warehouse:** All employees undergo performance reviews every year. Key performance indicators include job knowledge / productivity, communication, affiliation, organizational sensitivity, work traits, sales, inventory, product knowledge, merchandise display, stock ordering and arrangement, store policy compliance, grooming, attendance, work attitude, customer service.

The group HR policies reflect Cosco's commitment towards diversity and inclusion at the workplace. The number of women in the group's governance body and employee payroll has consistently been higher than the number of men. Data in this regard is presented in the table below:

Diversity of governance bodies and employees			
Year	**2022**	**2021**	**2020**
Male	5273	4834	4739
Female	6755	6409	6178
Total Employees	12,028	11,243	10,917
% of Female Employee	56%	57%	57%
<30 years	4566	4545	4188
30 - 50 years	7141	6431	6446
>50 years	321	267	294

The male-female remuneration ratio is 1:1 for Cosco Group.

Moreover, as highlighted above in the list of policies, there is a strict stand against discrimination on any grounds across the group. In the year 2022, there were no incidents of discrimination at Cosco, and there were no instances of child labour or forced / compulsory labour. At the time of recruitment, the age of applicants is scrutinized closely. In the reporting year, workers' rights to exercise freedom of association or collective bargaining were not violated or at significant risk, and there were no incidents signifying violation of indigenous rights.

Customer Health and Safety

As a business operating in the retail industry, we recognize the immense responsibility we have towards ensuring the highest quality and safety standards in the products that we sell since these are sometimes directly consumed/used by customers. We have strict quality standards in place that are supposed to be met by our suppliers, and we closely monitor complaints/issues raised by our customers, if any, in this regard.

None of our products is currently assessed for health and safety impacts since they are all supplied by top multinational and local suppliers and they already possess the required certifications. There were no incidents of non-compliance with customer health and safety standards in the reporting year.

Promoting Sustainable Lifestyles

Cosco Group recognize the importance of promoting sustainable lifestyle to our customers, employees and all stakeholders. The following programs and initiatives are implemented and highly encouraged within the group:

- Bring your own eco-bag
- No plastic days on Mondays and Wednesday on all Puregold Stores.
- Eliminate use of single plastics by encouraging purchase bigger size SKUs rather than sachets.
- Promote cash for trash by exchanging recyclable packaging materials for cash rebates.
- Selling energy-efficient and solar powered products in our stores.

Relevant GRI Indicators: 3-3: Management of material topic

Non-GRI: Initiatives to promote sustainable lifestyles among customer groups

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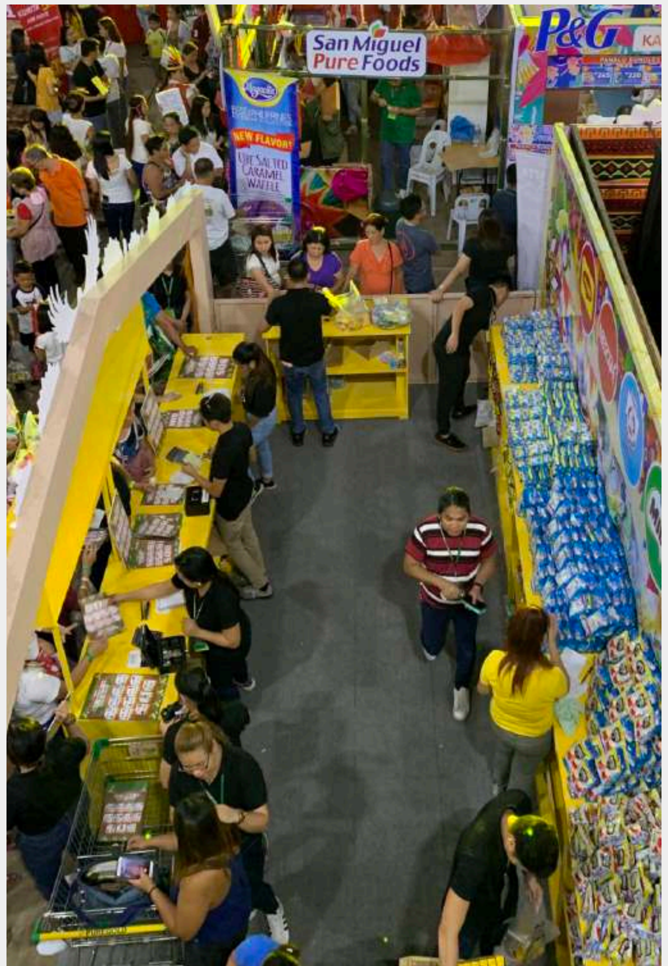
Customer Privacy and Cybersecurity

Collecting customers data is an integral part of Cosco's operation, especially for membership shopping and retail store businesses. Customer data helps us optimize the products and experience we offer to them. In this process, we ensure we adhere to the highest accountability standards with respect to maintaining the confidentiality of this data. Across the group, we adhere to the local Data Privacy Act. All employees across all stores are trained on data security practices by the HR department. In the year 2022, there were no complaints received from outside parties and from regulatory bodies, and no identified threats, leaks, or losses of customer data. The respective IT Heads and data privacy officers per business unit are in-charge for the customer privacy and cybersecurity.



Fair Marketing and Labelling Practices

Many of the products that Cosco sources for all its subsidiaries are imported from external brands, who all follow local and (in some cases) international regulations on marketing and labelling. Adherence in this respect is closely monitored by the procurement team whenever Cosco engages with new suppliers, and also during the course of regular interactions with suppliers. All products that are being sold at Puregold and S&R stores comply with food and drug regulations in the Philippines. There were no incidents of non-compliance with marketing / labelling regulations in the year 2022.

Communities and Livelihoods

Co-existence with communities surrounding our operations is an essential element of Cosco's stakeholder engagement strategy, since it is people from these communities that help us thrive by buying our products and coming back to our stores for the experience that we seek to provide. Therefore, Cosco has always sought to understand the needs of this community to give back to them in ways that help them achieve collective advancement as a society. Our CSR initiatives in the year 2022 are listed below:

- Office Warehouse has launched the Puno ng Pag-ibig Program that staged the Tree Planting Project partnership with DENR and the Essay Writing Contest for students on September 30, 2022.
- Cosco Group has donated money for setting up a school in the University of Caloocan with 15 classrooms and 5 laboratories, at a total cost of Php 68 Million.
- Cosco Group has also donated money to Laoag – for constructing school buildings and a fire protection building with total costs of Php 58.2 Million.
- Cosco Group has donated 10.5M Php for a total of 16,000 doses of COVID-19 vaccines
- A total of 1,178 scholarship grants was given through LCCK Foundation amounting to Php 65.4 million.

Our total CSR spending for the year 2022 was Php 202.1 million compared to Php 10.7 million in 2021.

Respect for the Rule of the Land

Since our inception, we have tracked changing regulatory requirements and ensured strict compliance with them. We believe that following local and national rules and regulations is essential for the smooth running of our operations and for maintaining good relationships with local authorities. This is an essential element in building our reputation and goodwill over a period of time, which establishes trust in our brand.

Governance and Anti-Corruption

Our corporate governance committee is composed of three members, all of whom are independent directors, including the Chairman. It is headed by an independent director, Mr. Oscar S. Reyes. The Corporate Governance Committee is responsible for nomination and selection of this director. The committee also nominates and selects and appoints a "Group Sustainability Officer'' who is responsible for overseeing management of sustainability impacts (ESG) by identifying and managing climate risks. The Governance Committee is closely involved in the review of the sustainability report along with the IACGR (Integrated Annual Corporate Governance Report).

The Conflict-of-Interest Policy is applicable to the Directors, Officers and Employees of Cosco Capital, Inc., who are expected to act and perform their duties in the interest of the Company. They should not receive personal gain, benefit, grant, gift or any advantage by virtue of their position in the Company. They must immediately disclose to the Board or to their immediate superior any possible occurrence of conflict of interest or any offer of cash, gift or any benefit from customer, supplier or third-party contractor of the Company. Any violation of this policy invites serious disciplinary action and / or dismissal from work. Critical concerns or audit findings are raised during monthly risk management meetings before these are forwarded to the Board for action. Group-wide sustainability performance is evaluated through annual sustainability reports and reviewed during governance seminars which includes topics on sustainability.

Policy commitments made by Cosco Capital in 2022 are as follows:

- No plastic wastes in all S&R warehouse
- Reduce plastic consumption in all Puregold stores
- Promote recycling in all Puregold stores
- Increased reliance on solar energy consumption.

In order for employees to realise the importance of adhering to these commitments, we conduct training and awareness seminars for all employees such as anti-corruption policy training, health and safety training, disaster preparedness training, etc. In order to remediate negative ESG impacts, we are currently in the process of developing an ESG Policy Manual that is awaiting approval.

We have a simple mechanism in place for employees to report grievances, wherein they first talk to their immediate supervisor, who raises the concern with the human resources department or the corporate governance department. 100% of Cosco Group's employees have received communication on anti-corruption, and there were zero incidents of corruption / anti-competitive behaviour in the reporting year. Our anti-corruption policies and clauses based on our code of conduct are outlined in the table below:

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Corruption is defined as abuse of entrusted power for private gain, as well as instances of dishonesty, deceit, fraud, misconduct, falsification, manipulation, bribery, crime, exploitation, extortion, fraud, graft, nepotism, and other similar violations.	
Article D - Misconduct **Sanction - Suspension up to Dismissal**	
Section 21	Using company time and/or use of company property to do an unauthorized work for personal or other's gain
Section 22	Engaging in any form of gambling/lottery/game of chance while on or off duty within the company premises
Section 32	Commission of any criminal offense against a customer or a non-company personnel
Section 36	Rendering services for another employer during working hours or while in active employment for the company without the knowledge or approval from Management
Section 39	Engaging in lending or personal business for profit within the company premises

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Section 44	Soliciting/accepting contribution or items for any purpose without prior authorization from the Management;
	Soliciting from any supplier, business/trade partner any gift, contribution or support in any form without prior approval from Management
Section 52	Malversation of company funds
Section 53	Abuse of position/authority for personal gain or advantage
Section 54	Stealing
Section 55	Commission of a crime or offense
Section 59	Fraud or wilful breach of the trust and confidence reposed by the Management
Section 61	Accepting or offering money, gift, anything of value, commission, preferential treatment, promise, in consideration of any act, contract, decision or service connected with the discharge of employee's work
Section 63	Using Company's name in personal transaction or business for personal profit/gain

Compliance to the Law

In case of instances related to fines/non-compliances that are to be reported, this is done with the Office of the Corporate Secretary for corporate matters, and with the Administrative Office and the EHS Department for environmental concerns.

Way Forward on Sustainability

We hope this sustainability report provides a reasonable insight into our sustainability performance for the year 2022, and our intent to pursue industry leadership in sustainability initiatives and disclosure in the future.

In order to identify our direction when it comes to sustainability initiatives in the next few years, we completed an internal assessment of our existing practices and priorities under each of our organizations. Based on this assessment, we have identified several actions to be pursued in the short term (less than 1 year), medium term (1-2 years) and long term (3+ years).

Below are a few select areas that will be pursued based on the assessment:

- Establishing effective data management practices for ESG performance
- Prioritizing GHG emissions and Energy efficiency measures across operations
- Adopting an enterprise-wide risk management framework that integrates ESG risks
- Promoting capacity building among key staff and top suppliers on sustainability practices
- Levelling up internal awareness on workplace sustainability actions
- Establishing a structured approach to CSR management for greater impact

Cosco Group commits to achieving net zero carbon emissions across its operation by 2050 in support of international agreements for climate action such as the United Nation's Paris Agreement and Glasgow Climate Pact.

In the next 5 years, we see ourselves working rigorously to scaling new heights when it comes to sustainability actions, performance and positive impact. Pursuing this journey could significantly improve our understanding of the ESG ecosystem, provide our employees and key stakeholders a rejuvenated purpose while staying within the Cosco Capital family and set an example for the rest to follow.

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Pages 5 - 15	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	Page 2				
	2-3 Reporting period, frequency and contact point	Page 2				
	2-4 Restatements of information	NA				
	2-5 External assurance	NA				
	2-6 Activities, value chain and other business relationships	Pages 5 – 15				
	2-7 Employees	pages 16-17, page 73				
	2-8 Workers who are not employees	pages 16-17, page 73				
	2-9 Governance structure and composition	Page 78				
	2-10 Nomination and selection of the highest governance body	Page 78				
	2-11 Chair of the highest governance body	Page 78				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	Page 78				
	2-13 Delegation of responsibility for managing impacts	Page 78				
	2-14 Role of the highest governance body in sustainability reporting	Page 78				
	2-15 Conflicts of interest	Page 78				
	2-16 Communication of critical concerns	Page 78				
	2-17 Collective knowledge of the highest governance body		Omitted	Data not available since there are no sustainability focused training programs for the governance body at present	We have been adhering to local SEC guidelines for sustainability reporting. The past 2-3 years have helped us understand where we are on sustainability and through learnings from our first GRI based sustainability report, we have identified actions for the future which includes training programs on sustainability for all employees	
	2-18 Evaluation of the performance of the highest governance body		Omitted	This data is confidential	This data is confidential	
	2-19 Remuneration policies		Omitted	This data is confidential	This data is confidential	
	2-20 Process to determine remuneration		Omitted	This data is confidential	This data is confidential	

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-21 Annual total compensation ratio	Page 73				
	2-22 Statement on sustainable development strategy	Pages 18 - 22				
	2-23 Policy commitments	Page 78				
	2-24 Embedding policy commitments	Page 78				
	2-25 Processes to remediate negative impacts	Throughout the report				
	2-26 Mechanisms for seeking advice and raising concerns	Page 78				
	2-27 Compliance with laws and regulations	Pages 78 - 80				
	2-28 Membership associations	None				
	2-29 Approach to stakeholder engagement	Pages 23, 24				
	2-30 Collective bargaining agreements	Page 73				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pages 25-30	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	3-2 List of material topics	Pages 25-30				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pages 38, 39				
	201-2 Financial implications and other risks and opportunities due to climate change	NA	Omitted	Not currently tracked	Planned to be tracked in the next 2 years	
	201-3 Defined benefit plan obligations and other retirement plans	Page 40				
	201-4 Financial assistance received from government	None				
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 73				
	202-2 Proportion of senior management hired from the local community	Page 40				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	NA				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	None				
	203-2 Significant indirect economic impacts	None				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 40				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 40				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 78				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 78				
	205-2 Communication and training about anti-corruption policies and procedures	Pages 78, 79, 80				
	205-3 Confirmed incidents of corruption and actions taken	Pages 78, 79				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 78, 79				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pages 78, 79				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 39, 40				
GRI 207: Tax 2019	207-1 Approach to tax	Page 40				
	207-2 Tax governance, control, and risk management	Page 40				
	207-3 Stakeholder engagement and management of concerns related to tax	Page 40				
	207-4 Country-by-country reporting	NA				
Materials						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 46	Omitted	Data not tracked	Sourced from multiple brands	
	301-2 Recycled input materials used	Page 46				
	301-3 Reclaimed products and their packaging materials	Page 46				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 43				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 43				
	302-2 Energy consumption outside of the organization	Not tracked	Omitted	Not tracked	We currently do not have the infrastructure in place to track energy data outside our operations	
	302-3 Energy intensity	Page 44				
	302-4 Reduction of energy consumption	Page 45				
	302-5 Reductions in energy requirements of products and services	None				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 49				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 49				
	303-2 Management of water discharge-related impacts	Page 49				
	303-3 Water withdrawal	Page 49				
	303-4 Water discharge	Page 49				
	303-5 Water consumption	Page 49				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Not applicable				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable				
	304-2 Significant impacts of activities, products and services on biodiversity	Not applicable				
	304-3 Habitats protected or restored	Not applicable				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable				

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 45			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 45			
	305-2 Energy indirect (Scope 2) GHG emissions	Page 45			
	305-3 Other indirect (Scope 3) GHG emissions		Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years
	305-4 GHG emissions intensity	Page 45			
	305-5 Reduction of GHG emissions	Page 45	Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years
	305-6 Emissions of ozone-depleting substances (ODS)	Not available	Omitted	Not tracked	Insignificant
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not available	Omitted	Not tracked	Insignificant
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pages 46-48			
	306-2 Management of significant waste-related impacts	Pages 46-48			
	306-3 Waste generated	Pages 46-48			
	306-4 Waste diverted from disposal	Pages 46-48			
	306-5 Waste directed to disposal	Pages 46-48			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 51			
	308-2 Negative environmental impacts in the supply chain and actions taken	Page 51			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 52			

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 53			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 56-67			
	401-3 Parental leave	Page 55			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 55			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Page 55			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 68			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 68-70			
	403-2 Hazard identification, risk assessment, and incident investigation	Pages 68-70			
	403-3 Occupational health services	Pages 68-70			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 68-70			
	403-5 Worker training on occupational health and safety	Pages 68-70			
	403-6 Promotion of worker health	Pages 68-70			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 68-70			
	403-8 Workers covered by an occupational health and safety management system	Pages 68-70			
	403-9 Work-related injuries	Pages 68-70			
	403-10 Work-related ill health	Pages 68-70			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 71			

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 71			
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 72			
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 73			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 73			
	405-2 Ratio of basic salary and remuneration of women to men	Page 73			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 73			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 73			
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 73			
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 73			
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	NA			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	NA			

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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Page 73			
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 77			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 77			
	413-2 Operations with significant actual and potential negative impacts on local communities	Page 77			
Supplier social assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 51			
	414-2 Negative social impacts in the supply chain and actions taken	Page 51			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	NA			
GRI 415: Public Policy 2016	415-1 Political contributions	NA			
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 74			
GRI 416: Customer Health and Saf\ety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 74			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Page 74			
Marketing and labeling					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 76			

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Page 76				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Page 76				
	417-3 Incidents of non-compliance concerning marketing communications	Page 76				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 76				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 76				

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Sustainability as a Lifestyle

2022 Sustainability Report

ANNEX "D"

PUREGOLD PRICE CLUB, INC. LIST OF IPO REGISTERED TRADENAMES

No.	Tradenames	Trademarks	Date of Registration	Date of Expiration
1.	ALWAYS PANALO	ALWAYS PANALO	April 23, 2007	April 23, 2027
2.	ANYWEAR	ANYWEAR	Novembr 12, 2009	Novembr 12, 2026
3.	AQUALIFE	AQUALIFE	February 09, 2009	February 09, 2029
4.	AQUALIZED	Aqualized	September 09, 2010	September 09, 2030
5.	ATLANTIC	ATLANTIC	September 22, 2008	September 22, 2028
6.	BELLOTA	BELLOTA	September 09, 2009	September 09, 2029
7.	CATTLEYA	CATTLEYA	June 04, 2021	June 04, 2031
8.	CLIQUE Logo	Clique	March 25, 2010	March 25, 2030
9.	COFFEE MATCH	CoffeeMatch	October 18, 2017	October 18, 2027
10.	COFFEE MAX	Coffee MAX	January 12, 2009	January 12, 2029
11.	DFP	DFP	August 18, 2016	August 18, 2026
12.	DISTRITO	Distrito	October 19, 2017	October 19, 2027
13.	DRY PLUS	DRY PLUS	February 27, 2020	February 27, 2030
14.	EASY HOME DEPOT	EASY HOME DEPOT	September 22, 2008	September 22, 2028
15.	EQUAL	Equal	October 16, 2014	October 16, 2024

16.	EQUAL		July 23, 2007	July 23, 2027
17.	EQUIVALENT		July 23, 2007	July 23, 2027
18.	EZEE		April 29, 2010	April 29, 2030
19.	FRESH & EASY		February 08, 2018	February 08, 2028
20.	FRESH N FREE		October 13, 2008	October 13, 2028
21.	GOLD YARN		January 01, 2016	January 01, 2026
22.	GOPURE		October 14, 2016	October 14, 2026
23.	GRAND P		April 22, 2010	April 22, 2030
24.	GREAT SUPERMARKET		May 28, 2015	May 28, 2025
25.	HER COLLECTION/HIS COLELCTION		October 26, 2017	October 26, 2027
26.	HER KIDS		October 3, 2022	October 3, 2032
27.	HIS KIDS/HER KIDS		October 26, 2017	October 26, 2027
28.	HOME CLEAN		November 25, 2018	November 25, 2028
29.	JOOZY		October 13, 2018	October 13, 2028
30.	KA-ASENSO		December 16, 2010	December 16, 2030
31.	KAINDUSTRIYA		May 17, 2012	May 17, 2032

32.	KITANG-KITA CASE	KITANG-KITA CASE	July 24, 2014	July 24, 2024
33.	KOBE CHICKEN	Kobe Chicken	May 04, 2017	May 04, 2027
34.	LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA	October 19, 2017	October 19, 2027
35.	LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA	January 10, 2021	January 10, 2031
36.	LA FLOR DE LA ISABELA		May 14, 2021	May 14, 2031
37.	MAGIC GLOW	Magic Glow	December 29, 2011	December 29, 2031
38.	MARKET 999	MARKET 999	December 22, 2016	December 22, 2026
39.	MINI MART BY PUREGOLD	Mini Mart by Puregold	August 18, 2016	August 18, 2026
40.	MOMMY MARKET	Mommy Market	January 19, 2017	January 19, 2027
41.	MR. PAPER	MR. PAPER	June 04, 2015	June 04, 2025
42.	MY BABY PLANET	My Baby Planet	January 19, 2017	January 19, 2027
43.	NE KAYA 'YAN CABAYAN!	ne Kaya 'yan Cabayan!	August 11, 2016	August 11, 2026
44.	NEGOSYO MO CABAYAN CARD	negosyo mo cabayan	October 14, 2016	October 14, 2026
45.	PANALO KARD	PANALO KARD	September 22, 2008	September 22, 2028
46.	PEOPLE'S GROCER	People's Grocer	February 26, 2015	February 26, 2025
47.	PEOPLE'S RICE	PEOPLE'S RICE	December 29, 2019	December 29, 2029
48.	PERFECT MATE	PERFECT MATE	February 11, 2008	February 11, 2028
49.	PERKS LOYALTY CARD	PERKS LOYALTY CARD	May 28, 2015	May 28, 2025
50.	PISO GARANTISADO	Piso Garantisado	November 20, 2014	November 20, 2024

51.	POSITIVE 99	POSITIVE ≤99	May 18, 2017	May 18, 2027
52.	PREM		April 2, 2021	April 2, 2031
53.	PREMIUM GOLD	Premium Gold	October 15, 2015	October 15, 2025
54.	PUHUNAN PLUS	PUHUNAN PLUS	May 26, 2019	May 26, 2029
55.	PURE BASICS	PURE BASICS	December 23, 2018	December 23, 2028
56.	PURE BASICS LOGO	PURE BASICS	March 12, 2020	March 12, 2030
57.	PURE BASICS	PURE BASICS	March 12, 2020	March 12, 2030
58.	PURE BASICS Panlaban sa Sebo, Panalo sa Presyo	PURE BASICS Palaban sa Sebo, Panalo sa Presyo	March 28, 2020	March 28, 2030
59.	PURE BASICS Pure Clean, Pure White	PURE BASICS Pure Clean, Pure White	March 12, 2020	March 12, 2030
60.	PURE BASICS Pure Freshness, Pure Softness	PURE BASICS Pure Freshness, Pure Softness	July 13, 2020	July 13, 2030
61.	PURE HEALTH CARE	Pure Health Care	December 23, 2018	December 23, 2028
62.	PURE PADALA	PUR PADALA	October 29, 2015	October 29, 2025
63.	PURE PHARMACY	PURE PHARMACY	December 29, 2016	December 29,2026
64.	PURE PLUS	Pure Plus	January 20, 2019	January 20, 2029
65.	PURECART	PURECART	February 14, 2019	February 14, 2029
66.	PURECASH	PureCash	September 15, 2016	September 15, 2026
67.	PUREGLIDE	PUREGLIDE	December 15, 2016	December 15, 2026
68.	PUREGOLD HOME OFFICE	Puregold Home Office	April 12, 2018	April 12, 2028
69.	PUREGOLD NUTRITIONISCOOL	Puregold NutritionIsCool	September 15, 2016	September 15, 2026
70.	PUREPLEASURE	PUREPLEASURE	June 19, 2014	June 19, 2024
71.	PUREPLUS	Pureplus	January 20, 2019	January 20, 2029

72.	REACH Softest Touch & Device	Reach	October 23, 2009	October 23, 2029
73.	SA PUREGOLD, ALWAYS PANALO	SA PUREGOLD, ALWAYS PANALO!	August 11, 2016	August 11, 2026
74.	STACK & STOCK RIGHT	Stack & Stock Right	April 22, 2010	April 22, 2030
75.	TINDAHAN NI ALING PURING (Super SIM and Device)	ALING PURING Super Suki Sim	December 16, 2010	December 16, 2030
76.	TABACALERA	TABACALERA	August 11, 2016	August 11, 2026
77.	Tindahan ni Aling Puring	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!	January 19, 2017	January 19, 2027
78.	TIPPTOES	TIPPTOES	July 10, 2014	July 10, 2024
79.	TWIN ELEPHANT	TWIN ELEPHANT	June 27, 2019	June 27, 2029
80.	VIPuring	VIPuring	February 26, 2015	February 26, 2025
81.	WRAP & SEAL	Wrap & Seal	May 28, 2015	May 28, 2025

THE KEEPERS HOLDINGS, INC. LIST OF IPO REGISTERED TRADENAMES

No.	Tradenames	Trademarks	Date of Registration	Date of Expiration
1.	ALFONSO XO	ALFONSO XO	May 5, 2008	May 5, 2028
2.	ALFONSO	ALFONSO	March 3, 2008	March 3, 2028
3.	ALFONSO I	ALFONSO I	May 21, 2005	May 21, 2025
4.	ALFONSO I LIGHT ALCOHOL	ALFONSO I LIGHT ALCOHOL	November 25, 2018	November 25, 2028

5.	ALFONSO PLATINUM	ALFONSO PLATINUM	September 15, 2016	September 15, 2026
6.	ALFONSO PLATINUM LIGHT		May 23, 2022	May 23, 2032
7.	ALHAMBRA	Alhambra	August 13, 2007	August 13, 2027
8.	CHINGU		July 2, 2021	July 2, 2031
9.	ESCOBAR	ESCOBAR	September 11, 2020	September 11, 2030
10.	ROMULO		July 14, 2022	July 14. 2032
11.	DON LUIS	DON LUIS	May 21, 2005	May 21, 2025

OFFICE WAREHOUSE, INC. LIST OF IPO REGISTERED TRADENAMES

No.	Tradenames	Trademarks	Date of Registration	Date of Expiration
1.	OFFICE WAREHOUSE	Office Warehouse	August 1, 2019	August 1, 2029
2.	OFFICE WAREHOUSE COS-CUTTING STARS HERE	Office Warehouse Cost-cutting starts here!	June 9, 2019	June 9, 2029
3.	OFFICE WAREHOUSE POINT PLUS +	Office Warehouse Points Plus+	January 20, 2019	January 20, 2029