PUREGOLD

November 11, 2021

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

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

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

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

Gentlemen:

On behalf of Puregold Price Club, Inc., I am submitting herewith the Company's Third Quarter Financial Report for the year 2021 (SEC 17-Q).

Sincerely yours,

Candy H. Dacanay - Datuon
Assistant Corporate Secretary

COVER SHEET

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SEC Registration Number

P	U	R	E	G	O	L	D		P	R	I	C	E		C	L	U	B	,		I	N	C	.

(Company's Full Name)

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M	A	N	I	L	A																						

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

CANDY H. DACANAY-DATUON

(Contact Person)

(632) 8522-8801 to 04

(Company Telephone Number)

1	2

Month

3	1

Day

SEC FORM 17-Q

(Form Type)

0	5

Month

1	1

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2021

2. Commission identification number: A199813754

3. BIR Tax Identification No.: 201-277-095

4. Exact name of issuer as specified in its charter: Puregold Price Club, Inc.

5. Province, country or other jurisdiction of incorporation or organization: Manila, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: No. 900 Romualdez Street, Paco, Manila Postal Code: 1007

8. Issuer's telephone number, including area code: (632) 8522-8801 to 04/ (632) 8523-3055

9. Former name, former address and former fiscal year, if changed since last report: N/A

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,883,352,615 Debt: Php11,880,000,000.00

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

Yes [/] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common Share

12. Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **SECTION A**

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

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

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at September 30 and December 31 and for the nine-month periods ended September 30:

	September 2021	December 2020
Current Ratio [(1)]	**5.78:1**	3.47:1
Asset to Equity Ratio [(2)]	**1.77:1**	1.92:1
Debt to Equity Ratio [(3)]	**0.77:1**	0.92:1
Debt to Total Assets Ratio [(4)]	**0.43:1**	0.48:1
Book Value per Share [(5)]	**P25.87**	P23.87
Price Earnings Ratio [(6)]	***16.70x**	14.59x

** Based on annualized EPS*

	September 2021	September 2020
Earnings per Share [(7)]	**P2.00**	P1.76
Return on Assets [(8)]	**4.4%**	4.4%
Return on Equity [(9)]	**8.0%**	7.8%

(1) Current Assets over Current Liabilities

(2) Total Assets over Total Equity

(3) Total Liabilities over Total Equity

(4) Total Liabilities over Total Assets

(5) Total Equity over Total Common Shares Outstanding

(6) Market Value per Share over Earnings per Share

(7) Net income after tax over Weighted Average Common Shares Outstanding

(8) Net income after tax over Average Total Assets

(9) Net income after tax over Average Total Equity

I. Results of Operations

For the period ended September 30, 2021, the Group earned a consolidated net income of P5,735 million at 5.0% net margin and an increase of 13.6% from P5,050 million at 4.2% net margin in the same period of 2020. Despite the decline in revenues, this was principally driven by the continuous enhancements of its 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.

The Group's comparative financial performance is presented below:

	For the Nine-month Periods Ended September 30					For the Three-month Periods July 1 to September 30			
(In millions)	**2021**		2020			**2021**		2020	
		% to Sales		% to Sales	**% Change**		**% to Sales**		% to Sales
Net Sales	**P115,241**	**100.0%**	P121,138	100.0%	**-4.9%**	**P39,058**	**100.0%**	P39,173	100.0%
Cost of Sales	**93,747**	**81.3%**	101,293	83.6%	**-7.5%**	**31,843**	**81.5%**	32,708	83.5%
Gross Profit	**21,494**	**18.7%**	19,844	16.4%	**8.3%**	**7,216**	**18.5%**	6,465	16.5%
Other Operating Income	**2,325**	**2.0%**	2,298	1.9%	**1.2%**	**764**	**2.0%**	686	1.8%
Gross Income	**23,820**	**20.7%**	22,142	18.3%	**7.6%**	**7,980**	**20.4%**	7,151	18.3%
Operating Expenses	**14,756**	**12.8%**	13,645	11.3%	**8.1%**	**5,059**	**13.0%**	4,368	11.2%
Operating Income	**9,064**	**7.9%**	8,497	7.0%	**6.7%**	**2,921**	**7.5%**	2,783	7.1%
Other income (expenses) – net	**(1,779)**	**-1.5%**	(1,366)	-1.1%	**30.2%**	**(600)**	**-1.5%**	(455)	-1.2%
Net Income before tax	**7,285**	**6.3%**	7,131	5.9%	**2.2%**	**2,321**	**5.9%**	2,328	5.9%
Income tax expense	**1,550**	**1.3%**	2,081	1.7%	**-25.5%**	**572**	**1.5%**	676	1.7%
Net Income after tax	**P5,735**	**5.0%**	P5,050	4.2%	**13.6%**	**P1,749**	**4.5%**	P1,652	4.2%

Net Sales

For the period ended September 30, 2021, the Group posted a consolidated net sales of P115,241 million for a decrease of P5,897 million or 4.9% compared to P121,138 million in the same period of 2020. The decrease in net sales was primarily driven by a decline in customer's visits particularly for the Puregold stores, with the government still implementing health protocols 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 sales performance indicators for the period ended September 30 are as follow:

	PGOLD		S&R	
	2021	2020	**2021**	2020
Net Sales	**-11.4%**	4.5%	**5.1%**	6.4%
Net Ticket	**12.6%**	46.1%	**1.9%**	9.2%
Traffic	**-21.3%**	-28.4%	**3.1%**	-2.5%

Gross Profit
For the period ended September 30, 2021, the Group realized an increase of 8.3% in consolidated gross profit from P19,844 million in 2020 at 16.4% margin to P21,494 million at 18.7% margin in the same period of 2021, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income
Other operating income slightly increased by P28 million or 1.2% from P2,298 million in the nine months of 2020 to P2,325 million in the same period of 2021. With the lockdown restrictions starting to loosen up, some tenants are also operating which resulted to increase in rent income.

Gross Operating Income
Gross operating income for the nine months of 2021 amounted to P23,820 million at a gross operating margin of 20.7% which grew by 7.6% from P22,142 million at 18.3% margin in the same period of 2020.

Operating Expenses
Operating expenses increased by P1,111 million or 8.1% from P13,645 million in the nine-month period ended September 30, 2020 to P14,756 million in the same period of 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 P1,779 million and P1,366 million for the nine-month periods ended September 30, 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 period ended September 30, 2021, the Group earned a consolidated net income of P5,735 million at 5.0% net margin and an increase of 13.6% from P5,050 million at 4.2% net margin in the same period of 2020. Despite the decline in revenues, this was principally driven by the continuous enhancements of its 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.

II. Financial Condition

The Group's consolidated statements of financial position are presented below:

(In millions)	**September 2021**	**% to Total Assets**	December 2020	% to Total Assets	% Change
Cash & Cash Equivalents	**P30,833**	**23.5%**	P32,724	24.9%	**-5.8%**
Receivables – net	**1,583**	**1.2%**	2,676	2.0%	**-40.8%**
Merchandise inventory	**24,528**	**18.7%**	20,918	15.9%	**17.3%**
Investments in trading securities	**29**	**0.0%**	2,411	1.8%	**-98.8%**
Prepaid expenses and other current assets	**1,170**	**0.9%**	658	0.5%	**77.7%**
Total Current Assets	**58,143**	**44.4%**	59,388	45.1%	**-2.1%**
Investments in associates and joint venture	**637**	**0.5%**	637	0.5%	**0.0%**
Property and equipment- net	**22,721**	**17.3%**	21,966	16.7%	**3.4%**
Intangibles and goodwill	**19,700**	**15.0%**	19,716	15.0%	**-0.1%**
Right-of-use assets – net	**25,958**	**19.8%**	26,137	19.9%	**-0.7%**
Deferred tax assets – net	**1,334**	**1.0%**	1,258	1.0%	**6.1%**
Other noncurrent assets	**2,534**	**1.9%**	2,492	1.9%	**1.7%**
Total Noncurrent Assets	**72,884**	**55.6%**	72,205	54.9%	**0.9%**
	P131,027	**100.0%**	P131,594	100.0%	**-0.4%**
Accounts payable and accrued expenses	**P8,175**	**6.2%**	P14,342	10.9%	**-43.0%**
Short-term loans payable	**-**	**0.0%**	-	0.0%	**0.0%**
Income tax payable	**570**	**0.4%**	1,305	1.0%	**-56.3%**
Due to related parties	**41**	**0.0%**	50	0.0%	**-16.7%**
Current maturities of long - term loans, net of debt issue costs	**-**	**0.0%**	-	0.0%	**0.0%**
Lease liabilities due within one year	**833**	**0.6%**	897	0.7%	**-7.0%**
Other current liabilities	**439**	**0.3%**	510	0.4%	**-14.0%**
Total Current Liabilities	**10,058**	**7.7%**	17,102	13.0%	**-41.2%**
Long-term loans - net of current maturities and debt issue costs	**11,767**	**9.0%**	11,875	9.0%	**-0.9%**
Lease liabilities	**33,617**	**25.7%**	32,731	24.9%	**2.7%**
Retirement benefits liability	**1,380**	**1.1%**	1,383	1.1%	**-0.2%**
Total Noncurrent Liabilities	**46,764**	**35.7%**	45,989	34.9%	**1.7%**
Total Liabilities	**56,822**	**43.4%**	63,092	47.9%	**-9.9%**
Capital stock	**2,904**	**2.2%**	2,904	2.2%	**0.0%**
Additional paid in capital	**25,362**	**19.4%**	25,362	19.3%	**0.0%**
Remeasurements of retirement liability - net of tax	**(119)**	**-0.1%**	(119)	-0.1%	**0.0%**
Treasury stock, at cost	**(102)**	**-0.1%**	(71)	-0.1%	**43.6%**
Retained earnings	**46,160**	**35.2%**	40,426	30.7%	**14.2%**
Total Equity	**74,205**	**56.6%**	68,502	52.1%	**8.3%**
	P131,027	**100.0%**	P131,594	100.0%	**-0.4%**

Working Capital
As at September 30, 2021 and December 31, 2020, the Group's working capital stood at P48,084 million and P42,286 million, respectively while its current ratio improved to 5.78 as at September 2021 from 3.47 as at December 2020.

Current Assets
As at September 30, 2021 and December 31, 2020, total current assets amounted to P58,143 million or 44.4% of total assets and P59,388 million or 45.1% of total assets, respectively, for a decrease of P1,245 million or 2.1%.

Cash and cash equivalents as at September 30, 2021 amounted to P30,833 million or 23.5% of total assets and decreased by P1,891 million or 5.8% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for cash dividend and capital expenditures for 2021 new organic stores.

Receivables amounted to P1,583 million as at September 30, 2021 or 1.2% of total assets, with a decrease of P1,093 million or 40.8% from P2,676 million in December 2020. The decrease was due to collections made during the period, bulk of which came from the high year end receivables.

Merchandise inventory amounted to P24,528 million or 18.7% of total assets at the end of September 2021. Total inventory increased by P3,609 million or 17.3% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P29 million and P2,411 million as at September 30, 2021 and December 31, 2020, respectively. The decrease of P2,383 million was due to net sale of government bonds during the period.

Prepaid expenses and other current assets amounted to P1,170 million and P658 million as at September 30, 2021 and December 31, 2020, respectively. The increase was mainly due to advance payment of taxes and payment for advertising expenses.

Noncurrent Assets
As at September 30, 2021 and December 31, 2020, total noncurrent assets amounted to P72,884 million or 55.6% of total assets and P72,205 million or 54.9% of total assets, respectively.

Investments amounted to P637 million as at September 30, 2021 and December 31, 2020.

Net book values of property and equipment increased by P755 million or 3.4% from P21,966 million in December 2020 to P22,721 million in September 2021. The increase was mainly due to additions made during the period intended for newly established stores.

Right-of-use asset amounted to P25,958 million or 19.8% of total assets and P26,137 million or 19.9% of total assets as at September 30, 2021 and December 31, 2020, respectively.

Deferred tax assets – net amounted to P1,334 million or 1.0% of total assets and P1,258 million or 1.0% of total assets as at September 30, 2021 and December 31, 2020, respectively, for an increase of 6.1% or P77 million. The increase was due to recognition of deferred tax in compliance with PFRS 16 – Leases.

Intangibles amounted to P19,700 million as at September 30, 2021 and P19,716 million as at December 31, 2020.

Other noncurrent assets amounted P2,534 million as at September 30, 2021 and P2,492 million as at December 31, 2020.

Current Liabilities
As at September 30, 2021 and December 31, 2020, total current liabilities amounted to P10,058 million or 7.7% of total assets and P17,102 million or 13.0% of total assets, respectively, for a decrease of P7,044 million or 41.2% as at September 30, 2021.

Accounts payable and accrued expenses amounted to P8,175 million and P14,342 million as at September 30, 2021 and December 31, 2020, respectively, and decreased by P6,166 million or 43.0% primarily due to settlement of trade and nontrade liabilities, bulk of which came from the high year end payables, and dividends payment.

Income tax payable decreased by P735 million from P1,305 million in December 2020 to P570 million in September 2021 due to settlement of income tax liability for the year ended December 2020 and first half of 2021.

Due to related parties, representing royalty fees, amounted to P41 million for the period ended September 2021 and P50 million for the year ended December 2020. The decrease was due to settlement of liability incurred as at December 2020.

Other current liabilities decreased by P72 million or 14.0% from P510 million in December 2020 to P439 million in September 2021, mainly due to settlement of output vat.

Noncurrent Liabilities
As at September 30, 2021 and December 31, 2020, total noncurrent liabilities amounted to P46,764 million or 35.7% of total assets and P45,989 million or 34.9% of total assets, respectively, for an increase of P774 million as at September 30, 2021.

Lease liabilities amounted to P33,617 million or 25.7% of total assets and P32,731 million or 24.9% of total assets as at September 30, 2021 and December 31, 2020, respectively, or an increase of P885 million or 2.7%.

Lon-term debt – net of current maturities and debt issue costs amounted to P11,767 million as at September 30, 2021 and P11,875 million as at December 31, 2020.

Retirement benefits liability amounted to P1,380 million as at September 30, 2021 and December 31, 2020.

Equity
As at September 30, 2021 and December 31, 2020, total equity amounted to P74,205 million and P68,502 million, respectively, for an increase of P5,704 million or 8.3%.

Capital stock amounted to P2,904 million as at September 30, 2021 and December 31, 2020.

Additional paid in capital amounted to P25,362 million as at September 30, 2021 and December 31, 2020.

Retained earnings amounted to P46,160 million and P40,426 million as at September 30, 2021 and December 31, 2020, respectively, or an increase of P5,735 million or 14.2% due to net income after tax made during the period.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availments from banks loan/credit facilities and corporate debt capital raising as and when required.

Principal uses of cash are working capital requirements, capital expenditures for stores expansion as well as investments in strategic business acquisitions of existing and operating supermarket store outlets.

A brief summary of cash flows during the comparative periods is shown below:

	For the Nine-month Periods Ended September 31	
(In millions)	**2021**	2020
Net cash provided by operating activities	**P2,400**	P3,368
Net cash used in investing activities	**(219)**	(1,405)
Net cash provided by (used in) financing activities	**(4,071)**	7,669
Net increase (decrease) in cash and cash equivalents	**(P1,890)**	P9,632

Net cash provided by operating activities amounted to P2,400 million for the nine-month period ended September 30, 2020. This is net of settlement of payables to both trade and nontrade suppliers, purchase of inventories and other related current operating items to support the Group's expansion.

Net cash used in investing activities for the nine-month period ended September 30, 2021 amounted to P219 million due to acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets and net of funds from sale of short term investments.

Net cash used in financing activities for the nine-month period ended September 30, 2021 amounting to P4,071 million pertain to dividend payment and lease liabilities during the period.

IV. Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

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;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's retail outlets expansion program.

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.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this Third Quarter Financial Statement of Puregold Price Club, Inc. and its subsidiaries for the year 2021 to be signed on its behalf by the undersigned thereunto duly authorized.

November 11, 2021 in the City of Manila

PUREGOLD PRICE CLUB, INC.

By:

FERDINAND VINCENT P. CO
President

MARICEL R. CAMBE
Senior Finance Manager

GRACE E. SY
Treasurer

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2021 and December 31, 2020
and for the Nine Months Ended September 30, 2021 and 2020

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**September 2021**	December 2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P30,833,243,410**	P32,724,093,663
Receivables – net	*5*	**1,583,372,618**	2,676,254,583
Merchandise inventories	*6*	**24,527,570,810**	20,918,320,287
Financial assets at fair value through profit or loss	*7*	**28,794,232**	2,411,375,234
Prepaid expenses and other current assets	*8*	**1,169,740,712**	658,106,936
Total Current Assets		**58,142,721,782**	59,388,150,703
Noncurrent Assets			
Investments in associate and joint venture	*9*	**636,548,430**	636,548,430
Property and equipment - net	*10*	**22,721,395,035**	21,966,176,496
Intangibles and goodwill	*12*	**19,699,948,945**	19,715,894,884
Right-of-use assets - net	*11, 19*	**25,958,328,673**	26,137,182,954
Deferred tax assets - net	*25*	**1,334,214,296**	1,257,599,720
Other noncurrent assets	*13, 19*	**2,533,903,477**	2,491,956,269
Total Noncurrent Assets		**72,884,338,856**	72,205,358,753
		P131,027,060,638	P131,593,509,456
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 23, 26*	**P8,175,421,376**	P14,341,506,837
Income tax payable		**569,504,015**	1,304,529,529
Lease liabilities due within one year	*19*	**833,345,199**	896,500,586
Due to related parties	*23*	**41,278,360**	49,568,517
Other current liabilities	*16*	**438,683,702**	510,379,655
Total Current Liabilities		**10,058,232,652**	17,102,485,124
Noncurrent Liabilities			
Long-term loans	*15*	**11,766,623,901**	11,875,122,322
Lease liabilities	*19*	**33,616,542,008**	32,731,125,380
Retirement benefits liability	*24*	**1,380,372,222**	1,383,056,698
Total Noncurrent Liabilities		**46,763,538,131**	45,989,304,400
Total Liabilities		**56,821,770,783**	63,091,789,524
Equity	*26*		
Capital stock		**2,904,214,086**	2,904,214,086
Additional paid-in capital		**25,361,670,581**	25,361,670,581
Retirement benefits reserve		**(118,634,185)**	(118,634,185)
Treasury stock		**(102,351,029)**	(71,253,489)
Retained earnings		**46,160,390,402**	40,425,722,939
Total Equity		**74,205,289,855**	68,501,719,932
		P131,027,060,638	P131,593,509,456

See Notes to the Interim Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Nine-Month Periods Ended September 30		For the Three-Month Periods July 1 to September 30	
	Note	**2021**	2020	**2021**	2020
NET SALES	*17*	**P115,241,028,267**	P121,137,647,596	**P39,058,279,991**	P39,173,196,068
COST OF SALES	*6, 18*	**93,746,581,124**	101,293,231,493	**31,842,548,536**	32,707,812,768
GROSS INCOME		**21,494,447,143**	19,844,416,103	**7,215,731,455**	6,465,383,300
OTHER REVENUE	*17, 19, 20*	**2,325,329,396**	2,297,556,769	**764,116,684**	685,878,260
TOTAL GROSS INCOME AND OTHER REVENUE		**23,819,776,539**	22,141,972,872	**7,979,848,139**	7,151,261,560
OPERATING EXPENSES	*21*	**14,756,076,507**	13,645,236,442	**5,059,132,559**	4,368,353,263
INCOME FROM OPERATIONS		**9,063,700,032**	8,496,736,430	**2,920,715,580**	2,782,908,297
OTHER CHARGES					
Interest expense	*10 ,15, 19*	**2,096,634,406**	1,567,895,959	**683,041,696**	524,939,187
Interest income	*4, 7*	**(318,535,183)**	(176,508,110)	**(81,895,458)**	(41,708,886)
Others – net	*22*	**739,203**	(25,268,390)	**(1,416,161)**	(28,590,236)
		1,778,838,426	1,366,119,459	**599,730,077**	454,640,065
INCOME BEFORE INCOME TAX		**7,284,861,606**	7,130,616,971	**2,320,985,503**	2,328,268,232
PROVISION FOR INCOME TAX					
Current		**1,706,879,311**	2,286,665,190	**628,904,456**	725,739,576
Deferred		**(156,685,168)**	(205,612,248)	**(57,073,960)**	(49,674,488)
	25	**1,550,194,143**	2,081,052,942	**571,830,496**	676,065,088
NET INCOME		**P5,734,667,463**	P5,049,564,029	**P1,749,155,007**	P1,652,203,144
Basic and diluted earnings per share	*28*	**P2.00**	P1.76	**P0.61**	P0.58

See Notes to the Interim Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

						Periods Ended September 30	
	Note	**Capital Stock**	**Additional Paid-in Capital**	**Retirement Benefits Reserve**	**Treasury Stock**	**Retained Earnings**	**Total Equity**
Balance at December 31, 2019		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P33,650,251,214	P61,899,349,933
Total comprehensive income for the year							
Net income for the year		-	-	-	-	5,049,564,029	5,049,564,029
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	5,049,564,029	5,049,564,029
Transaction with owners of the Parent Company							
Cash dividends	*26*	-	-	-	-	-	-
Balance at September 30, 2020		P2,904,214,086	P25,361,670,581	P54,467,541	(P71,253,489)	P38,699,815,243	P66,948,913,962
Balance at December 31, 2020		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P40,425,722,939	P68,501,719,932
Total comprehensive income for the year							
Net income for the year		-	-	-	-	5,734,667,463	5,734,667,463
Other comprehensive income		-	-	-	-	-	-
		-	-	-	-	5,734,667,463	5,734,667,463
Transaction with owners of the Parent Company							
Treasury shares – at cost	*26*	-	-	-	(31,097,540)	-	(31,097,540)
Balance at September 30, 2021		**P2,904,214,086**	**P25,361,670,581**	**(P118,634,185)**	**(P102,351,029)**	**P46,160,390,402**	**P74,205,289,855**

See Notes to the Interim Consolidated Financial Statements.

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		Periods Ended September 30	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P7,284,861,606**	P7,130,616,971
Adjustments for:			
Depreciation and amortization	*10, 11, 12, 19, 21*	**3,443,856,819**	3,097,193,874
Interest expense	*10 ,15, 19*	**2,096,634,406**	1,567,895,959
Interest income	*4, 7*	**(318,535,183)**	(176,508,110)
Loss (gain) on sale of financial assets		**5,291,597**	(36,229,953)
Loss from lease terminations	*19*	**3,523,843**	-
Unrealized loss (gain) on financial assets at fair value through profit or loss	*7, 22*	**(1,281,046)**	11,747,103
Dividend income	*22*	**(983,255)**	(676,873)
Gain on insurance claim	*22*	**(4,791,261)**	(513,124)
Operating income before changes in working capital		**12,508,577,526**	11,593,525,847
Decrease (increase) in:			
Receivables		**1,092,881,965**	645,484,301
Merchandise inventories		**(3,609,250,523)**	(3,729,176,355)
Prepaid expenses and other current assets		**(666,586,636)**	(307,146,710)
Increase (decrease) in:			
Trade and other payables		**(4,874,728,828)**	(2,510,631,660)
Due to related parties		**(8,290,157)**	(1,688,863)
Other current liabilities		**(71,695,953)**	(1,271,593)
Cash generated from operations		**4,370,907,394**	5,689,094,967
Income taxes paid		**(2,286,951,965)**	(2,494,285,449)
Interest received		**318,535,183**	176,508,110
Retirement benefits paid	*24*	**(2,684,476)**	(2,955,592)
Net cash provided by operating activities		**2,399,806,136**	3,368,362,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at fair value through profit or loss		**2,378,570,451**	36,229,953
Additions to property and equipment	*10*	**(2,630,781,344)**	(1,540,214,093)
Proceeds from:			
Disposal of property and equipment	*10*	**7,666,871**	1,034,689
Insurance claim	*22*	**4,791,261**	513,124
Increase in:			
Other noncurrent assets		**38,123,384**	111,939,268
Intangibles	*12*	**(18,561,072)**	(14,862,624)
Dividends received	*7*	**983,255**	676,873
Net cash used in investing activities		**(219,207,194)**	(1,404,682,810)

Forward

		Periods Ended September 30	
	Note	**2021**	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of long-term loans		**P-**	P12,000,000,000
Repayments of:	*15*		
Short-term loans		**-**	(P501,570,353)
Long-term loans		**(120,000,000)**	(400,000,000)
Repayments of lease:	*19*		
Interest expense		**(1,707,448,787)**	(1,548,334,439)
Principal amount		**(543,862,195)**	(713,925,384)
Payments of:			
Cash dividends	*26*	**(1,291,356,633)**	(1,147,872,562)
Interest expense		**(377,684,040)**	(19,561,520)
Payments for treasury shares	*26*	**(31,097,540)**	-
Net cash provided by (used in) financing activities		**(4,071,449,195)**	7,668,735,742
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,890,850,253)**	9,632,414,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**32,724,093,663**	17,083,459,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P30,833,243,410**	P26,715,874,398

See Notes to the Interim Consolidated Financial Statements

1. Reporting Entity

Puregold Price Club, Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on September 8, 1998. Its shares are listed in the Philippine Stock Exchange ("PSE") since October 5, 2011 with stock symbol of PGOLD. Its immediate and ultimate parent company is Cosco Capital, Inc. ("Cosco") which is incorporated in the Philippines. Cosco is formerly named Alcorn Gold Resources Corporation and is also listed with the PSE since September 26, 1998.

The Parent Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, pharmaceutical and medical goods, etc.) on a wholesale and retail basis. Its registered office address is at 900 Romualdez Street, Paco, Manila.

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

	Percentage of Ownership	
	2021	2020
Kareila Management Corporation	**100**	100
S&R Pizza (Harbor Point), Inc. [(a)]	**100**	100
S&R Pizza, Inc. [(a)]	**100**	100
PPCI Subic, Inc. (PSI)	**100**	100
Entenso Equities Incorporated (Entenso)	**100**	100
Purepadala, Inc. (Purepadala) [(b)]	**100**	100

(a) Indirect subsidiaries through Kareila Management Corporation
(b) Newly incorporated and has not started operations yet

All subsidiaries are essentially engaged in the same business as the Parent Company, except for Entenso Equities Incorporated ("Entenso") and Purepadala, Inc. ("Purepadala").

Entenso's primary purpose is to invest in, purchase, subscribe for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind of description.

Purepadala's primary purpose is to engage in business of money remittance or service as defined in the Bank Sentral ng Pilipinas (BSP) Circular No. 942, Series of 2017.

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on November 9, 2021.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Retirement benefits liability	Present value of defined benefit obligation less fair value of the plan asset

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 the Term and Discount Rate of Lease Arrangements (Note 19)

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 parcels of land, stores, warehouses, distribution centers and parking spaces, 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 (Notes 19 and 20)
The Group has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Group has determined that the lessor 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 P248.0 million and P234.9 million in 2021 and 2020, respectively.

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

Estimating Allowance for Impairment Losses on Receivables (Notes 5 and 29)
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.

The carrying amount of receivables amounted P1.6 billion and P2.7 billion as at September 30, 2021 and December 31, 2020, respectively.

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

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

The carrying amount of merchandise inventories amounted to P24.5 billion and P20.9 billion as at September 30, 2021 and December 31, 2020, respectively.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 12)
The Group determines whether goodwill and other intangibles with indefinite lives 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 lives totaled P19.5 billion as at September 30, 2021 and December 31, 2020, respectively.

Impairment of Non-financial Assets Other than Goodwill
The Group assesses impairment on non-financial assets, other than inventories and deferred tax 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.

There are no impairment indicators affecting the Group's non-financial assets as at September 30, 2021 and December 31, 2020.

As at September 30, 2021 and December 31, 2020, the following are the carrying amounts of nonfinancial assets:

	Note	**September 2021**	December 2020
Right-of-use assets - net	*11, 19*	**P25,958,328,673**	P26,137,182,954
Property and equipment - net	*10*	**22,721,395,035**	21,966,176,496
Investments in associate and joint venture	*9*	**636,548,430**	636,548,430
Computer software and licenses, and leasehold rights	*12*	**198,412,096**	214,358,035

Estimating Realizability of Deferred Tax Assets (Note 25)
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 September 30, 2021 and December 31, 2020, the Group recognized deferred tax assets amounting to P1,334.21 million and P1,257.60 million, respectively.

Estimating Retirement Benefits Liability (Note 24)
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 24.

Retirement benefits liability amounted to P1,380.37 million and P1,383.06 million as at September 30, 2021 and December 31, 2020, respectively.

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*)

Standards Issued but Not Yet Adopted

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

Effective June 1, 2020

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

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

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

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

Effective January 1, 2022

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

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

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

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

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

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

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

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

parent's date of transition to PFRS.

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

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

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

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

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

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

Effective January 1, 2023

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

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

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

Consolidation

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

Business Combinations

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

Statement of Cash Flows

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

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.

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 income (FVOCI) 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 and security deposits are included in this category.

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 unquoted 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 September 30, 2021 and December 31, 2020.

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

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in the consolidated statement of income 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 September 30, 2021 and December 31, 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

The Group's investments in government securities and equity securities are included under this category (see Note 7).

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 deposits from tenants 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.

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

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

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

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

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

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

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

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

Cash and Cash Equivalents
Cash includes cash in banks, cash on hand and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and NRV. Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventories to their present location and condition.

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

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

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

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

	Number of Years
Building	15 - 30
Furniture and fixtures	3 - 20
Office and store equipment	2 - 15
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investments in Associates and Joint Arrangements

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.

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

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

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 15 to 20 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.

A reversal of an impairment loss is recognized immediately as a credit to the Group's profit or loss.

Employee Benefits

Short-term Employee Benefits

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

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

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

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

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

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

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

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

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

Retained Earnings and Dividend Distribution
Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

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.

- *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 of 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.

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

As a Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits 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 assets 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 profits will allow the deferred tax assets 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 the reporting date.

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

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

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

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

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

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

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:

	Note	**September 2021**	December 2020
Cash on hand		**P382,456,610**	P774,855,494
Cash in banks	*29*	**3,061,219,711**	10,281,958,993
Money market placements	*23, 29*	**27,389,567,089**	21,667,279,176
	29	**P30,833,243,410**	P32,724,093,663

Cash in banks earn annual interest at the respective bank deposit rates.

Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.2% to 4.0% in September 2021 and 0.8% to 3.4% in December 2020.

Interest income earned from cash in banks and money market placements totaled

P318.5 million and P176.5 million in September 2021 and 2020, respectively.

5. Receivables

This account consists of:

	Note	**September 2021**	December 2020
Trade receivables	*23*	**P606,363,306**	P1,672,970,351
Nontrade receivables	*23*	**984,471,639**	1,010,746,559
		1,590,834,945	2,683,716,910
Less allowance for impairment losses on trade receivables		**7,462,327**	7,462,327
	29	**P1,583,372,618**	P2,676,254,583

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

Non-trade receivables consist mainly of advances to a related party, e-wallet balance, accrued vendor allowance income and rent due from store tenants.

6. Merchandise Inventories

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

The Group's merchandise inventories at cost amounted to P24.5 billion and P20.9 billion as at September 30, 2021 and December 31, 2020, respectively.

Inventory charged to the cost of sales amounted to P93.7 billion and P101.3 billion in September 2021 and 2020, respectively (see Note 18).

7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	Note	**September 2021**	December 2020
Held-for-trading:	*22, 29*		
Equity securities		**P28,794,232**	P27,513,186
Government securities		**-**	2,383,862,048
		P28,794,232	P2,411,375,234

The Group recognized a loss on disposal of government securities amounting to P5.3 million and gain of P36.2 million in September 2021 and 2020, respectively.

Dividend income on equity securities amounted to P1.0 million and P0.7 million on September 2021 and 2020, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 2021	December 2020
Prepaid expenses	**P615,111,705**	P266,369,411
Input VAT	**552,849,498**	385,806,491
Creditable withholding tax	**1,779,509**	5,931,034
	P1,169,740,712	P658,106,936

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

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

The details of prepaid expenses are as follows:

	September 2021	December 2020
Taxes and licenses	**P341,183,517**	P125,360,561
Insurance	**119,610,552**	73,780,496
Advertising and promotion	**97,635,211**	11,095,576
Supplies	**23,836,904**	33,740,309
Repairs and maintenance	**3,433,712**	3,753,287
Others	**29,411,809**	18,639,182
	P615,111,705	P266,369,411

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

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

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

9. Investments in Associate and Joint Venture

The details of this account are as follows:

	September 2021	December 2020
Associate	**P461,152,697**	P461,152,697
Joint venture	**175,395,733**	175,395,733
	P636,548,430	P636,548,430

Investment in Associate
In 2013, the Group through Entenso acquired 49.34% equity interest in San Roque Supermarkets, a local entity that operates a chain of supermarkets in Metro Manila and nearby areas.
The changes in the carrying amount of the investment in associate are as follows:

	September 2021	December 2020
Balance at beginning of the year	**P461,152,697**	P447,585,544
Share in net income	**-**	9,520,123
Other adjustments	**-**	4,047,030
Balance at end of year	**P461,152,697**	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.

	December 2020
Percentage of ownership	49.34%
Current assets	P4,892,031,522
Noncurrent assets	811,536,266
Current liabilities	(871,930,420)
Noncurrent liabilities	(4,456,496,386)
Net assets	375,140,982
Group's share in net assets	185,094,561
Goodwill	276,058,136
Carrying amount of interest in associate	P461,152,697
Net sales	P5,854,701,965
Net income	19,294,939
Group's share in net income	P9,520,123

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

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

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such

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

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

	September 2021	December 2020
Balance at beginning of year	**P176,445,524**	P175,395,733
Share in net income	**-**	1,049,791*
Balance at end of year	**P176,445,524**	P176,445,524

**Unrecognized share in net income*

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

	December 2020
Percentage of ownership	50%
Current assets	P295,591,774
Noncurrent assets	455,987,422
Total liabilities	(398,688,147)
Net assets	352,891,049
Group's share in net assets	176,445,524
Impact of adoption of PFRS 16	-
Carrying amount of interest in joint venture	P176,445,524
Net sales	P697,594,488
Net income	2,099,583
Group's share in net income	P1,049,791

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

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

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2019	P6,660,775,009	P3,004,027,203	P9,930,648,393	P12,303,356,162	P436,227,845	P1,403,857,751	P33,738,892,363
Additions	104,575,833	209,288,083	748,454,587	942,689,811	500,664,000	701,858,410	3,207,530,724
Reclassifications	55,819,302	15,688,662	180,649,163	606,737,904	-	(858,895,031)	-
Disposals	(849,310)	(809,940)	(18,481,242)	(179,067,758)	-	-	(199,208,250)
Balance, December 31, 2020	6,820,320,834	3,228,194,008	10,841,270,901	13,673,716,119	936,891,845	1,246,821,130	36,747,214,837
Additions	82,147,847	151,560,586	603,665,073	598,562,931	240,318,720	954,526,187	2,630,781,344
Reclassifications	71,333,399	28,041,365	378,831,796	1,147,323,747	-	(1,625,530,307)	-
Disposals	(8,051,221)	(3,010,347)	(29,779,520)	(1,497,305)	(683,516)	-	(43,021,909)
Balance, September 30, 2021	**6,965,750,859**	**3,404,785,612**	**11,793,988,250**	**15,418,105,492**	**1,176,527,049**	**575,817,010**	**39,334,974,272**
Accumulated Depreciation and Amortization							
Balance, December 31, 2019	P1,505,584,941	P1,544,745,088	P6,723,444,461	P2,803,427,008	P-	P-	P12,577,201,498
Depreciation and amortization	223,540,151	258,513,522	1,152,000,317	767,588,992	-	-	2,401,642,982
Reclassifications	212,773	-	-	(212,773)	-	-	-
Disposals	(473,213)	(812,939)	(17,452,230)	(179,067,757)	-	-	(197,806,139)
Balance, December 31, 2020	1,728,864,652	1,802,445,671	7,857,992,548	3,391,735,470	-	-	14,781,038,341
Depreciation and amortization	173,841,902	203,015,013	840,756,459	650,282,560	-	-	1,867,895,934
Reclassifications	5,248,872	(737,178)	56,218	(4,567,912)	-	-	-
Disposals	(1,878,619)	(2,893,805)	(29,085,309)	(1,497,305)	-	-	(35,355,038)
Balance, September 30, 2021	**1,906,076,807**	**2,001,829,701**	**8,669,719,916**	**4,035,952,813**	-	-	**16,613,579,237**
Carrying Amount							
December 31, 2020	P5,091,456,182	P1,425,748,337	P2,983,278,353	P10,281,980,649	P936,891,845	P1,246,821,130	P21,966,176,496
September 30, 2021	**P5,059,674,052**	**P1,402,955,911**	**P3,124,268,334**	**P11,382,152,679**	**P1,176,527,049**	**P575,817,010**	**P22,721,395,035**

Interest expense on loans capitalized as part of property and equipment amounted to P11.1 million and P2.9 million in September 2021 and December 2020, respectively (see Note 15).

11. Right-of-Use Assets

The movements in this account are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	**P37,169,222,475**	P33,014,871,924
Additions	**2,047,751,371**	2,700,793,126
Modifications to leases	**13,948,382**	1,612,512,914
Terminated leases	**(7,094,387,331)**	(137,882,964)
Derecognition of right-of-use assets	**(113,342,984)**	(21,072,525)
Balance at end of period	**32,023,191,913**	37,169,222,475
Accumulated Depreciation		
Balance at January 1	**11,032,039,521**	9,190,189,876
Depreciation	**1,541,453,874**	1,874,771,949
Modifications to leases	**-**	-
Terminated leases	**(6,395,660,229)**	(11,849,779)
Derecognition of right-of-use assets	**(112,969,926)**	(21,072,525)
Balance at end of period	**6,064,863,240**	11,032,039,521
Carrying Amount at end of period	**P25,958,328,673**	P26,137,182,954

The right-of-use assets mainly pertain to leases of stores and also include leases of parcels of land, warehouses, distribution centers and parking spaces.

12. Goodwill and Other Intangibles

This account consists of:

	September 2021	December 2020
Goodwill	**P14,902,423,321**	P14,902,423,321
Trademark	**3,709,660,547**	3,709,660,547
Customer relationships	**889,452,981**	889,452,981
Computer software and licenses - net	**153,891,864**	167,011,990
Leasehold rights – net	**44,520,232**	47,346,045
	P19,699,948,945	P19,715,894,884

Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired subsidiaries which represent the separate CGUs expected to benefit from that business combination.

The details of goodwill are as follows:

	September 2021	December 2020
Kareila	**P12,079,473,835**	P12,079,473,835
Budgetlane Supermarkets	**837,974,199**	837,974,199
Gant	**742,340,804**	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	**685,904,317**	685,904,317
Company E	**358,152,015**	358,152,015
Black & White (B&W) Supermart	**187,203,888**	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	**11,374,263**	11,374,263
	P14,902,423,321	P14,902,423,321

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

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU
Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 6.1% to 7.6% in 2020 and 9.5% to 11% in 2019. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 8% for the CGUs. The average operating margins applied in the projected periods ranged between 2% and 6% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.8% and 4.4% 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)**	
	2020	2019	**2020**	2019
Kareila	**5.94%**	11.0%	**2.6%**	3.0%
Budgetlane Supermarkets	**6.95%**	11.0%	**2.6%**	3.0%
Gant	**7.29%**	10.9%	**2.6%**	3.0%
DCI and FLSTCI	**7.06%**	10.6%	**2.6%**	3.0%

As at December 31, 2020, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses
The movements in computer software and licenses are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	**P445,836,801**	P417,158,774
Additions	**18,561,072**	28,678,027
Balance at end of period	**464,397,873**	445,836,801
Accumulated Amortization		
Balance at January 1	**278,824,811**	239,173,716
Amortization	**31,681,198**	39,651,095
Balance at end of period	**310,506,009**	278,824,811
Carrying Amount At end of period	**P153,891,864**	P167,011,990

Leasehold Rights
The movements in leasehold rights are as follows:

	September 2021	December 2020
Cost		
Balance at January 1	**P75,355,005**	P75,355,005
Accumulated Amortization		
Balance at January 1	**28,008,960**	24,241,211
Amortization	**2,825,813**	3,767,749
Balance at end of period	**30,834,773**	28,008,960
Carrying Amount at end of period	**P44,520,232**	P47,346,045

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.

13. Other Noncurrent Assets

This account consists of:

	Note	**September 2021**	December 2020
Security deposits	*29*	**P2,099,419,823**	P2,091,761,905
Advances to contractors		**398,260,460**	359,695,752
Accrued rent income	*19, 25*	**28,344,034**	32,619,452
Others		**7,879,160**	7,879,160
		P2,533,903,477	P2,491,956,269

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.

14. Trade and Other Payables

This account consists of:

	Note	**September 2021**	December 2020
Trade	*23, 29*	**P5,574,818,130**	P9,358,065,622
Nontrade	*23, 29*	**1,163,942,532**	1,839,972,653
Withholding taxes payable		**94,471,018**	277,059,070
Dividends payable	*26, 29*		1,291,356,633
Accrued expenses:	*29*		
Manpower agency services		**724,530,791**	944,392,380
Utilities		**151,309,418**	186,394,878
Rent		**64,880,449**	80,445,096
Supplies		**-**	134,746,325
Others		**401,469,038**	229,074,180
		P8,175,421,376	P14,341,506,837

The average credit terms on purchases of certain goods from suppliers is 30 days.

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

15. Loans Payable

This account consists of:

a. Long-term Loans

	Note	**September 2021**	December 2020
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		**P11,880,000,000**	P12,000,000,000
Fixed-rate Note of Kareila		**-**	-
		11,880,000,000	12,000,000,000
Unamortized Debt Issue Cost		**(113,376,099)**	(124,877,678)
	29	**P11,766,623,901**	P11,875,122,322

Fixed-rate Notes of Parent Company
On September 30, 2020, the Parent Company raised P12 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 rates ranging from 4.00% to 4.513%.

The movement in debt issue costs are as follows:

	September 2021	December 2020
Balance at beginning of the period	**P124,877,678**	P -
Additions	**-**	129,000,000
Amortization	**(11,501,580)**	(4,122,322)
Balance at end of the period	**P113,376,099**	P124,877,678

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

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

In 2019, the Parent Company fully paid the remaining balance.

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

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

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum.

In 2020, Kareila fully paid the remaining balance.

The following are the contractual maturities of the long-term loans, including estimated interest payments and excluding the impact of netting agreements:

	September 2021				
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**Within 1 - 5 Years**	**More than 5 Years**
Long-term loans	**P11,880,000,000**	**P16,054,335,000**	**P41,716,125**	**P166,864,500**	**P15,845,754,375**

	December 2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans	P12,000,000,000	P16,216,500,000	P42,137,500	P168,550,000	P16,005,812,500

The loans are not subject to any covenants.

Interest expense charged to profit or loss amounted to P389.2 million and P19.6 million in September 2021 and 2020, respectively.

Interest expense capitalized as part of property and equipment is discussed in Note 10.

16. Other Current Liabilities

This account consists of:

	Note	**September 2021**	December 2020
Deposits from tenants	19, 29	**P200,928,915**	P226,788,588
Unredeemed gift certificates		**194,755,425**	210,388,129
VAT payable		**32,142,239**	63,873,811
Promotion fund		**9,780,047**	9,151,979
Others	*29*	**1,077,076**	177,148
		P438,683,702	P510,379,655

Deposits represent amounts paid by the store tenants for the lease of store spaces which are refundable upon termination of the lease.

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 September 30, 2021 and December 31, 2020. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

17. Revenue from Contract with Customers

The Group generates revenue primarily from trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. The revenue from contracts with customers for the periods ended September is disaggregated by revenue streams.

	Note	**2021**	2020
Net sales from stores		**P115,241,028,267**	P121,137,647,596
Concession fee income	*20*	**1,515,448,906**	1,509,677,352
Membership fee income	*20*	**423,710,573**	441,832,852
Revenue from contract with customers		**P117,180,187,746**	P123,089,157,800

18. Cost of Sales

This account for the periods ended September 30 consists of:

	Note	**2021**	2020
Beginning inventory	*6*	**P20,918,320,287**	P19,526,196,704
Add purchases		**97,355,831,647**	105,022,407,848
Total goods available for sale		**118,274,151,934**	124,548,604,552
Less ending inventory	*6*	**24,527,570,810**	23,255,373,059
		P93,746,581,124	P101,293,231,493

19. Leases

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.

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

	September 2021	December 2020
Due within one year	**P833,345,199**	**P896,500,586**
Due beyond one year	**33,616,542,008**	**32,731,125,380**
	P34,449,887,207	**P33,627,625,966**

The movements in lease liabilities are as follows:

	Note	**September 2021**	December 2020
Balance at January 1	*29*	**P33,627,625,966**	P30,415,745,177
Additions		**1,952,654,962**	2,618,157,181
Accretion of interest expense		**1,707,448,787**	2,121,718,052
Repayments		**(2,330,202,618)**	(2,978,079,955)
Terminations		**(521,588,272)**	(162,427,403)
Modifications		**13,948,382**	1,612,512,914
Balance at end of period		**P34,449,887,207**	P33,627,625,966

Shown below is the maturity analysis of the undiscounted lease payments:

	September 2021	December 2020
Less than one year	**P2,603,603,903**	P2,379,735,845
One to five years	**12,694,866,886**	9,505,471,439
More than five years	**40,959,294,448**	31,286,910,697
	P56,257,765,237	P43,172,117,981

The following are the amounts recognized in profit or loss:

	September 2021	September 2020
Variable lease payments not included in the measurement of lease liabilities	**P377,661,966**	P427,720,970
Expenses related to leases of low-value assets	**22,879,822**	24,751,161
Expenses related to short-term leases	**4,640,886**	5,197,102
Total rent expense	**405,182,674**	457,669,233
Interest accretion on lease liabilities	**1,707,448,787**	1,548,334,439
Depreciation charge for right-of-use assets	**1,541,453,874**	1,354,877,711
Gain (loss) from lease terminations	**(3,523,843)**	26,826

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

As Lessor

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 in profit or loss amounted to P248.0 million and P234.9 million in September 2021 and 2020, respectively (see Note 20).

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

	September 2021	December 2020
Due within one year	**P239,881,965**	P252,349,078
Due more than one year but not more than five years	**377,706,344**	355,779,186
Due more than five years	**967,651,068**	43,755,679
	P1,585,239,377	P651,883,943

20. Other Revenue

This account consists of:

	Note	**September 2021**	September 2020
Concession fee income	*17*	**P1,515,448,906**	P1,509,677,352
Membership fee income	*17*	**423,710,573**	441,832,852
Rent income	*19*	**248,002,716**	234,941,869
Miscellaneous		**138,167,201**	111,104,696
		P2,325,329,396	P2,297,556,769

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

21. Operating Expenses

This account for the periods ended September 30 consists of:

	Note	**2021**	2020
Depreciation and amortization	*10, 11, 12, 19*	**P3,418,561,847**	P3,067,744,032
Manpower agency services		**2,634,246,994**	2,609,434,132
Communication, light and water		**1,741,550,865**	1,606,930,754
Salaries and wages		**1,741,489,121**	1,668,214,160
Security services		**793,635,105**	702,594,367
Taxes and licenses		**723,609,619**	675,475,969
Repairs and maintenance		**512,985,238**	360,735,744
Store and office supplies		**460,155,494**	397,998,081
Rent	*19*	**405,182,674**	457,669,233
Credit card charges		**324,759,393**	309,434,610
Advertising and marketing		**309,890,607**	342,305,311
Transportation		**301,304,543**	165,635,497
Insurance		**174,936,382**	163,489,222
SSS/Medicare and HDMF contributions		**158,184,602**	135,700,129
Input VAT allocable to exempt sales		**148,775,962**	148,223,156
Janitorial and messengerial services		**147,362,849**	146,522,279
Other selling expenses		**126,375,723**	132,793,735
Representation and entertainment		**96,700,410**	84,231,987
Fuel and oil		**66,766,260**	53,087,731
Royalty	*23*	**41,278,360**	45,428,575
Professional fees		**19,609,100**	18,514,999
Miscellaneous		**408,715,359**	353,072,739
		P14,756,076,507	P13,645,236,442

22. Others

This account for the periods ended September 30 consists of:

	Note	**2021**	2020
Gain (loss) on sale of investment	*7*	**(P5,291,597)**	P36,229,953
Gain on insurance claims		**4,791,261**	513,124
Gain (loss) from lease terminations	*19*	**(3,523,843)**	26,826
Dividend income	*7*	**983,255**	676,873
Unrealized valuation gain (loss) on financial assets at FVPL	*7*	**1,281,046**	(11,747,103)
Foreign exchange gains		**1,521,400**	1,275,542
Bank charges		**(500,725)**	(1,706,825)
		(P739,203)	P25,268,390

23. Related Party Transactions

Other than the items disclosed in Note 9, the Group's significant transactions and balances with related parties are as follows:

Related Party	Year	*Note*	Amount of Transactions for the Nine-month Periods	Money Market Placements (see Note 4)	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
Parent											
Dividends	**2021**		**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	Due and demandable	Unsecured
	2020		634,890,235	-	-	-	-	634,890,235	-		
Loans	**2021**	*D*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	6 months; interest	
	2020	*D*	-	-	-	-	-	-	-	bearing at 4.5%-5%	
Other expenses	**2021**	*D*	**42,082**	-	-	-	-	-	-		
	2020	*D*	1,603,845	-	-	-	-	-	-		
Entities under Common Control											
Leases	**2021**	*A*	**852,924,989**	**-**	**-**	**869,684**	**-**	**5,679,221,437**	**-**	Due and	Unsecured;
	2020	*A*	715,203,314	-	-	808,983	-	4,150,693,309	-	demandable	no impairment
Concession expense	**2021**		**164,406,263**	**-**	**-**	**-**	**-**	**-**	**-**	Due and	Unsecured
	2020		289,149,102	-	-	-	-	-	-	demandable	
Short-term investments	**2021**	*4*	**100,006,222**	**100,006,222**	**-**	**-**	**-**	**-**	**-**	Original maturity of	
	2020	*4*	3,320,402,583	-	-	-	-	-	-	less than 3 months	
Purchase of merchandise	**2021**		**1,702,914,139**	**-**	**-**	**-**	**357,638,089**	**-**	**-**	Due and	Unsecured
	2020		1,253,432,426	-	-	-	668,693,569	-	-	demandable	
Sale of merchandise	**2021**		**69,965,501**	**-**	**87,029,727**	**-**	**-**	**-**	**-**	Due and	Unsecured;
	2020		87,809,128	-	62,058,898	-	-	-	-	Demandable	no impairment
Security deposits	**2021**	*A*	**10,282,548**	**-**	**-**	**24,160**	**-**	**400,790**	**-**	Due and	Unsecured;
	2020	*A*	74,668,628	-	-	20,358	-	2,784,888	-	Demandable	no impairment
Advances	**2021**		**-**	**-**	**-**	**116,000,000**	**-**	**-**	**-**	Due and	Unsecured;
	2020		**-**	-	-	116,000,000	-	-	-	Demandable	no impairment
Management fee	**2021**		**6,365,366**	**-**	**-**	**-**	**-**	**5,892,630**	**-**	Due and	Unsecured
	2020		7,938,766	-	-	-	-	5,705,121	-	Demandable	
Fixed asset	**2021**		**645,921**	**-**	**-**	**123,634,118**	**-**	**-**	**-**	Due and	Unsecured
	2020		123,605,248	-	-	123,617,038	-	-	-	Demandable	
Loans	**2021**	*D*	**-**	**-**	**-**	**-**	**-**	**2,190,395**	**-**	Due and	
	2020	*D*	1,570,353	-	-	-	-	-	-	Demandable	
Expense reimbursement	**2021**		**192,479,991**	**-**	**-**	**8,887,506**	**-**	**8,376,553**	**-**	Due and	Unsecured
	2020		133,416,913	-	-	7,684,888	-	-	-	Demandable	
Stockholder											
Royalty expense	**2021**	*c*	**41,278,360**	**-**	**-**	**-**	**-**	**-**	**41,278,360**	30 years and	Unsecured
	2020	*c*	45,428,575	-	-	-	-	-	49,568,517	subject to renewal	
Leases	**2021**	*a*	**18,972,842**	**-**	**-**	**-**	**-**	**-**	**-**		
	2020	*a*	18,420,235	-	-	-	-	-	-		
Key Management Personnel											
Short-term benefits	**2021**		**38,578,560**	**-**	**-**	**-**	**-**	**-**	**-**		
	2020		36,888,385	-	-	-	-	-	-		
Total	**September 2021**			**P100,006,222**	**P87,029,727**	**P249,415,468**	**P357,638,089**	**P5,696,081,805**	**P41,278,360**		
Total	December 2020			P -	P62,058,898	P248,131,267	P668,693,569	P4,794,073,553	P49,568,517		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 10 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%-7% escalation.

b. Consignment and Concession

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

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

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

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

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

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

- In exchange, the consignor gives the consignee a trade or volume discount in the amount equivalent to 5% of the consignee's gross sales which was increased to 15% on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of 10% of the Consignee's gross sales.

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

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

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

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

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

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

c. 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.

d. Loans

Cosco
In 2017, Kareila obtained an unsecured short-term loan from COSCO amounting to P300 million at 2.50% interest per annum.

In 2018, the loan was renewed for another six months at 4.75% interest per annum. Kareila obtained additional short-term loan during the year amounting to P600.00 million at 5.00% interest per annum. The loans matured and were fully paid in 2019.

In 2019, Kareila obtained an unsecured short-term loan with term of 6 months from Cosco amounting to P1.4 billion at 5.5% interest per annum.

In 2020, Kareila paid the remaining balance and there were no availments during the year.

Puregold Finance
In 2018, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P8.8 million. This was fully paid in 2019.

In 2019, the Parent Company obtained an unsecured short-term loan from Puregold Finance amounting to P9.0 million. In 2020, the Parent Company paid the remaining balance and there were no availments during the year.

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

24. Retirement Benefits Liability

The Parent Company and its subsidiaries has unfunded, noncontributory, defined benefit plan covering all of its permanent employees. 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. The Group's latest actuarial valuation date is December 31, 2020. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

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.

The reconciliation of the liability recognized in the statements of financial position is as follows:

	September 2021	December 2020
Present value of defined benefit obligation	**P1,410,389,834**	P1,413,074,310
Fair value of plan assets	**(30,017,612)**	(30,017,612)
Retirement benefits liability	**P1,380,372,222**	P1,383,056,698

The following table shows reconciliation from the opening balances to the closing balances for present value of defined benefit obligation:

	September 2021	December 2020
Balance at beginning of period	**P1,413,074,310**	P947,535,634
Included in profit or loss		
Current service cost	**-**	177,499,305
Interest cost	**-**	49,461,361
	-	226,960,666
Benefits paid	**(2,684,476)**	(8,638,936)
Included in other comprehensive income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	**-**	319,027,413
Experience adjustments	**-**	(71,810,467)
	-	247,216,946
Balance at end of period	**P1,410,389,834**	P1,413,074,310

The movements in the fair value of plan assets are as follows:

	September 2021	December 2020
Beginning of the period	**P30,017,612**	P28,450,238
Interest income	**-**	1,485,102
Remeasurement gain	**-**	82,272
End of the period	**P30,017,612**	P30,017,612

The movements in cumulative actuarial gains or loss, before income tax effect, recognized in other comprehensive income are as follows:

	September 2021	December 2020
Beginning of period	**P169,529,597**	(P77,605,077)
Actuarial losses for the period	**-**	247,134,674
Ending balance	**P169,529,597**	P169,529,597

The cumulative actuarial gain or loss, net of income tax effect, amounted to P118.63 million as at September 30, 2021 and December 31, 2020, which are presented as retirement benefits reserve in the equity section of the consolidated statements of financial position.

The Group's plan assets consist of the following:

	September 2021	December 2020
Cash in banks	**P3,293,644**	P3,293,644
Debt instruments - government securities	**26,527,304**	26,527,304
Trust fees payable	**(14,073)**	(14,073)
Other receivables	**210,737**	210,737
	P30,017,612	P30,017,612

On February 17, 2014, the Parent Company entered into a multi-employer retirement plan agreement with a trust Group. The Parent Company made an initial cash contribution of P25 million pesos.

The Group does not expect to contribute to the plan in 2021.

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

	December 2020
Discount rate	3.95%
Future salary increases	8.00%

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

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 is 21.5 years and 19.4 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:

December 2020

	Increase	**Decrease**
Discount rate (1% movement)	**(P194,736,750)**	**P331,024,709**
Future salary increase rate (1% movement)	**314,682,171**	**(252,853,997)**

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.

Maturity analysis of the benefit payments:

	December 2020				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**Within 5 - 10 Years**
Defined benefit obligation	**P1,413,073,310**	**P252,852,978**	**P38,533,853**	**P49,461,016**	**P164,858,109**

25. Income Taxes

The components of income tax expense are as follows**:**

	September 2021	September 2020
Current tax expense	**P1,706,879,311**	P2,286,665,190
Deferred tax benefit	**(156,685,168)**	(205,612,248)
	P1,550,194,143	P2,081,052,942

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

	September 2021	September 2020
Income before income tax	**P7,284,861,606**	P7,130,616,971
Income tax expense at the statutory income tax rate:		
30%	**P1,813,935,467**	P2,127,216,914
5%	**1,455,859**	1,994,696
Income tax effects of:		
Dividend income	**(245,814)**	(203,062)
Interest income subject to final tax	**(79,149,093)**	(51,926,870)
Nondeductible interest expense	**18,258,483**	420,250
Other income subject to final tax	**-**	(10,868,986)
Nondeductible other expenses	**11,674,411**	13,129,657
Changes in unrecognized DTA/DTL	**595,209**	1,895,327
Create Law adjustment	**(215,793,023)**	-
Nontaxable income	**(537,356)**	(604,984)
	P1,550,194,143	P2,081,052,942

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

	September 2021		December 2020	
	Amount	**DTA (DTL)**	Amount	DTA (DTL)
PFRS 16*	**P7,739,937,701**	**P2,306,737,943**	P7,435,070,339	P2,230,521,102
Retirement benefits liability	**1,210,842,625**	**362,702,083**	1,213,527,101	363,373,202
Actuarial loss	**169,529,597**	**50,869,693**	169,529,597	50,869,693
Allowance for impairmen losses on receivables	**7,462,327**	**2,238,698**	7,462,327	2,238,698
Recognition of DTA due to Merger	**389,731**	**116,919**	389,731	116,919
DTA	**9,128,161,981**	**2,722,665,336**	8,825,979,095	2,647,119,614
Fair value of intangible assets from business combination	**(4,599,113,528)**	**(1,379,734,058)**	(4,599,113,528	(1,379,734,058)
Actuarial gains	**-**	**-**	-	-
Accrued rent income	**(28,344,034)**	**(8,716,982)**	(32,619,452	(9,785,836)
DTL	**(4,627,457,562)**	**(1,388,451,040)**	(4,631,732,980	(1,389,519,894)
Net	**P4,500,704,419**	**P1,334,214,296**	P4,194,246,115	P1,257,599,720

**Excluding net lease liabilities of PPCI Subic which is subject to SBMA tax rules*

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied.

Corporate Recovery and Tax Incentives for Enterprise Act (CREATE) Bill

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Group.

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 01, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 01, 2020 to 30 June 2023.

c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprise Act” (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income

- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended

- BIR RR No. 4-2021, Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended

- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997

The enactment of CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE ACT.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Current tax expense	**P1,095,973,519**	**(P309,025,395)**	**P786,948,124**
Deferred tax benefit	**(135,343,792)**	**35,693,491**	**(99,650,301)**
Net income for the year	**(8,066,828,357)**	**(273,331,904)**	**(8,340,160,261)**
Statement of Financial Position			
Deferred tax asset – net	**P1,257,599,720**	**(P17,844,933)**	**P1,239,754,787**
Income tax payable	**(1,304,529,529)**	**309,025,395**	**(995,504,134)**
Statement of Changes in Equity			
Deferred tax asset – net	**P118,634,185**	**11,946,113**	**P130,580,298**

26. Equity

Capital Stock and Additional Paid-in Capital

The Parent Company's authorized and issued common shares are as follows:

	September 2021	December 2020
Common shares- P1 par value		
Authorized	**5,000,000,000**	5,000,000,000
Issued	**2,904,214,086**	2,904,214,086

The initial public offering of the Parent Company's shares with an offer price of P12.50 per share resulted in the issuance of 500,000,000 common shares in 2011. The additional paid-in capital net of direct transaction costs amounted to P5,168.82 million.

On May 28, 2012, the Parent Company issued 766,406,250 of its common shares in exchange for 100% equity interest in Kareila. The fair value of the shares at acquisition date was P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

On January 16, 2019, the Parent Company conducted a P4,693,500,000 top up placement of 104,300,000 million common shares at a price of P45.00 per share. The Parent Company completed the placement upon approval of the BOD. The additional shares were issued on March 5, 2019.

On February 20, 2019, the BOD approved the increase in the authorized capital stock of the Parent Company from 3 billion shares to 5 billion shares with par value of P1 per share. The shareholders approved the amendment to the articles of incorporation on May 14, 2019.

As at September 30, 2021 and December 31, 2020, the number of issued and outstanding common shares is 2,904,214,086 (P1.00 per share par value).

Treasury Stock
The Group's treasury shares are as follows:

	September 2021	December 2020
Balance at beginning of period	**34,532,680**	34,532,680
Additions	**880,000**	-
Balance at end of period	**35,412,680**	34,532,680

On February 26, 2013, the SEC approved the application for merger of the Parent Company, PJSI and Gant. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 16,911,162 shares at P26.55 per share. As a result, 16,911,006 shares of the total shares issued held by the Parent Company were recognized as treasury stock.

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.75 million as treasury stock.

On March 12, 2015, the SEC approved the application of merger of the Parent Company and Company E. As a consideration for the said merger, the Parent Company issued shares of stocks equivalent to 2,045,465 shares at par value. Considering that the ultimate owner of Company E is the Parent Company, the shares issued were recognized as treasury stock.

On November 22, 2017, SEC approved the application of the merger of Parent Company, Goldtempo Group Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. As a consideration for the merger, the Parent Company issued shares of stocks equivalent to 14,551,209 shares at P39.00 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock.

In 2021, The Parent Company bought back a total of 880,000 shares for a total amount of P31.10 million.

Retained Earnings
On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1.1 billion.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1.1 billion.

On December 10, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of December 27, 2019 and payment date of January 24, 2020. The total amount of dividends is P1.2 billion.

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.25 per share and special dividend of P0.20 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

27. Segment Information

The Group operates through stores in several locations. The combined financial statements of all stores are reviewed by the Chief Operating Decision Maker on a monthly basis and assesses the Group's profitability and financial position of the whole retail business. The Group is engaged in the retail and wholesale trading of merchandise such as dry goods, food and other merchandise.

Accordingly, management has assessed that the Group, as a whole, is considered as a single business and hence there are no operating segments required to be disclosed under PFRS 8, *Operating Segments.*

28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	September 2021	September 2020
Net income (a)	**P5,734,667,463**	P5,049,564,029
Weighted average number of ordinary shares (b)	**2,868,801,406**	2,869,681,406
Basic/diluted EPS (a/b)	**P2.00**	P1.76

As at September 30, 2021 and December 31, 2020, the Group has no dilutive debt or equity instruments.

29. 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
- Other Market Price 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.

	Note	**September 2021**	December 2020
Cash in banks and cash equivalents	*4*	**P30,450,786,800**	P31,949,238,169
Receivables - net	*5*	**1,583,372,618**	2,676,254,583
Financial assets at fair value through profit or loss	*7*	**28,794,232**	2,411,375,234
Security deposits*	*13*	**2,099,419,823**	2,091,761,905
		P34,162,373,473	P39,128,629,891

**Included under noncurrent assets.*

The credit quality of the Group's financial assets based on its historical experience is as follows:

	As of September 30, 2021			
	Grade A	**Grade B**	**Grade C**	**Total**
At amortized cost:				
Cash in banks and cash equivalents	**P30,450,786,800**	**P -**	**P -**	**P30,450,786,800**
Receivables - net	**1,583,372,618**	**-**	**-**	**1,583,372,618**
Financial assets at fair value through profit or loss	**28,794,232**	**-**	**-**	**28,794,232**
Security deposits*	**-**	**2,099,419,823**	**-**	**2,099,419,823**
	P32,062,953,650	**P2,099,419,823**	**P -**	**P34,162,373,473**

**Included under noncurrent assets.*

	As of December 31, 2020			
	Grade A	Grade B	Grade C	Total
At amortized cost:				
Cash in banks and cash equivalents	P31,949,238,169	P -	P -	P31,949,238,169
Receivables - net	486,169,184	2,190,085,399	-	2,676,254,583
Financial assets at fair value through profit or loss	2,411,375,234	-	-	2,411,375,234
Security deposits*	-	2,091,761,905	-	2,091,761,905
	P34,846,782,587	P4,281,847,304	P -	P39,128,629,891

**Included under 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 bank and cash equivalents 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 quality of these financial assets is considered to be high grade.

b. Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard 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.

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.

The aging of receivables at the reporting date is as follows:

	September 2021		December 2020	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P667,130,747**	**P -**	P1,251,150,122	P -
Past due 1-30 days	**188,563,958**	**-**	1,010,270,542	-
Past due 31-60 days	**74,358,411**	**-**	115,867,940	-
More than 60 days	**660,781,829**	**7,462,327**	306,428,306	7,462,327
	P1,590,834,945	**P7,462,327**	P2,683,716,910	P7,462,327

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:

	As at September 30, 2021				
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Trade and other payables*	**P8,080,950,358**	**P8,080,950,358**	**P8,080,950,358**	**P -**	**P -**
Short-term loans payable	**-**	**-**	**-**	**-**	**-**
Due to related parties	**41,278,360**	**41,278,360**	**41,278,360**	**-**	**-**
Lease liabilities	**34,449,887,207**	**56,257,765,237**	**2,603,603,903**	**12,694,866,886**	**40,959,294,448**
Long-term debt including current portion	**11,766,623,901**	**16,054,335,000**	**41,716,125**	**166,864,500**	**15,845,754,375**
Other current liabilities**	**234,148,230**	**234,148,230**	**234,148,230**	**-**	**-**

**excluding statutory payables to the government*
***excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila*

	As at December 31, 2020				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Trade and other payables*	P14,064,447,767	P14,064,447,767	P14,064,447,767	P -	P -
Short-term loans payable	-	-	-	-	-
Due to related parties	49,568,517	49,568,517	49,568,517	-	-
Lease liabilities	33,627,625,966	43,172,117,981	2,379,735,845	9,505,471,439	31,286,910,697
Long-term debt including current portion	11,875,122,322	16,216,500,000	42,137,500	168,550,000	16,005,812,500
Other current liabilities**	226,965,736	226,965,736	226,965,736	-	-

**excluding statutory payables to the government*
***excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila*

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 is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	September 2021	December 2020
Financial assets:		
Cash in banks	**P3,061,219,711**	P10,281,958,993
Money market placements	**27,389,567,089**	21,667,279,176
Government securities	**-**	2,383,862,048
	P30,450,786,800	P34,333,100,217

Sensitivity Analysis
A 2% increase in interest rates would have increased equity and net income by P45.68 million and P46.60 million in September 2021 and December 2020, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk
The Group's market price risk arises from its investments in trading securities carried at fair value. The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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 Group is not subject to externally imposed requirements.

Fair Values of Financial Assets and Liabilities
The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

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

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

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

Fair Value Hierarchy
The table below 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 September 30, 2021 and December 31, 2020, the Group's investment in financial assets at FVPL for equity securities and government securities are classified as Level 1 and 2, respectively.