August 13, 2026

Securities and Exchange Commission
7909 Makati Ave, Salcedo Village,
Bel-Air, Makati City, 1209

Attention: **Mr. Oliver O. Leonardo**
Director – Markets and Securities Regulation Division

The Philippine Stock Exchange, Inc.
6th Floor, PSE Tower 28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Atty. Johanne Daniel M. Negre**
Head – Disclosure Department

Subject: **SEC 17-Q (Second Quarterly Report) CY2026**

GENTLEMEN:

For submission is the attached SEC 17-Q / Second Quarterly Report of Puregold Price Club, Inc. for the year 2026.

Thank you.

Very truly yours,

ATTY. PATRICIA NICOLE B. HIZON
Assistant Corporate Secretary
and Compliance Officer

COVER SHEET

A 1 9 9 8 1 3 7 5 4

SEC Registration Number

PUREGOLD PRICE CLUB, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

PATRICIA NICOLE B. HIZON

09178612459

(Company Telephone Number)

1 2	3 1	SEC FORM 17-Q	0 5	1 2
Month	Day	(Form Type)	Month	Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 2026**
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 Romualez St., Paco, Manila** Postal Code: **1007**
8. Issuer's telephone number, including area code: **(632) 917-8612459**
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	**2,880,137,615**

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 June 30 and December 31 and for the six-month periods ended June 30:

	June 2026	December 2025
Current Ratio [1]	**3.08:1**	2.66:1
Asset to Equity Ratio [2]	**1.88:1**	1.94:1
Debt to Equity Ratio [3]	**0.88:1**	0.94:1
Debt to Total Assets Ratio [4]	**0.47:1**	0.49:1
Book Value per Share [5]	**P36.01**	P35.93
Price Earnings Ratio [6]	***9.90x**	9.61x

** Based on annualized EPS*

	June 2026	June 2025
Earnings per Share [7]	**P2.05**	P1.85
Return on Assets [8]	**3.0%**	2.8%
Return on Equity [9]	**5.7%**	5.5%

(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 June 30, 2026, the Group reported consolidated net income of P5,874 million, representing a net profit margin of 4.8%, compared with P5,299 million and a net profit margin of 4.8% in the same period of 2025, reflecting a 10.8% increase year-on-year.

The Group's comparative financial performance is presented below:

	For the Six-month Periods Ended June 30					For the Three-month Periods April 1 to June 30			
(In millions)	**2026**		2025			**2026**		2025	
		% to Sales		% to Sales	**% Change**		**% to Sales**		% to Sales
Net Sales	**P121,483**	**100.0%**	P109,877	100.0%	**10.6%**	**P62,701**	**100.0%**	P57,459	100.0%
Cost of Sales	**97,821**	**80.5%**	88,928	80.9%	**10.0%**	**50,840**	**81.1%**	46,766	81.4%
Gross Profit	**23,661**	**19.5%**	20,949	19.1%	**12.9%**	**11,861**	**18.9%**	10,693	18.6%
Other Operating Income	**1,969**	**1.6%**	1,860	1.7%	**5.9%**	**992**	**1.6%**	954	1.7%
Gross Income	**25,631**	**21.1%**	22,809	20.8%	**12.4%**	**12,854**	**20.5%**	11,647	20.3%
Operating Expenses	**16,741**	**13.8%**	14,986	13.6%	**11.7%**	**8,733**	**13.9%**	7,799	13.6%
Operating Income	**8,889**	**7.3%**	7,822	7.1%	**13.6%**	**4,121**	**6.6%**	3,848	6.7%
Other income (expenses) – net	**(1,242)**	**-1.0%**	(966)	-0.9%	**28.5%**	**(695)**	**-1.1%**	(408)	-0.7%
Net Income before tax	**7,648**	**6.3%**	6,856	6.2%	**11.5%**	**3,427**	**5.5%**	3,440	6.0%
Income tax expense	**1,774**	**1.5%**	1,557	1.4%	**13.9%**	**816**	**1.3%**	781	1.4%
Net Income after tax	**P5,874**	**4.8%**	P5,299	4.8%	**10.8%**	**P2,610**	**4.2%**	P2,660	4.6%

Net Sales

For the period ended June 30, 2026, the Group posted consolidated net sales of P121,483 million, an increase of P11,606 million, or 10.6%, from P109,877 million in the same period of 2025. The growth was primarily driven by the sales contribution from the full operation of stores opened in 2025, comprising 181 Puregold stores (including 153 acquired Puremart stores) and 3 S&R warehouses, as well as sales generated by 14 new Puregold stores opened in 2026. In addition, same-store sales growth (SSSG) remained positive, with Puregold and S&R recording growth of 3.7% and 12.8%, respectively.

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

	PGOLD		S&R	
	2026	2025	**2026**	2025
Net Sales [(a)]	**3.7%**	6.4%	**12.8%**	4.7%
Net Ticket [(b)]	**4.7%**	5.3%	**-3.8%**	-8.8%
Traffic [(c)]	**-0.9%**	1.0%	**17.3%**	14.9%

Note:

*Like for like data includes only stores with full year operation on both current year and prior year

*Net Ticket is the average basket size for each transaction, derived by dividing net sales by total traffic

*Traffic is the number of people buying on the stores

(a) Current year net sales minus prior year net sales divided by prior year net sales

(b) Current year ticket minus prior year ticket divided by prior year ticket

(c) Current year traffic minus prior year traffic divided by prior year traffic

Gross Profit
For the period ended June 30, 2026, the Group realized an increase of 12.9% in consolidated gross profit to P23,661 million at 19.5% margin from P20,949 million at 19.1% margin in the same period of 2025. The increase was primarily driven by strong sales performance, supported by supplier rebates and discounts received during the period.

Other Operating Income
Other operating income increased by P109 million, or 5.9%, from P1,860 million in the first six months of 2025 to P1,969 million in the same period of 2026. The increase was primarily attributable to higher membership income resulting from the opening of new stores.

Gross Operating Income
Gross operating income amounted to P25,631 million in 2026, representing a gross operating margin of 21.1%. This reflects an increase of P2,822 million, or 12.4%, from P22,809 million and a 20.8% gross operating margin recorded in the same period of 2025.

Operating Expenses
Operating expenses increased by P1,755 million, or 11.7%, from P14,986 million for the six-month period ended June 30, 2025 to P16,741 million for the same period in 2026. The increase was primarily attributable to the full operation of stores opened in 2025 and the incremental operating expenses incurred by stores opened in 2026. The higher expenses were mainly driven by increased manpower, utilities, advertising, fuel, and transportation costs.

Other Income (Expense) - net
Other expenses, net of other income, amounted to P1,242 million and P966 million for the six-month periods ended June 30, 2026 and June 30, 2025, respectively. The account primarily consists of interest expense on bank loans and the accretion of interest on lease liabilities recognized in accordance with PFRS 16 – Leases, net of interest income.

Net Income
For the period ended June 30, 2026, the Group reported consolidated net income of P5,874 million, representing a net profit margin of 4.8%, compared with P5,299 million and a net profit margin of 4.8% in the same period of 2025, reflecting a 10.8% increase year-on-year.

II. Financial Condition

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

	June 2026		December 2025		
(In millions)		**% to Total Assets**		% to Total Assets	% Change
Cash & Cash Equivalents	**P28,049**	**14.5%**	P28,795	14.4%	**-2.6%**
Receivables – net	**2,310**	**1.2%**	5,159	2.6%	**-55.2%**
Merchandise inventory	**32,747**	**16.9%**	28,720	14.4%	**14.0%**
Financial assets – FVPL	**12,353**	**6.4%**	21,548	10.8%	**-42.7%**
Financial assets – amortized cost	**4,589**	**2.4%**	4,479	2.2%	**2.4%**
Prepaid expenses and other current assets	**5,352**	**2.8%**	3,097	1.5%	**72.8%**
Total Current Assets	**85,401**	**44.0%**	91,798	45.9%	**-7.0%**
Investments in associate and joint ventures	**431**	**0.2%**	431	0.2%	**0.0%**
Property and equipment- net	**43,174**	**22.3%**	43,048	21.5%	**0.3%**
Intangibles and goodwill	**19,708**	**10.2%**	19,657	9.8%	**0.3%**
Right-of-use assets – net	**38,766**	**20.0%**	38,895	19.5%	**-0.3%**
Deferred tax assets – net	**2,484**	**1.3%**	2,512	1.3%	**-1.1%**
Other noncurrent assets	**4,068**	**2.1%**	3,633	1.8%	**12.0%**
Total Noncurrent Assets	**108,630**	**56.0%**	108,175	54.1%	**0.4%**
	P194,030	**100.0%**	P199,974	100.0%	**-3.0%**
Accounts payable and accrued expenses	**P22,019**	**11.3%**	P30,648	15.3%	**-28.2%**
Short-term loans payable	**2,300**	**1.2%**	-	-	**-**
Income tax payable	**868**	**0.4%**	1,299	0.6%	**-33.2%**
Due to related parties	**38**	**0.0%**	62	0.0%	**-38.0%**
Current maturities of long - term loans, net of debt issue costs	**120**	**0.1%**	120	0.1%	**0.0%**
Lease liabilities due within one year	**1,580**	**0.8%**	1,522	0.8%	**3.9%**
Other current liabilities	**821**	**0.4%**	909	0.5%	**-9.7%**
Total Current Liabilities	**27,747**	**14.3%**	34,559	17.3%	**-19.7%**
Long-term loans - net of current maturities and debt issue costs	**11,239**	**5.8%**	11,232	5.6%	**0.1%**
Lease liabilities – noncurrent	**49,636**	**25.6%**	49,000	24.5%	**1.3%**
Other noncurrent liabilities	**2,232**	**1.2%**	2,236	1.1%	**-0.2%**
Total Noncurrent Liabilities	**63,107**	**32.5%**	62,467	31.2%	**1.0%**
Total Liabilities	**90,854**	**46.8%**	97,027	48.5%	**-6.4%**
Capital stock	**2,904**	**1.5%**	2,904	1.5%	**0.0%**
Additional paid in capital	**25,374**	**13.1%**	25,374	12.7%	**0.0%**
Remeasurements of retirement liability - net of tax	**834**	**0.4%**	834	0.4%	**0.0%**
Equity reserve	**239**	**0.1%**	239	0.1%	**0.0%**
Treasury stock, at cost	**(210)**	**-0.1%**	(210)	-0.1%	**0.0%**
Retained earnings	**74,035**	**38.2%**	73,806	36.9%	**0.3%**
Total Equity	**103,176**	**53.2%**	102,947	51.5%	**0.2%**
	P194,030	**100.0%**	P199,974	100.0%	**-3.0%**

Working Capital
As at June 30, 2026 and December 31, 2025, the Group's working capital stood at P57,653 million and P57,239 million, respectively while its current ratio stood at 3.08 as at June 2026 and 2.66 as at December 2025.

Current Assets
As at June 30, 2026 and December 31, 2025, total current assets amounted to P85,401 million or 44.0% of total assets and P91,798 million or 45.9% of total assets, respectively, for a decrease of P6,398 million or 7.0%.

Cash and cash equivalents as at June 30, 2026 amounted to P28,049 million or 14.5% of total assets and decreased by P745 million or 2.6% compared with December 31, 2025. The account balance slightly decreased primarily attributable to settlement of trade and non-trade payables, inventory purchases and capital expenditures for 2026 new stores, net of collections of receivables and sale of short-term investments.

Receivables amounted to P2,310 million as at June 30, 2026 or 1.2% of total assets, with a decrease of P2,849 million or 55.2% from P5,159 million in December 2025. The decline was due to collections made during the period from the yea-rend balance.

Merchandise inventory amounted to P32,747 million or 16.9% of total assets as at June 30, 2026. Total inventory increased by P4,027 million or 14.0% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Financial assets at FVPL amounted to P12,353 million and P21,548 million as at June 30, 2026 and December 31, 2025, respectively. The decrease was due to sale of investments during the period.

Financial assets at amortized cost amounted to P4,589 million as at June 30, 2026 and P4,479 million as at December 31, 2025.

Prepaid expenses and other current assets amounted to P5,352 million and P3,097 million as at June 30, 2026 and December 31, 2025, respectively. The increase was mainly due to advance payment to suppliers and prepayments of business taxes to be amortized during the year.

Noncurrent Assets
As at June 30, 2026 and December 31, 2025, total noncurrent assets amounted to P108,630 million or 56.0% of total assets and P108,175 million or 54.1% of total assets, respectively.

Investments in associate and joint ventures amounted to P431 million as at June 30, 2026 and December 31, 2025.

As at June 30, 2026, net book value of property and equipment amounted to P43,174 million and increased by P125 million or 0.3% from P43,048 million in December 2025.

Intangibles and goodwill amounted to P19,708 million as at June 30, 2026 and P19,657 million as at December 31, 2025.

Right-of-use assets amounted to P38,766 million or 20.0% of total assets and P38,895 million or 19.5% of total assets as at June 30, 2026 and December 31, 2025, respectively.

Deferred tax assets – net amounted to P2,484 million or 1.3% of total assets and P2,512 million or 1.3% of total assets as at June 30, 2026 and December 31, 2025, respectively.

Other noncurrent assets amounted to P4,068 million as at June 30, 2026 and P3,633 million as at December 31, 2025.

Current Liabilities
As at June 30, 2026 and December 31, 2025, total current liabilities amounted to P27,747 million or 14.3% of total assets and P34,559 million or 17.3% of total assets, respectively, for a decrease of P6,812 million or 19.7%.

Accounts payable and accrued expenses amounted to P22,019 million and P30,648 million as at June 30, 2026 and December 31, 2025, respectively, and decreased by P8,628 million or 28.2%. The decrease on the account was mainly due to settlement of trade payables.

Short-term loans payable amounted to P2,300 million as at June 30, 2026. This pertains to new bank loan obtained by S&R.

Income tax payable decreased by P431 million from P1,299 million in December 2025 to P868 million in June 2026 due to settlement of prior year's income tax liability as well as tax due from the first quarter of 2026.

Due to related parties, representing royalty fees, amounted to P38 million for the period ended June 2026 and P62 million for the year ended December 2025. The decrease was due to settlement of liability incurred as at December 2025.

Other current liabilities amounted to P821 million and P909 million in June 2026 and December 2025, respectively.

Noncurrent Liabilities
As at June 30, 2026 and December 31, 2025, total noncurrent liabilities amounted to P63,107 million or 32.5% of total assets and P62,467 million or 31.2% of total assets, respectively, for an increase of P640 million or 1.0%.

Long-term debt – net of current maturities and debt issue costs amounted to P11,239 million as at June 30, 2026 and P11,232 million as at December 31, 2025.

Lease liabilities amounted to P49,636 million or 25.6% of total assets and P49,000 million or 24.5% of total assets as at June 30, 2026 and December 31, 2025, respectively.

Other noncurrent liabilities amounted to P2,232 million and P2,236 million as at June 30, 2026 and December 31, 2025, respectively.

Equity
As at June 30, 2026 and December 31, 2025, total equity amounted to P103,176 million and P102,947 million, respectively, for an increase of P239 million or 0.2%.

Capital stock amounted to P2,904 million as at June 30, 2026 and December 31, 2025.

Additional paid in capital amounted to P25,374 million as at June 30, 2026 and December 31, 2025.

Remeasurements of retirement liability amounted to P834 million as at June 30, 2026 and December 31, 2025. This pertains to changes in retirement liability which is recognized directly under equity.

Equity reserve amounted to P239 million as at June 30, 2026 and December 31, 2025. This reserve represents the net effect of the merger of KMC and PSMT, which was approved by the SEC on November 21, 2025, accounted for as a transaction under common control.

Retained earnings amounted to P74,035 million and P73,806 million as at June 30, 2026 and December 31, 2025, respectively, or an increase of P229 million or 0.3% due to net income recognized during the period, net of dividends declared.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are its net operating cash inflows augmented by drawdowns from bank loan facilities as and when required.

The principal uses of cash include working capital requirements, capital expenditures for stores expansion and investments in the strategic business acquisitions of existing and operating supermarket outlets.

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

	For the Six-month Periods Ended June 30	
(In millions)	**2026**	2025
Net cash provided by (used in) operating activities	**(P3,792)**	P4,882
Net cash provided by (used in) investing activities	**6,813**	(4,964)
Net cash used in financing activities	**(3,767)**	(6,992)
Net decrease in cash and cash equivalents	**(P745)**	(P7,074)

Net cash used in operating activities amounted to P3,792 million for the six-month period ended June 30, 2026. This was primarily attributable to the settlement of payables to trade and non-trade suppliers, purchases of merchandise inventories, and other operating expenditures incurred to support the Group's expansion.

Net cash provided by investing activities for the six-month period ended June 30, 2026 amounting to P6,813 million was generated from sale of short-term investments net of funds utilized for the acquisition of equipment, furniture and fixtures, construction of buildings and improvements on leased assets.

Net cash used in financing activities for the six-month period ended June 30, 2026 amounting to P3,767 million pertained to dividend payments and lease liabilities paid during the period and payments for interest on bank loans.

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 holiday.

SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this Second Quarterly Financial Statements (SEC 17-Q) of Puregold Price Club, Inc. and its subsidiaries for the year 2026 to be signed on its behalf by the undersigned thereunto duly authorized.

August 13, 2026 in the City of Manila.

PUREGOLD PRICE CLUB, INC.

By:

FERDINAND VINCENT P. CO
President

MARICEL R. CAMBE
Vice-President for Financial Accounting

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2026 and December 31, 2025
and for the Six Months Ended June 30, 2026 and 2025

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

	Note	**June 2026 (Unaudited)**	December 2025 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P28,049,404,436**	P28,794,619,379
Receivables - net	*5*	**2,310,073,270**	5,159,183,171
Merchandise inventories	*6*	**32,747,308,780**	28,720,361,899
Financial assets at fair value through profit or loss	*7*	**12,353,247,735**	21,547,946,780
Other financial assets at amortized cost	*8*	**4,588,835,655**	4,479,225,396
Prepaid expenses and other current assets	*9*	**5,351,784,346**	3,097,038,711
Total Current Assets		**85,400,654,222**	91,798,375,336
Noncurrent Assets			
Investments in associate and joint ventures - net	*10*	**430,573,481**	430,573,481
Property and equipment - net	*11*	**43,173,527,287**	43,048,029,950
Goodwill and other intangibles - net	*13*	**19,708,418,497**	19,656,875,437
Right-of-use assets - net	*12*	**38,765,722,157**	38,894,933,206
Deferred tax assets - net	*26*	**2,483,518,935**	2,512,364,809
Other noncurrent assets	*14*	**4,067,840,946**	3,632,645,803
Total Noncurrent Assets		**108,629,601,303**	108,175,422,686
		P194,030,255,525	P199,973,798,022
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*15*	**P22,019,322,721**	P30,647,814,632
Short-term loans payable	*16*	**2,300,000,000**	-
Lease liabilities due within one year	*20*	**1,580,472,761**	1,521,570,047
Income tax payable		**867,566,989**	1,298,762,621
Current portion of long-term loans	*16*	**120,000,000**	120,000,000
Due to related parties	*24*	**38,496,051**	62,103,404
Other current liabilities	*17*	**821,296,139**	909,189,319
Total Current Liabilities		**27,747,154,661**	34,559,440,023
Noncurrent Liabilities			
Lease liabilities due beyond one year	*20*	**49,635,783,989**	48,999,543,500
Noncurrent portion of long-term loans	*16*	**11,239,467,239**	11,231,799,519
Other noncurrent liabilities	*25*	**2,232,015,938**	2,236,011,595
Total Noncurrent Liabilities		**63,107,267,166**	62,467,354,614
Total Liabilities		**90,854,421,827**	97,026,794,637
Equity	*27*		
Capital stock		**2,904,214,086**	2,904,214,086
Additional paid-in capital		**25,373,547,130**	25,373,547,130
Retirement benefits reserve		**834,404,477**	834,404,477
Equity reserve		**238,603,734**	238,603,734
Treasury stock		**(209,597,201)**	(209,597,201)
Retained earnings		**74,034,661,472**	73,805,831,159
Total Equity		**103,175,833,698**	102,947,003,385
		P194,030,255,525	P199,973,798,022

See Notes to the Interim Consolidated Financial Statements.

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

		For the Six-Month Periods Ended June 30		For the Three-Month Periods April 1 to June 30	
	Note	**2026**	2025	**2026**	2025
NET SALES	*18*	**P121,482,522,659**	P109,876,817,505	**P62,701,073,219**	P57,458,828,543
COST OF SALES	*6, 19*	**97,821,331,158**	88,928,055,943	**50,839,776,003**	46,765,952,336
GROSS INCOME		**23,661,191,501**	20,948,761,562	**11,861,297,216**	10,692,876,207
OTHER REVENUE	*18, 20, 21*	**1,969,353,387**	1,859,991,575	**992,447,688**	954,090,541
TOTAL GROSS INCOME AND OTHER REVENUE		**25,630,544,888**	22,808,753,137	**12,853,744,904**	11,646,966,748
OPERATING EXPENSES	*22*	**16,741,382,776**	14,986,496,501	**8,732,626,935**	7,798,818,015
INCOME FROM OPERATIONS		**8,889,162,112**	7,822,256,636	**4,121,117,969**	3,848,148,733
OTHER CHARGES – Net					
Interest expense	*16, 20*	**2,033,379,192**	1,964,250,626	**1,021,253,128**	976,234,723
Interest income	*4, 7*	**(733,270,452)**	(821,044,902)	**(401,432,140)**	(408,136,634)
Others – net	*23*	**(58,573,755)**	(176,956,493)	**74,777,801**	(160,371,833)
		1,241,534,985	966,249,231	**694,598,789**	407,726,256
INCOME BEFORE INCOME TAX		**7,647,627,127**	6,856,007,405	**3,426,519,180**	3,440,422,477
PROVISION FOR INCOME TAX					
Current		**1,843,753,589**	1,581,427,379	**842,089,030**	781,891,417
Deferred		**(70,161,995)**	(24,523,322)	**(25,784,611)**	(1,213,028)
	26	**1,773,591,594**	1,556,904,057	**816,304,419**	780,678,389
NET INCOME		**P5,874,035,533**	P5,299,103,348	**P2,610,214,761**	P2,659,744,088
Basic and diluted earnings per share	*29*	**P2.05**	P1.85	**P0.91**	P0.93

See Notes to the Interim Consolidated Financial Statements.

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

Periods Ended June 30

	Note	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Equity Reserve	Treasury Stock	Retained Earnings		Total Equity
							Appropriated	Unappropriated	
Balance at January 1, 2025		P2,904,214,086	P25,373,547,130	P751,615,763	P -	(P209,597,201)	P41,574,000,000	P26,081,732,894	P96,475,512,672
Total Comprehensive Income for the Period									
Net income for the period		-	-	-	-	-	-	5,299,103,348	5,299,103,348
Other comprehensive income		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	5,299,103,348	5,299,103,348
Transactions with Owners of the Parent Company	*27*								
Cash dividends		-	-	-	-	-	-	(5,186,711,395)	(5,186,711,395)
Balance at June 30, 2025		2,904,214,086	25,373,547,130	P751,615,763	-	(209,597,201)	P41,574,000,000	P26,194,124,847	P96,587,904,625
Balance at January 1, 2026		P2,904,214,086	P25,373,547,130	P834,404,477	P238,603,734	(P209,597,201)	P45,414,000,000	P28,391,831,159	P102,947,003,385
Total Comprehensive Income for the Period									
Net income for the period		-	-	-	-	-	-	5,874,035,533	5,874,035,533
Other comprehensive income		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	5,874,035,533	5,874,035,533
Transactions with Owners of the Parent Company	*27*								
Cash dividends		-	-	-	-	-	-	(5,645,205,220)	(5,645,205,220)
Balance at June 30, 2026		**P2,904,214,086**	**P25,373,547,130**	**P834,404,477**	**P238,603,734**	**(P209,597,201)**	**P45,414,000,000**	**P28,620,661,472**	**P103,175,833,698**

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended June 30	
	Note	**2026**	2025
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P7,647,627,127**	P6,856,007,405
Adjustments for:			
Depreciation and amortization	*11, 12, 13, 22*	**3,301,157,139**	3,182,239,244
Interest expense	*16, 20*	**2,033,379,192**	1,964,250,626
Interest income	*4, 7, 8*	**(733,270,452)**	(821,044,902)
Retirement benefits cost	*22, 25*	**-**	-
Unrealized foreign exchange gain		**(185,390)**	(17,709)
Gain from lease terminations	*20, 23*	**(61,010,859)**	(219,231,684)
Share in losses of associate and joint ventures	*10*	**-**	-
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	*7, 23*	**3,907,397**	(3,228,214)
Dividend income	*7, 23, 24*	**(1,246,068)**	(1,604,333)
Operating income before changes in working capital		**12,190,358,086**	10,957,370,433
Decrease (increase) in:			
Receivables		**2,849,109,901**	1,908,798,940
Merchandise inventories		**(4,026,946,881)**	(150,541,532)
Prepaid expenses and other current assets		**(2,426,611,587)**	(258,065,812)
Increase (decrease) in:			
Trade and other payables		**(10,892,305,172)**	(6,861,090,761)
Due to related parties		**(23,607,353)**	(21,533,730)
Other current liabilities		**(87,893,180)**	149,923,792
Cash used in operations		**(2,417,896,186)**	5,724,861,330
Income taxes paid		**(2,103,083,269)**	(1,653,113,735)
Interest received		**733,270,452**	821,044,902
Retirement benefits paid	*25*	**(3,906,589)**	(11,240,980)
Net cash used in operating activities		**(3,791,615,592)**	4,881,551,517

Forward

		Periods Ended June 30	
	Note	**2026**	2025
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at fair value through profit or loss	*7*	**(P8,015,643,401)**	(P3,422,815,114)
Property and equipment	*1, 11*	**(1,834,651,762)**	(2,865,756,580)
Financial assets at amortized cost	*8*	**(109,610,259)**	(1,967,710,246)
Other noncurrent assets		**(336,187,274)**	(254,218,698)
Intangibles	*13*	**(98,592,633)**	(37,825,087)
Proceeds from disposal of:			
Financial assets at fair value through profit or loss	*7*	**17,206,435,049**	3,581,577,010
Financial assets at amortized cost	*8*	**-**	-
Property and equipment	*11*	**100,544**	1,216,722
Dividends received	*27*	**1,246,068**	1,604,333
Net cash provided by (used in) investing activities		**6,813,096,332**	(4,963,927,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans	*16*	**-**	(900,000,000)
Availment of short-term loans payable	*16*	**2,300,000,000**	-
Payments of:			
Cash dividends	*27*	**(3,381,391,959)**	(3,123,489,183)
Interest expense		**(255,948,559)**	(391,412,817)
Liability on land purchase	*25*	**(89,068)**	(143,299,912)
Repayments of lease:	*20*		
Interest expense		**(1,769,762,913)**	(1,565,170,090)
Principal amount		**(659,688,574)**	(868,643,250)
Net cash used in financing activities		**(3,766,881,073)**	(6,992,015,252)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**185,390**	17,709
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(745,214,943)**	(7,074,373,686)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**28,794,619,379**	25,831,565,033
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*4*	**P28,049,404,436**	P18,757,191,347

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	
	June 2026	December 2025
Kareila Management Corporation[(c)]	**100**	100
S&R Pizza (Harbor Point), Inc. [(a)]	**100**	100
S&R Pizza, Inc. [(a)]	**100**	100
PSMT Philippines Inc. [(a and c)]	**-**	-
PPCI Subic, Inc.	**100**	100
Entenso Equities Incorporated	**100**	100
Melilla Management Corporation	**100**	100
Purepadala, Inc. [(b)]	**100**	100

(a) Indirect subsidiaries through Kareila Management Corporation
(b) Not yet started operations
(c) Merged with Kareila on November 21, 2025

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

Entenso was incorporated in the Philippines and registered with the SEC on May 22, 2013. Its 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. Entenso's principal office is located at No. 900 Romualdez Street, Paco, Manila.

Melilla was incorporated in the Philippines and registered with the SEC on November 11, 2013. Its primary purpose is to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises; undertake, carry on, assist or participate in the promotion, organization, management liquidation or reorganization of corporations, partnership and other entities, except the management of funds, securities, portfolio or similar asset and managed entities or corporation without acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, closed-end or open-end investment company, investment house, transfer agent, commodity/ financial futures exchange/ broker / merchant, financing company. Melilla's principal office is located at No. 900 Romualdez Street, Paco, Manila.

Purepadala's primary purpose is to engage in business of money remittance or service as defined in the Bangko Sentral ng Pilipinas (BSP) Circular No. 942, Series of 2017. The Company is still in the process of obtaining BSP accreditation necessary for the issuance of BSP Certificate of Registration to operate a money service business and has not yet started commercial operations as at December 31, 2025. Purepadala's registered address is located at No. 900 Romualdez Street, Paco, Manila.

PSMT was incorporated in the Philippines and registered with the SEC on September 29, 2000. Its primary purpose is to conduct and carry on the business of establishing and operating membership supermarket shopping and engage in the business of directly selling to its members all kinds of goods, commodities, wares, and merchandise. PSMT's registered address is located at 32nd Street, 5th Avenue, Fort Bonifacio Global City, Taguig City.

Transactions During the Period
On April 3, 2025, the KMC and PSMT's BOD approved the upstream merger of KMC and PSMT (the "Absorbed Entity"), whereby KMC will be the "Surviving Entity". The merger was subsequently approved by the SEC on November 21, 2025 (the "effective date of the merger"), through the issuance of the Certificate of Filing of the Articles and Plan of Merger. The Absorbed Entity's existence will cease following the stipulations of the Articles and Plan of Merger but its operations shall continue under the Surviving Entity.

Upon the effective date of the merger, the Surviving Entity acquired all the respective assets and assumed all the liabilities of the Absorbed Entity and the former issued in exchange thereof 3,025,336 of its P100 par value common shares to the latter.

Pursuant to the corporate restructure, the following properties with fair value as at April 3, 2025 were transferred from PSMT to KMC:

	Amount
Cash in banks	**P6,633,804**
Trade and other receivables	**290,493,462**
Prepayments and other current assets	**23,931,398**
Property and equipment	**4,000,000,000**
Deferred tax assets	**10,211,634**
Security deposits	**37,282,854**
Accounts payable and accrued expenses	**(16,619,876)**
Retirement benefit obligation	**(404,084)**
	P4,351,529,192

The merger resulted in the recognition of an equity reserve amounting to P238.6 million, presented in equity. This reserve represents the net effect of the merger accounted for as a transaction under common control.

In 2024, the Parent Company embarked on an aggressive multi-year push to further expand its market reach.

On November 7, 2024, the Parent Company's BOD approved the acquisition of certain assets of Puremart stores from Tower 6789 Corporation. The acquired assets include leasehold improvements, furniture and fixtures, equipment, and merchandise inventory, with an aggregate book value of up to P567.5 million. These assets pertain to store locations situated across Metro Manila, CAMANAVA, Rizal, Bulacan, and South Luzon. Tower 6789 is a domestic corporation wholly owned by League One, Inc., is 100% owned by the Co family.

As at December 31, 2024, the consideration paid for the assets acquired in Puremart was allocated to following assets:

Merchandise Inventory	**P226,632,285**
Property, plant and equipment	**340,884,099**
Purchase price	**P567,516,384**

On June 20, 2023, the Parent Company's BOD approved the acquisition of twenty-five (25) DiviMart supermarkets including its leasehold improvements, furniture, fixtures, equipment and merchandise inventory and executed an agreement to convert them into Puregold stores.

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

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

2. Basis of Preparation

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on August 13, 2026.

Historical cost is used as the measurement basis except for:

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

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 consolidated 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 20)

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 20 and 21)
The Group has entered into various operating lease agreements as a lessor which portions of its stores are leased out to various lessees. The Group has determined that it retains all significant risks and rewards of ownership of these properties.

Rent income recognized in profit or loss amounted to P271.3 million and P258.2 million in June 2026 and 2025, 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 30)
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 to P2,310.1 million and P5,159.2 million as at June 30, 2026 and December 31, 2025, 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 P32,747.3 million and P28,720.4 million as at June 30, 2026 and December 31, 2025, respectively.

Impairment of Goodwill and Trademark (Note 13)
The Group determines whether goodwill and trademark 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 trademark totaled P18,612.1 million as at June 30, 2026 and December 31, 2025.

Impairment of Non-financial Assets Other than Goodwill and Trademark
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 June 30, 2026 and December 31, 2025.

As at end of period, the following are the carrying amounts of nonfinancial assets:

	Note	**June 2026**	December 2025
Right-of-use assets – net	*12*	**P38,765,722,157**	P38,894,933,206
Property and equipment - net	*11*	**43,173,527,287**	43,048,029,950
Customer relationships - net	*13*	**667,089,736**	667,089,736
Investment in associate and joint ventures	*10*	**430,573,481**	430,573,481
Computer software - net	*13*	**387,709,809**	333,852,873
Leasehold rights - net	*13*	**41,535,085**	43,848,960
		P83,466,157,555	P83,418,328,206

Estimating Realizability of Deferred Tax Assets (Note 26)
The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon

reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As at June 30, 2026 and December 31, 2025, the Group recognized deferred tax assets amounting to P3,852.4 million and P3,881.0 million, respectively.

Estimating Retirement Benefits Liability (Note 25)
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 25.

Retirement benefits liability amounted to P2,232.0 million and P2,235.9 million as at June 30, 2026 and December 31, 2025, respectively.

3. Summary of Material Accounting Policies

The Group has consistently applied the accounting policies to all years presented in these consolidated financial statements, except for the changes below.

Adoption of Amendment to Standards
The Group has adopted the following amendment to standards starting January 1, 2025 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of this amendment to standards did not have any significant impact on Group's consolidated financial statements.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (Amendments)* clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

  Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the

company uses a presentation currency other than its functional currency.

Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2025. However, the Group has not early adopted the following amended standards in preparing these consolidated financial statements. The Group is still in the process of assessing the impact of the new standards. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2026

- PFRS 9, *Financial Instruments* and PFRS 7, *Financial Instruments: Disclosures Amendments to the Classification and Measurement of Financial Instruments (Amendments)* relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non-recourse features, and disclosures on investments in equity instruments.

  Date of Recognition and Derecognition. The amendments clarified that:

  - a financial asset or financial liability is recognized on the date on which the entity becomes a party to the contractual provisions of the instrument unless the regular way exemption applies;
  - a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and
  - a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

  However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

  - the entity having no practical ability to withdraw, stop or cancel the payment instruction;
  - the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
  - the settlement risk associated with the electronic payment system is insignificant.

  Entities may choose to apply the exception on a system-by-system basis.

  Classification of Financial Assets. The amendments related to classification of financial assets introduces an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

  The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument

with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually Linked Instruments and Non-recourse Features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on Investments in Equity Instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- *Annual Improvements to PFRS Accounting Standards - Volume 11*. This cycle of improvements contains amendments to five standards:

  - PFRS 1, *First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter (Amendments)* were made to terminology on hedge accounting by a first-time adopter of PFRS to improve consistency with the requirements of PFRS 9, *Financial Instruments*. The term 'conditions' was updated to 'qualifying criteria' in line with the shift from PAS 39, *Financial Instruments: Recognition and Measurement* to PFRS 9. Specific cross-references to paragraphs in PFRS 9 containing guidance on the qualifying criteria were added to improve understandability.

  - PFRS 7, *Financial Instruments: Disclosure - Gain or Loss on Derecognition (Amendments)* replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement*.

  - PFRS 7, *Financial Instruments: Disclosure - Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)*. The amendments:

- clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;

- made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9, *Financial Instruments* and PFRS 13, *Fair Value Measurement*; and,
- simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

- PFRS 9, *Financial Instruments - Derecognition of Lease Liabilities and Transaction Price (Amendments)*. The amendments:

  - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and
  - replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

- PFRS 10, *Consolidated Financial Statements - Determination of 'De Facto Agent' (Amendments)* revised the wording on whether a party is a de facto agent when directed by 'those that direct the activities of the investor' to be non-conclusive given this may require judgement.

- PAS 7, *Statement of Cash Flows - Cost Method (Amendments)* replaced the term 'cost method' with 'at cost' given the definition of 'cost method' has previously been removed from PFRS Accounting Standards.

Earlier application is permitted. The amendment on derecognition of lease liabilities applies only to lease liabilities extinguished on or after the beginning of the annual reporting period in which the amendment is first applied.

Effective January 1, 2027

- PFRS 17, *Insurance Contracts* replace the interim standard, PFRS 4, *Insurance Contracts*. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the

reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how

PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* on or before the date of initial application of PFRS 17.

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

  - *A more Structured Income Statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories operating, investing, and financing - based on a company's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.

- *Management-defined performance measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

- *Greater disaggregation of information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now require goodwill to be presented as a line item in the statement of financial position.

Consequential amendments to PAS 7, *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33, *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

The Group is still in process of assessing the impact of the new standard, particularly with respect to the structure of the Group's consolidated statement of comprehensive income, consolidated statement of cash flows and the additional disclosures required for MPM. The Group is also assessing the impact on how information is grouped in the consolidated financial statements.

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

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

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

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

Consolidation

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

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.

Common Control Business Combinations

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

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

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

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts from the actual date of the acquisition. No adjustments are made to reflect the fair values

or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

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

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

Asset Acquisition

Recognition and Initial Measurement

The Group recognizes assets acquired and liabilities assumed at cost, which is the consideration transferred to the seller, including direct acquisition-related transaction costs, on the acquisition date. In an asset acquisition, goodwill is not recognized. If the consideration transferred exceeds the fair value of the acquired assets, this may indicate that not all assets have been recognized or that pre-existing relationships being settled through the transaction should be accounted for separately.

Measurement of Assets and Liabilities

The cost of the acquired assets and liabilities assumed is determined by the amount of consideration transferred by the acquirer to the seller, which includes cash, other monetary assets, or liabilities incurred, as well as direct transaction costs. The cost is allocated to the assets acquired based on their relative fair values at the acquisition date. Unless contrary evidence exists, the acquisition cost is assumed to equal the fair value of the net assets acquired.

For most asset acquisitions, the exchange of monetary assets (such as cash) provides an objective basis for determining the fair value of the assets acquired. As such, if the consideration transferred is in the form of cash or other monetary assets, the acquisition cost is based on the amount paid, in addition to the direct transaction costs incurred. When liabilities are incurred or equity interests are issued, these amounts are recognized at the acquisition date.

Allocation of Acquisition Cost

The cost of an asset acquisition may differ from the fair value of the acquired assets and liabilities. Significant differences between the cost of an asset acquisition and the fair value of the assets and liabilities may indicate that certain assets or liabilities have not been properly recognized or that the transaction involves separate arrangements that should be accounted for apart from the asset acquisition. After determining the acquisition cost, it is allocated to the individual assets based on their relative fair values.

Subsequent Measurement

The subsequent accounting for each asset and liability is based on its nature and is independent of the manner of its acquisition. The measurement basis (whether cost or fair value) applied during the acquisition does not impact the subsequent accounting treatment of the acquired assets or liabilities.

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.

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, time deposits and security deposits are included in this category (see Notes 4, 5, 8, and 14).

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 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 FVTPL at initial recognition, are measured at fair value through profit or loss.

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

As at June 30, 2026 and December 31, 2025, the Group has not designated any debt instrument that meets the amortized cost criteria as FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as “Unrealized valuation gain (loss) on financial assets at FVTPL” under “Others - net” 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, equity securities and short-term investments 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 a right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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 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 is 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 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 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 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.
The cost and accumulated depreciation and impairment losses, if any, of fully depreciated assets that are used in operations are retained in the accounts.

Investment in Associate 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.

Investment in joint arrangements is 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, investment in associates and joint ventures is 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 customer relationships and leasehold rights and tested for impairment whenever there is an indication that they may be impaired. The amortization period and method are reviewed at each financial year-end.

Trademarks are considered to have an indefinite useful life when there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Trademarks with indefinite useful lives are initially recognized at cost, or at fair value at the date of acquisition in a business combination, and are subsequently carried at cost less any accumulated impairment losses.

These trademarks are not amortized but are tested for impairment annually, or more frequently when indicators of impairment exist. The assessment of indefinite useful life is reviewed at each reporting period. If circumstances change and the useful life is no longer considered indefinite, the asset is reclassified as having a finite useful life and amortized prospectively.

Impairment is recognized when the carrying amount exceeds the recoverable amount, which is the higher of fair value less costs of disposal and value in use.

Impairment of Noncurrent Assets Other than Goodwill
The Group assesses whether there is any indication that the property and equipment, right-of-use assets, customer relationship, and investments 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. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

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.

Equity Reserve from Merger
Equity reserve from merger is classified as a separate component of equity and is not available for distribution as dividends. This reserve is maintained until the related investment is disposed of, at which point the balance may be classified within equity.

Transactions involving the transfer of assets, liabilities or ownership interests between entities under common control are accounted for using the predecessor accounting method, as these transactions are outside the scope of PFRS 3.

Under this method, the assets and liabilities acquired are recognized at their carrying amounts as reflected in the separate financial statements of the surviving entity at the date of transfer. No goodwill is recognized as a result of these transactions.

Any difference between the consideration transferred and the carrying amounts of the net assets acquired is recognized directly in equity as "Equity reserve."

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

Retained Earnings and Dividend Distribution
Retained earnings include 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 1-2 years. 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.

- *Reward Points* - The Group allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognized when the points are redeemed by the customer. Revenue for loyalty points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

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 consolidated 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 "Trade and other payables" 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	**June 2026**	December 2025
Cash on hand		**P239,855,646**	P674,983,405
Cash in banks	*30*	**13,934,565,155**	24,228,811,119
Money market placements	*30*	**13,874,983,635**	3,890,824,855
		P28,049,404,436	P28,794,619,379

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 annual interest rates ranging from 4.0% to 4.5% in June 2026 and 4.0% to 5.2% in December 2025.

Interest income earned from cash in banks and money market placements totaled P296.5 million and P165.5 million in June 2026 and 2025, respectively.

5. Receivables

This account consists of:

	Note	**June 2026**	December 2025
Trade receivables	*24*	**P891,846,691**	P4,042,959,541
Less allowance for impairment losses		**7,462,327**	7,462,327
		884,384,364	4,035,497,214
Nontrade receivables	*24*	**1,425,688,906**	1,123,685,957
	30	**P2,310,073,270**	P5,159,183,171

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

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

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 P32,747.3 million and P28,720.4 million as at June 30, 2026 and December 31, 2025, respectively.

Inventory charged to the cost of sales amounted to P97,821.3 million and P88,928.1 million in June 2026 and 2025, respectively (see Note 19).

7. Financial Assets at Fair Value Through Profit or Loss

The movements in these securities are as follows:

	Note	**June 2026**	December 2025
Held-for-investment:			
Short-term investments	*23, 30*	**P7,689,764,472**	P16,880,556,120
Government securities	*23, 30*	**4,623,381,861**	4,623,381,861
Equity securities		**40,101,402**	44,008,799
		P12,353,247,735	P21,547,946,780

The movements in the balances of financial assets at fair value through profit or loss are as follows:

June 2026

	January 1	**Additions**	**Sale**	**Gain**	**(Loss)**	**June 30**
Cost						
Short-term investments	**P16,880,556,120**	**P8,015,643,401**	**(P17,206,435,049)**	**P -**	**P -**	**P7,689,764,472**
Government securities	**4,623,381,861**	**-**	**-**	**-**	**-**	**4,623,381,861**
Equity securities	**44,008,799**	**-**	**-**	**-**	**(3,907,397)**	**40,101,402**
	P21,547,946,780	**P8,015,643,401**	**(P17,206,435,049)**	**P -**	**(P3,907,397)**	**P12,353,247,735**

December 2025

	January 1	Additions	Sale	Gain	(Loss)	December 31
Cost						
Short-term investments	P15,256,652,738	P18,860,233,348	(P17,314,347,329)	P78,017,363	P -	P16,880,556,120
Government securities	4,579,062,733	-	-	44,319,128	-	4,623,381,861
Equity securities	42,465,103	-	-	1,543,696	-	44,008,799
	P19,878,180,574	P18,860,233,348	(P17,314,347,329)	P123,880,187	P -	P21,547,946,780

Interest income on short-term investments and government securities amounted to P335.8 million in June 2026 and P498.6 million in June 2025.

Dividend income on equity securities amounted to P1.2 million in June 2026 and P1.6 million in June 2025 (see Note 23).

8. Other Financial Assets at Amortized Cost

In June 2026 and December 2025, the Group placed time deposits amounting to P4,588.8 million and P4,479.2 million, respectively, with terms of more than three (3) months to less than one (1) year, which bears interest from 4.40% to 5.65% (see Note 30).

Interest income earned from time deposits totaled P101.0 million and P157.0 million in June 2026 and 2025, respectively.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	June 2026	December 2025
Advances to suppliers	**P4,149,173,711**	P2,405,525,417
Prepaid expenses	**1,106,765,816**	602,644,185
Input VAT	**72,778,075**	69,559,979
Deferred input VAT	**17,853,850**	18,912,225
Creditable withholding tax	**5,212,894**	396,905
	P5,351,784,346	P3,097,038,711

Advances to suppliers will be applied against inventory purchases in the next financial reporting period.

Deferred input VAT consists of the unamortized portion of accumulated input taxes as at December 31, 2021, related to capital asset purchases exceeding P1 million and unpaid services. This may be applied against future output VAT when realized or paid.

The details of prepaid expenses are as follows:

	June 2026	December 2025
Taxes and licenses	**P748,017,212**	P280,286,239
Insurance	**130,600,414**	115,596,505
Advertising and promotion	**118,179,372**	98,057,829
Supplies	**13,649,904**	30,072,836
Repairs and maintenance	**14,124,172**	13,548,300
Others	**82,194,742**	65,082,476
	P1,106,765,816	P602,644,185

Other prepaid expenses pertain to advance payments for transportation, events and other service contracts.

10. Investments in Associate and Joint Ventures

The details of this account are as follows:

	June 2026	December 2025
Associate	**P422,745,311**	P422,745,311
Joint ventures	**7,828,170**	7,828,170
	P430,573,481	P430,573,481

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 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 2025
Percentage of ownership	49.34%
Current assets	P583,677,610
Noncurrent assets	552,660,100
Current liabilities	(413,170,741)
Noncurrent liabilities	(469,452,329)
Net assets	253,714,640
Group's share in net assets	125,182,804
Goodwill	276,058,136
Accumulated unrecognized share in net loss*	21,504,371
Carrying amount of interest in associate	P422,745,311
Net sales	P3,801,890,361
Net loss	(17,241,127)
Group's share in net loss	(P8,506,772)

**Unrecognized adjustments based on unaudited amounts*

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

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

In 2025, Entenso recognized an impairment loss amounting to P92.6 million on its investment in Ayagold, following an assessment of indicators of impairment. The impairment is presented as share in losses of associate and joint ventures in the statements of comprehensive income. The impairment was primarily driven by the continued recognition of net losses of Ayagold, which resulted in a decline in Entenso's share in the net assets of the investee to an amount below the carrying amount of the investment. Subsequently, Ayagold's BOD approved the closure of business on February 2, 2026.

The carrying amount of the investment in Ayagold amounted to P7.8 million as at June 30, 2026 and December 31, 2025.

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

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

On February 15, 2023, the Board approved to cease the Pure Commerce's operations, effective March 31, 2023 and for the Company to remain dormant until new business plans are finalized. The carrying amount of the investment and advances in Pure Commerce amounted to nil as at June 30, 2026 and December 31, 2025.

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

	June 2026	December 2025
Balance at beginning of year	**P7,828,170**	P100,423,852
Impairment loss	**-**	(92,595,682)
Balance at end of year	**P7,828,170**	P7,828,170

11. 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, January 1, 2025	P9,224,770,964	P4,685,622,495	P17,237,234,408	P22,543,779,593	P7,570,827,145	P4,315,171,319	P65,577,405,924
Additions	371,385,440	357,588,433	1,267,874,833	942,553,634	-	3,151,486,721	6,090,889,061
Reclassifications and adjustments	308,067,790	110,081,362	1,874,392,575	3,708,057,185	-	(6,091,643,403)	(91,044,491)
Disposals	(33,997)	(6,537,435)	(218,621,771)	(728,922)	-	-	(225,922,125)
Balance, December 31, 2025	9,904,190,197	5,146,754,855	20,160,880,045	27,193,661,490	7,570,827,145	1,375,014,637	71,351,328,369
Additions	23,276,423	119,699,996	490,859,325	65,119,419	132,096,000	1,003,600,599	1,834,651,762
Reclassifications and adjustments	104,412,657	2,437,118	77,312,138	137,061,672	-	(321,223,585)	-
Disposals	-	(3,288,249)	(95,305,217)	(1,321,430)	-	-	(99,914,896)
Balance, June 30, 2026	**10,031,879,277**	**5,265,603,720**	**20,633,746,291**	**27,394,521,151**	**7,702,923,145**	**2,057,391,651**	**73,086,065,235**
Accumulated Depreciation							
Balance, January 1, 2025	2,758,421,371	2,899,071,342	12,064,541,017	7,609,077,189	-	-	25,331,110,919
Depreciation	326,375,794	274,074,270	1,193,011,709	1,493,409,660	-	-	3,286,871,433
Reclassifications and adjustments	-	(14,355,420)	(33,383,245)	(42,363,629)	-	-	(90,102,294)
Disposals	(15,260)	(6,130,048)	(217,707,409)	(728,922)	-	-	(224,581,639)
Balance, December 31, 2025	3,084,781,905	3,152,660,144	13,006,462,072	9,059,394,298	-	-	28,303,298,419
Depreciation	176,951,678	143,880,238	682,404,628	705,817,337	-	-	1,709,053,881
Reclassifications and adjustments	(8,110,510)	-	-	8,110,510	-	-	-
Disposals	-	(3,288,011)	(95,204,912)	(1,321,429)	-	-	(99,814,352)
Balance, June 30, 2026	**3,253,623,073**	**3,293,252,371**	**13,593,661,788**	**9,772,000,716**	**-**	**-**	**29,912,537,948**
Carrying Amount							
December 31, 2025	P6,819,408,292	P1,994,094,711	P7,154,417,973	P18,134,267,192	P7,570,827,145	P1,375,014,637	P43,048,029,950
June 30, 2026	**P6,778,256,204**	**P1,972,351,349**	**P7,040,084,503**	**P17,622,520,435**	**P7,702,923,145**	**P2,057,391,651**	**P43,173,527,287**

Depreciation and amortization recognized in statement of comprehensive income are as follows:

	Note	**June 2026**	June 2025
Operating expenses	*22*	**P3,286,041,597**	P3,168,289,983
Cost of sales	*19*	**15,115,542**	13,949,261
		P3,301,157,139	P3,182,239,244

Interest expense on loans capitalized as part of property and equipment amounted to P4.9 million and P6.5 million in June 2026 and 2025, respectively (see Note 16).

During the period, the Group received cost discounts from contractors on certain capitalized costs related to the acquisition and development of property, plant, and equipment. These discounts were applied to the initial cost of the respective assets. The adjustments in the cost of the assets are presented together with the reclassifications in the above table. The adjustment was recognized in the period in which the discount was granted.

Borrowing costs are capitalized using a general financing rate of 4.1%. This rate is applied to the expenditures for the qualifying assets during the construction.

12. Right-of-Use Assets

The movements in this account are as follows:

	Note	**June 2026**	December 2025
Cost			
Balance at January 1		**P61,026,002,631**	P52,438,396,023
Additions		**1,673,659,730**	10,548,106,901
Terminated leases	*20*	**(437,039,993)**	(1,236,964,378)
Derecognition of right-of-use assets	*20*	**(298,367,728)**	(560,161,977)
Modifications to leases		**89,897,400**	(163,373,938)
Balance at end of period		**62,054,152,040**	61,026,002,631
Accumulated Depreciation			
Balance at January 1		**22,131,069,425**	19,944,407,366
Depreciation		**1,545,053,685**	3,000,378,492
Derecognition of right-of-use assets	*20*	**(298,367,728)**	(560,161,977)
Terminated leases	*20*	**(89,325,499)**	(253,554,456)
Balance at end of period		**23,288,429,883**	22,131,069,425
Carrying Amount at end of period		**P38,765,722,157**	P38,894,933,206

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

13. Goodwill and Other Intangibles

This account consists of:

	June 2026	December 2025
Goodwill	**P14,902,423,321**	P14,902,423,321
Trademark	**3,709,660,547**	3,709,660,547
Customer relationships - net	**667,089,736**	667,089,736
Computer software and licenses - net	**387,709,808**	333,852,873
Leasehold rights - net	**41,535,085**	43,848,960
	P19,708,418,497	P19,656,875,437

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 cost of goodwill allocated to the CGUs as at June 30, 2026 and December 31, 2025 follows:

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

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

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

CGUs to which goodwill and trademark 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.

Change in accounting estimate of customer relationships
During 2025, the Group reassessed the useful life of the customer relationships of intangible asset previously classified as having an indefinite useful life, taking into account changes in the competitive environment and a reassessment of the expected future economic benefits to be derived from the asset.

The reassessment considered various internal and external factors, including increased competition in the market, changes in customer retention patterns, evolving industry dynamics and the estimated period over which the asset is

expected to contribute to future cashflows. Based on this evaluation, the Group determined that the customer relationships intangible asset no longer meets the criteria for an indefinite useful life.

Accordingly, the Group revised the useful life of the asset to a finite period of twenty (20) years. The change in useful life has been accounted for as change in accounting estimate in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and PAS 38, *Intangible Assets.*

The carrying amount of the customer relationships intangible asset as of the date of change is being amortized on a straight-line basis over its revised remaining useful life. The effect of this change is recognized prospectively and accordingly, no adjustments have been made to prior period consolidated financial statements. In 2025, amortization expense related to customer relationships amounted to P222.4 million and amortization of P44.4 million per year is expected to be recognized in subsequent periods over the remaining useful life.

The movements in customer relationships are as follows:

	June 2026	December 2025
Cost		
Balance at January 1	**P889,452,981**	P889,452,981
Accumulated Amortization		
Balance at January 1	**222,363,245**	-
Amortization*	**-**	222,363,245
Balance at end of period	**222,363,245**	222,363,245
Carrying Amount		
At end of period	**P667,089,736**	P667,089,736

**Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income*

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 Company'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). Sales growth and operating margin are based on the Company's historical experience. Discount rate and terminal growth rate are based on reliable external information. The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 9.4% to 10.2% and 10.1% to 10.5% in 2025 and 2024, respectively. 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 Company's markets. The average annual compound sales growth rate applied in the projected periods is 5.0% to 10% for all the CGUs. The average operating margins applied in the projected periods is 5.3% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 2.8% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or trademark are allocated as follows:

	Pre-tax Discount Rate		Growth Rate (Terminal Value)	
	2025	2024	**2025**	2024
Kareila	**9.7%**	10.1%	**2.8%**	3.5%
Budgetlane Supermarkets	**10.2%**	10.2%	**2.8%**	3.5%
Gant	**9.4%**	10.5%	**2.8%**	3.5%
DCI and FLSTCI	**10.0%**	10.4%	**2.8%**	3.5%

As at June 30, 2026, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if growth rate decreased by 1.2%.

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

	June 2026	December 2025
Cost		
Balance at January 1	**P892,768,338**	P724,584,873
Additions	**98,592,633**	168,183,465
Balance at end of period	**991,360,971**	892,768,338
Accumulated Amortization		
Balance at January 1	**558,915,465**	485,083,657
Amortization*	**44,735,698**	73,831,808
Balance at end of period	**603,651,163**	558,915,465
Carrying Amount At end of period	**P387,709,808**	P333,852,873

**Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income*

Leasehold Rights
The movements in leasehold rights are as follows:

	June 2026	December 2025
Cost		
Balance at January 1	**P90,955,005**	P90,955,005
Additions	**-**	-
Balance at end of period	**90,955,005**	90,955,005
Accumulated Amortization		
Balance at January 1	**47,106,045**	42,478,295
Amortization*	**2,313,875**	4,627,750
Balance at end of period	**49,419,920**	47,106,045
Carrying Amount at end of period	**P41,535,085**	P43,848,960

**Presented as part of "Depreciation and amortization" under "Operating expenses" in the consolidated statements of comprehensive income.*

On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties

agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

14. Other Noncurrent Assets

This account consists of:

	Note	**June 2026**	December 2025
Security deposits	*20, 30*	**P3,407,410,958**	P3,234,884,202
Advances to contractors		**617,860,361**	358,485,855
Accrued rent income		**34,690,467**	31,396,586
Others		**7,879,160**	7,879,160
		P4,067,840,946	P3,632,645,803

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. These are expected to be utilized upon completion of the construction of stores.

15. Trade and Other Payables

This account consists of:

	Note	**June 2026**	December 2025
Trade	*24, 30*	**P14,175,783,883**	P24,640,049,294
Nontrade:	*24, 30*	**2,419,881,538**	2,186,666,232
Dividends payable		**2,263,813,261**	-
Withholding taxes payable		**207,611,326**	328,855,315
Accrued expenses:	*30*		
Manpower agency services		**1,144,836,244**	1,247,253,295
Fixed assets	*25*	**451,465,741**	883,702,462
Utilities		**458,741,144**	401,147,873
Rent		**191,228,780**	288,852,814
Supplies		**23,006,262**	20,061,684
Others		**682,954,542**	651,225,663
		P22,019,322,721	P30,647,814,632

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. These include mainly unreleased checks, reward points liability, and retention payable.

16. Long-term Loans

This account consists of:

	Note	**June 2026**	December 2025
Unsecured Peso Denominated			
Fixed-rate Notes of Parent Company		**P11,400,000,000**	P11,400,000,000
Fixed-rate Notes of a subsidiary		**-**	-
		11,400,000,000	11,400,000,000
Unamortized Debt Issue Cost		**(40,532,761)**	(48,200,481)
	30	**11,359,467,239**	11,351,799,519
Current portion		**(120,000,000)**	(120,000,000)
Noncurrent portion		**P11,239,467,239**	P11,231,799,519

Fixed-rate Notes of Parent Company
On September 30, 2020, the Parent Company raised P12,000.0 million from the issuance of fixed-rate corporate notes for its store network expansion. This consists of P7,000.0 million notes that have a seven-year tenor and P5,000.0 million notes that have a 10-year tenor with interest rate of 4.0% and 4.5%, respectively. The notes are payable annually at 1.0% of the original amount or P120.0 million and the remainder payable upon maturity.

The notes are subject to certain affirmative and negative covenants such as those relating to merger and consolidation, declaration of dividends and maintenance of financial ratios of at least 1.0x current ratio and not more than 2.5x debt-to-equity ratio, among others. The Parent Company is compliant with the loan covenants as at June 30, 2026 and December 31, 2025.

Long-term Loans of Subsidiary
In 2024, Kareila obtained a total bank loans amounting to P4,000.0 million that has a three-year tenor and P1,200.0 million loans that has a five-year tenor with interest rate of 5.50% to 5.75%. The loans were obtained primarily to finance the acquisition of inventory and to support Kareila's short-term working capital needs. The principal is due as a single payment at the end of the loan term. No periodic principal repayments are required during the term. In 2025, Kareila paid the full amount of loans prior to maturity, with no penalties incurred.

In June 2026, Kareila obtained a short-term bank loan amounting to P2,300.0 million that has a one month tenor with interest rate of 4.25%.

The contractual maturities of the long-term loans are discussed in Note 30.

The movements in debt issue cost are as follows:

	June 2026	December 2025
Balance at beginning of the year	**P48,200,481**	P63,535,920
Amortization	**(7,667,720)**	(15,335,439)
Balance at end of the year	**P40,532,761**	P48,200,481

Interest expense charged to profit or loss amounted to P263.6 million and P399.1 million in June 2026 and 2025, respectively.

Interest expense capitalized as part of property and equipment is discussed in Note 11.

17. Other Current Liabilities

This account consists of:

	Note	**June 2026**	December 2025
Deposits from tenants	*30*	**P303,478,450**	P296,635,362
Unearned income from suppliers		**190,983,841**	266,378,052
Unredeemed gift certificates		**219,220,861**	233,187,311
VAT payable		**75,311,463**	85,802,125
Others		**32,301,524**	27,186,469
		P821,296,139	P909,189,319

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

Unearned income from suppliers represents payments received in advance for rebates and allowances which are recognized over the period of benefit.

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

Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of June 30, 2026 and December 31, 2025. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the roll-forward of contract liabilities:

	June 2026	December 2025
Beginning balance	**P233,187,311**	P203,370,788
Add: Receipts	**270,162,101**	590,094,670
Less: Sales recognized	**284,128,551**	560,278,147
Ending balance	**P219,220,861**	P233,187,311

Others consist of commission payable and unearned rent income.

18. 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 is disaggregated by revenue streams.

	Note	**June 2026**	June 2025
Net sales from stores		**P121,482,522,659**	P109,876,817,505
Concession fee income	*21*	**857,603,660**	855,961,619
Membership fee income	*21*	**496,980,609**	378,333,112
Revenue from contract with customers		**P122,837,106,928**	P111,111,112,236

19. Cost of Sales

This account for the periods ended June 30 consists of:

	Note	**June 2026**	June 2025
Beginning inventory	*6*	**P28,720,361,899**	P29,404,917,109
Add: Purchases		**101,848,278,039**	89,078,597,475
Total goods available for sale		**130,568,639,938**	118,483,514,584
Less: Ending inventory	*6*	**32,747,308,780**	29,555,458,641
		P97,821,331,158	P88,928,055,943

20. Leases

Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 3 years to 40 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1.0%-10.0% 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 consolidated statements of financial position are as follows:

	June 2026	December 2025
Due within one year	**P1,580,472,761**	P1,521,570,047
Due beyond one year	**49,635,783,989**	48,999,543,500
	P51,216,256,750	P50,521,113,547

The movements in lease liabilities are as follows:

	Note	June 2026	December 2025
Balance at January 1		**P50,521,113,547**	P43,491,285,821
Additions		**1,628,062,638**	10,058,242,780
Repayments		**(2,383,854,395)**	(4,926,773,936)
Accretion of interest expense		**1,769,762,913**	3,286,047,710
Terminations		**(408,725,353)**	(1,224,314,892)
Modifications		**89,897,400**	(163,373,936)
Balance at end of period	*30*	**P51,216,256,750**	P50,521,113,547

The Group derecognized right-of-use (ROU) assets amounting to P437.0 million and P1,236.9 million and the corresponding lease liabilities amounting to P408.7 million and P1,224.3 million in June 2026 and December 2025, respectively. This is related to the termination of certain lease agreements in June 2026 and December 2025 due to closed stores and its transition to new lessors.

Net gains of P61.0 million and P219.2 million resulting from these terminations were recognized under "Other Charges - net" in the consolidated statements of comprehensive income in June 2026 and 2025, respectively (see Note 23).

The maturity analysis of the undiscounted lease payments are as follows:

	June 2026	December 2025
Less than one year	**P5,073,893,488**	P4,833,874,190
One to five years	**20,922,999,311**	20,458,368,636
More than five years	**75,507,611,294**	76,121,537,730
	P101,504,504,093	P101,413,780,556

The following are the amounts recognized in profit or loss:

	Note	June 2026	June 2025
Variable lease payments not included in the measurement of lease liabilities		**P251,868,326**	P186,601,381
Expenses related to leases of low-value assets		**25,473,866**	95,494,217
Expenses related to short-term leases		**42,428,497**	45,759,763
Total rent expense	*22*	**319,770,689**	327,855,361
Interest accretion on lease liabilities		**1,769,762,913**	1,565,170,090
Depreciation charge for right-of-use assets		**1,545,053,685**	1,498,199,701
Gain from lease terminations	*23*	**61,010,859**	219,231,684

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

Security deposits under "Other noncurrent assets" in the consolidated statements of financial position amounted to P3,407.4 million and P3,234.9 million as at June 30, 2026 and December 31, 2025, respectively (see Note 14).

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 P271.3 million and P258.2 million in June 2026 and 2025, respectively (see Note 21).

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

	June 2026	December 2025
Less than one year	**P387,913,525**	P351,131,992
One to two years	**293,403,400**	300,375,336
Two to three years	**162,147,962**	162,772,456
Three to four years	**131,487,758**	120,500,677
Four to five years	**92,042,579**	92,965,958
More than five years	**1,138,435,406**	1,175,318,822
	P2,205,430,630	P2,203,065,241

21. Other Revenue

This account consists of:

	Note	**June 2026**	June 2025
Concession fee income	*18*	**P857,603,660**	P855,961,619
Membership fee income	*18*	**496,980,609**	378,333,112
Rent income	*20*	**271,262,298**	258,161,485
Miscellaneous		**343,506,820**	367,535,359
		P1,969,353,387	P1,859,991,575

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

22. Operating Expenses

This account consists of:

	Note	**June 2026**	June 2025
Depreciation and amortization	*11, 12, 13*	**P3,286,041,597**	P3,168,289,983
Manpower agency services		**3,434,347,639**	2,894,112,256
Communication, light and water		**2,236,223,838**	1,985,442,104
Salaries and wages		**2,120,555,208**	1,947,437,472
Taxes and licenses		**758,984,273**	712,225,141
Security services		**651,645,773**	577,638,481
Repairs and maintenance		**596,851,491**	550,502,836
Transportation		**512,637,934**	383,722,480
Advertising and marketing		**476,616,955**	400,102,981
Store and office supplies		**439,687,250**	408,246,292
Credit card charges		**382,920,752**	318,492,644
Rent	*20*	**319,770,689**	327,855,361
SSS/Medicare and HDMF contributions		**230,292,952**	212,265,808
Insurance		**190,158,588**	175,497,046
Janitorial and messengerial services		**160,143,229**	147,956,900
Representation and entertainment		**124,144,037**	100,920,031
Fuel and oil		**122,341,990**	93,990,561
Input VAT on exempt sales		**101,100,949**	86,045,038
Other selling expenses		**97,929,476**	71,859,372
Professional fees		**45,094,011**	51,105,131
Royalty	*24*	**38,504,939**	36,218,347
Donations and contributions		**2,500,000**	4,359,883
Miscellaneous		**412,889,206**	332,210,353
		P16,741,382,776	P14,986,496,501

23. Others

This account consists of:

	Note	**June 2026**	June 2025
Gain from lease terminations	*20*	**P61,010,859**	P219,231,684
Foreign exchange gains (loss)		**371,487**	(46,946,616)
Unrealized valuation gain (loss) on financial assets at FVTPL	*7*	**(3,907,397)**	3,228,214
Dividend income	*7*	**1,246,068**	1,604,333
Bank charges		**(147,262)**	(161,122)
Gain (loss) from sale of financial assets	*7*	**-**	-
		P58,573,755	P176,956,493

24. Related Party Transactions

Other than the items disclosed in Note 1, 9, 10, 11 and 14, the Group's significant transactions and balances with related parties are as follows:

Related Party	Year	*Note*	Amount of Transactions for the Six-month Periods	Cash and Cash Equivalents, and Financial Assets (see Notes 4 and 7)	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 15)	Nontrade Payable, Loans and Lease Liabilities (see Notes 15, 16 and 20)	Due to Related Parties	Terms	Conditions
Parent											
Dividends	**2026**		**P2,779,408,360**	**P -**	**P -**	**P -**	**P -**	**P1,114,585,079**	**P -**	**Due and demandable**	**Unsecured**
	2025		P2,553,669,610	-	-	-	-	-	-	Due and demandable	Unsecured
Entities under Common Control											
Leases	**2026**	*a*	**954,502,845**	**-**	**-**	**1,222,678**	**-**	**5,720,341,795**	**-**	Due and demandable	Unsecured;
	2025		763,633,601	-	-	834,608	-	5,785,742,466	-		no impairment
Purchase of inventories	**2026**		**1,944,835,786**	**-**	**-**	**-**	**367,448,907**	**-**	**-**	**Due and demandable**	**Unsecured**
	2025		1,629,377,586	-	-	-	944,225,500	-	-		
Sale of merchandise	**2026**		**75,379,820**	**-**	**27,988,888**	**-**	**-**	**-**	**-**	Due and demandable	Unsecured;
	2025		368,291,871	-	71,885,108	-	-	-	-		no impairment
Security deposits	**2026**	*a*	**9,926,911**	**-**	**-**	**296,253,170**	**-**	**-**	**-**	Due and demandable	Unsecured;
	2025		143,633,201	-	-	291,650,725	-	-	-		no impairment
Management fee	**2026**		**11,342,753**	**-**	**-**	**-**	**-**	**5,123,009**	**-**	**Due and demandable**	**Unsecured**
	2025		9,436,464	-	-	-	-	3,161,138	-		
Fixed asset	**2026**		**3,306,598**	**-**	**-**	**113,336,337**	**-**	**101,580**	**-**	**Due and demandable**	**Unsecured**
	2025		1,391,063	-	-	113,349,820	-	294,161	-		
Loans	**2026**	*c*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**Due and demandable**	
	2025		-	-	-	-	-	7,533,733	-		
Expense reimbursement	**2026**		**261,962,617**	**-**	**-**	**54,745,953**	**3,057,752**	**63,795,383**	**-**	**Due and demandable**	**Unsecured**
	2025		212,441,867	-	-	64,522,809	5,464,714	47,433,782	-		
Stockholder											
Royalty expense	**2026**	*b*	**38,504,939**	**-**	**-**	**-**	**-**	**-**	**38,496,051**	30 years and	Unsecured
	2025		36,218,347	-	-	-	-	-	62,103,404	subject to renewal	
Leases	**2026**	*a*	**15,388,909**	**-**	**-**	**-**	**-**	**-**	**-**		
	2025		14,797,028	-	-	-	-	-	-		
Other Related Party											
Cash deposits/placements	**2026**		**(561,818,802)**	**3,503,860,989**	**-**	**-**	**-**	**-**	**-**	Due and demandable	Unsecured;
	2025		(248,384,867)	5,462,786,061	-	-	-	-	-		no impairment
Key Management Personnel											
Short-term benefits	**2026**		**186,986,486**	**-**	**-**	**-**	**-**	**-**	**-**		
	2025		150,838,569	-	-	-	-	-	-		
Post-employment benefits	**2026**		**2,452,397**	**-**	**-**	**-**	**-**	**-**	**-**		
	2025		9,727,515	-	-	-	-	-	-		
Total	**2026**			**P3,503,860,989**	**P27,988,888**	**P465,558,138**	**P370,506,659**	**P6,903,946,846**	**P38,496,051**		
Total	2025			P5,462,786,061	P71,885,108	P470,357,962	P949,690,214	P5,844,165,280	P62,103,404		

a. Leases - Group as a Lessee

The Group leases certain stores from related parties. Lease terms range from 3 to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1.0%-7.0% escalation.

b. 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.

c. Loans

This pertains to loans from Puregold Finance for the Parent Company's employees.

d. Expense Reimbursement

This pertains to utilities, repairs and maintenance, supplies and other operating expenses billed to Parent Company on behalf of its subsidiaries.

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

25. Other Noncurrent Liabilities

This account consists of:

	Note	**June 2026**	December 2025
Retirement benefits liability		**P2,232,015,938**	P2,235,922,527
Accrued fixed assets - net of current	*15*	**-**	89,068
		P2,232,015,938	P2,236,011,595

a. Retirement Benefits

The Parent Company and its subsidiaries has a funded, 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, 2025. 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.

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

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

	June 2026	December 2025
Present value of defined benefit obligation	**P2,266,107,547**	P2,270,014,136
Fair value of plan assets	**(34,091,609)**	(34,091,609)
Retirement benefits liability	**P2,232,015,938**	P2,235,922,527

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

	June 2026	December 2025
Balance at January 1	**P2,270,014,136**	P2,035,674,814
Included in Profit or Loss		
Current service cost	**-**	240,420,138
Interest cost	**-**	121,545,231
	-	361,965,369
Benefits paid/Transfer to Affiliated Company	**(3,906,589)**	(15,960,174)
Included in Other Comprehensive Income		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	**-**	(243,749,040)
Demographic assumptions	**-**	(90,712,655)
Experience adjustments	**-**	222,795,822
	-	(111,665,873)
Balance at end of period	**P2,266,107,547**	P2,270,014,136

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

	June 2026	December 2025
Beginning of the year	**P34,091,609**	P32,240,113
Interest income	**-**	1,956,975
Remeasurement loss	**-**	(105,479)
End of the year	**P34,091,609**	P34,091,609

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

	June 2026	December 2025
Beginning of year	**(P1,097,635,258)**	(P987,552,593)
Actuarial gain (losses) for the year	**-**	(110,082,665)
Ending balance	**(P1,097,635,258)**	(P1,097,635,258)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P834.4 million as at June 30, 2026 and December 31, 2025, 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:

	June 2026	December 2025
Debt instruments - government securities	**P10,968,151**	P10,968,151
Trust fees payable	**(6,005)**	(6,005)
Cash in banks	**1,841**	1,841
Other receivables	**23,127,622**	23,127,622
	P34,091,609	P34,091,609

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 P25.0 million pesos.

The Group does not expect to contribute to the plan in 2026.

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

	December 2025
Discount rate	6.58%
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, 2025 is 21.6 years.

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 2025

	Increase	Decrease
Discount rate (1% movement)	(P502,049,893)	P390,575,250)
Future salary increase rate (1% movement)	489,454,469	(389,222,624)

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. The Retirement Plan Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The 10-year maturity analysis of the benefit payments:

	December 2025				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P2,270,014,136	P546,117,168	96,467,070	P93,153,749	P356,496,349

b. Accrued Fixed Assets

Accrued fixed assets pertains to the remaining obligations for the purchase of a parcel of land, which is payable until 2027. The current portion amounting to P188.9 million and P255.6 million as at June 30, 2026 and December 31, 2025 is included in "Trade and other payables" account (see Note 15).

26. Income Taxes

The components of income tax expense are as follows:

	June 2026	June 2025
Current tax expense	**P1,843,753,589**	P1,581,427,379
Deferred tax benefit	**(70,161,995)**	(24,523,322)
	P1,773,591,594	P1,556,904,057

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:

	June 2026	June 2025
Income before income tax	**P7,647,627,127**	P6,856,007,405
Income tax expense at the statutory income tax rates:		
Regular - 25%	**P2,678,839,834**	P2,097,806,638
Special - 5%	**2,625,332**	1,728,080
Income tax effects of:		
Dividend income exempt from tax	**(782,680,884)**	(395,563,326)
Interest income subject to final tax	**(180,965,606)**	(202,682,419)
Nontaxable income	**(117,163)**	(811,481)
Nondeductible interest expense	**42,649,838**	46,055,341
Nondeductible other expenses	**12,517,376**	9,971,109
Changes in unrecognized DTA/DTL	**722,867**	400,115
	P1,773,591,594	P1,556,904,057

Changes in unrecognized DTA/DTL pertains to the unrecognized DTA related to PFRS 16.

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

	June 2026		December 2025	
	Amount	**DTA (DTL)**	Amount	DTA (DTL)
PFRS 16*	**P11,943,903,295**	**P3,015,453,584**	P12,054,470,054	P3,043,095,273
Retirement benefits liability	**3,300,618,009**	**825,154,502**	3,304,524,598	826,131,150
NOLCO	**39,147,511**	**9,786,878**	39,147,511	9,786,878
Allowance for impairment losses on receivables	**7,462,327**	**1,865,582**	7,462,327	1,865,582
MCIT	**-**	**-**	-	-
Recognition of DTA due to merger	**389,731**	**97,433**	389,731	97,433
DTA	**15,291,520,873**	**3,852,357,979**	15,405,994,221	3,880,976,316
Fair value of intangible assets from business combination	**(4,376,750,283)**	**(1,094,187,571)**	(4,376,750,283)	(1,094,187,571)
Actuarial gain	**(1,066,299,157)**	**(266,574,789)**	(1,066,299,157)	(266,574,789)
Accrued rent income	**(32,306,737)**	**(8,076,684)**	(31,396,587)	(7,849,147)
DTL	**(5,475,356,177)**	**(1,368,839,044)**	(5,474,446,027)	(1,368,611,507)
Net	**P9,816,164,696**	**P2,483,518,935**	P9,931,548,194	P2,512,364,809

**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.

27. Equity

Capital Stock and Additional Paid-in Capital

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

	June 2026	December 2025
Common shares - P1 par value		
Authorized	**3,000,000,000**	3,000,000,000
Issued	**2,904,214,086**	2,904,214,086
Treasury shares	**(38,627,680)**	(38,627,680)
	2,865,586,406	2,865,586,406

The initial public offering of the Parent Company's shares with an offer price of P12.5 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 P5.2 billion.

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 P21.5 per share. The additional paid-in capital net of direct transaction costs amounted to P15.7 billion.

On January 16, 2019, the Parent Company conducted a P4.7 billion top up placement of 104,300,000 common shares at a price of P45.0 per share. The Parent Company completed the placement upon approval of the BOD. The additional shares were issued on March 5, 2019.

Treasury Stock

The movement on this account is as follows:

	June 2026	December 2025
Balance at beginning and end of year	**38,627,680**	38,627,680

The Group's treasury stock consists of:

	June 2026	December 2025
Parent Company's treasury stock	**24,076,471**	24,076,471
Treasury stock due to merger	**14,551,209**	14,551,209
Balance at end of year	**38,627,680**	38,627,680

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 P26.6 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 1,000,000,000 or approximately 30,000,000 shares within one year from the approval or until November 4, 2015. The Parent Company bought 1,025,000 shares with acquisition cost of P37.8 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 P39.0 per share. Considering that the ultimate owner is the Parent Company, the shares issued were recognized as treasury stock.

In 2021, the Company reacquired 1,145,000 of its shares with acquisition cost of P41.3 million as treasury stock.

In 2022, the Company reacquired 2,950,000 of its shares with acquisition cost of P97.0 million as treasury stock.

Retained Earnings

Dividends Declaration

On December 20, 2022, the Group's BOD approved the declaration of a regular dividend of P0.86 per share on record date of January 10, 2023 and payment date of January 20, 2023. The total amount of dividends is P2,464.4 million.

On December 11, 2023, the Group's BOD approved the declaration of a regular dividend of P0.97 per share on record date of December 27, 2023 and payment date of January 18, 2024. The total amount of dividends is P2,779.6 million.

On May 14, 2024, the Group's BOD approved the declaration of a regular dividend of P0.90 per share on record date of May 29, 2024 and payment date of June 21, 2024. The total amount of dividends is P2,579.0 million.

On April 8, 2025, the Group's BOD approved the declaration of regular dividend and special dividend of P1.09 per share and P0.72 per share, respectively. The regular dividend has record date of April 30, 2025 and payment date of May 27, 2025. The special dividend has record date of September 2, 2025 and payment date of September 26, 2025. The total amount of dividends is P5,186.7 million.

On March 31, 2026, the Group's BOD approved the declaration of regular dividend and special dividend of P1.18 per share and P0.79 per share, respectively. The regular dividend has record date of April 17, 2026 and payment date of May 7, 2026. The special dividend has record date of August 17, 2026 and payment date of September 9, 2026. The total amount of dividends is P5,645.21 million.

Appropriation

On December 7, 2025, KMC's BOD approved the appropriation of P29,960.0 million from the current retained earnings as at December 31, 2025, for future store expansion and reverse the previously appropriated retained earnings amounting to P26,120,000,000. The expansion plan includes construction of twenty-eight (28) new warehouses, new distribution center, and other major renovation projects expected to be completed in a period of five (5) years.

On December 2, 2024, KMC's BOD approved the appropriation of P26,120.0 million from the current retained earnings as of December 31, 2024, for future store expansion. The expansion plan includes construction of twenty-six (26) new warehouses, new distribution center, and other renovation projects expected to be completed in a period of five (5) years.

On December 2, 2024, SPI and HPI's BOD approved the appropriation of P450.0 million and P4.0 million from the current retained earnings as of December 31, 2024, for future store expansion and major renovation projects. The expansion plan includes construction of twenty-five (25) new quick service restaurants expected to be completed in a period of five (5) years.

As of December 31, 2024, the Parent Company's BOD approved the appropriation of P15,000.0 million from the current retained earnings for future store expansion and renovations. The expansion plan includes construction of one hundred fifty (150) new stores expected to be completed in a period of five (5) years.

Effect of Merger
On April 3, 2025, the KMC's BOD approved the upstream merger of KMC and PSMT (the "Absorbed Entity"), whereby KMC will be the "Surviving Entity". The merger was subsequently approved by the SEC on November 21, 2025 (the "effective date of the merger"), through the issuance of the Certificate of Filing of the Articles and Plan of Merger. The Absorbed Entity's existence will cease following the stipulations of the Articles and Plan of Merger but its operations shall continue under the Surviving Entity.

Upon the effective date of the merger, the Surviving Entity acquired all the respective assets and assumed all the liabilities of the Absorbed Entity and the former issued in exchange thereof 3,025,336 of its P100 par value common shares to the latter.

The merger resulted in the recognition of an equity reserve amounting to P238.6 million, presented in equity. This reserve represents the net effect of the merger accounted for as a transaction under common control.

28. 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.* No single customer contributed 10% or more to the Group's revenue in June 2026 and December 2025.

29. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	Note	**June 2026**	June 2025
Net income (a)		**P5,874,035,533**	P5,299,103,348
Weighted average number of ordinary shares (b)	*27*	**2,865,586,406**	2,865,586,406
Basic/diluted EPS (a/b)		**P2.05**	P1.85

As at June 30, 2026 and December 31, 2025, the Group has no dilutive debt or equity instruments.

30. 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
- Foreign Currency Exchange 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 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	**June 2026**	December 2025
Cash in banks and cash equivalents	*4*	**P27,809,548,790**	P28,119,635,974
Receivables – net	*5*	**2,310,073,270**	5,159,183,171
Short-term investments	*7*	**7,689,764,472**	16,880,556,120
Government securities	*7*	**4,623,381,861**	4,623,381,861
Time deposits	*8*	**4,588,835,654**	4,479,225,396
Security deposits*	*14*	**3,407,410,958**	3,234,884,202
		P50,429,015,005	P62,496,866,724

**Included under noncurrent assets.*

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

	As of June 30, 2026			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P27,809,548,790**	**P -**	**P -**	**P27,809,548,790**
Receivables – net	**1,574,999,323**	**735,073,947**	**-**	**2,310,073,270**
Short-term investments	**7,689,764,472**	**-**	**-**	**7,689,764,472**
Government securities	**4,623,381,861**	**-**	**-**	**4,623,381,861**
Time deposits	**4,588,835,654**	**-**	**-**	**4,588,835,654**
Security deposits*	**3,407,410,958**	**-**	**-**	**3,407,410,958**
	P49,693,941,058	**P735,073,947**	**P -**	**P50,429,015,005**

**Included under noncurrent assets.*

	As of December 31, 2025			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P28,119,635,974	P -	P -	P28,119,635,974
Receivables – net	3,517,511,807	1,641,671,364	-	5,159,183,171
Short-term investments	16,880,556,120	-	-	16,880,556,120
Government securities	4,623,381,861	-	-	4,623,381,861
Time deposits	4,479,225,396	-	-	4,479,225,396
Security deposits*	3,234,884,202	-	-	3,234,884,202
	P60,855,195,360	P1,641,671,364	P -	P62,496,866,724

**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, cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit 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 probability of collection and there is no history of default.

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

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

	June 2026		December 2025	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P1,351,272,761**	**P -**	P3,519,872,828	P -
Past due 1 - 30 days	**195,687,669**	**-**	1,050,899,049	-
Past due 31 - 60 days	**135,014,404**	**-**	101,473,175	-
More than 60 days	**635,560,763**	**7,462,327**	494,400,446	7,462,327
	P2,317,535,597	**P7,462,327**	P5,166,645,498	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 June 30, 2026				
	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*	**P21,558,626,184**	**P21,558,626,184**	**P21,558,626,184**	**P -**	**P -**
Short-term loans payable	**2,300,000,000**	**2,308,145,833**	**2,308,145,833**	**-**	**-**
Due to related parties	**38,496,051**	**38,496,051**	**38,496,051**	**-**	**-**
Lease liabilities	**51,216,256,750**	**101,504,504,093**	**5,073,893,488**	**20,922,999,311**	**75,507,611,294**
Long-term loans including current portion**	**11,359,467,239**	**12,636,699,971**	**603,204,758**	**12,033,495,213**	**-**
Accrued fixed assets	**188,857,695.15**	**240,318,720**	**240,318,720**	**-**	**-**
Deposits from tenants***	**303,478,450**	**303,478,450**	**303,478,450**	**-**	**-**

**excluding statutory payables to the government and current portion of accrued fixed assets (see Notes 15 and 25)*
***contractual cash flows include future interest payment*
****disclosed in other current liabilities (see Note 17)*

	As at December 31, 2025				
	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*	P30,301,923,577	P30,301,923,577	P30,301,923,577	P -	P -
Due to related parties	62,103,404	62,103,404	62,103,404	-	-
Lease liabilities	50,521,113,547	101,413,780,556	4,833,874,190	20,458,368,636	76,121,537,730
Long-term loans including current portion**	11,351,799,519	12,879,552,429	605,761,100	12,273,791,329	-
Accrued fixed assets	255,728,542	400,531,200	400,308,733	222,467	-
Deposits from tenants***	296,635,362	296,635,362	296,635,362	-	-

**excluding statutory payables to the government and current portion of accrued fixed assets (see Notes 15 and 25)*
***contractual cash flows include future interest payment*
****disclosed in other current liabilities (see Note 17)*

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 and money market placements. The cash deposits and money market placement with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk on long-term loans with fixed rates which are carried at amortized cost. The Group's policy is to obtain the most favorable interest available and effectively managing the interest rate risk.

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

	June 2026	December 2025
Financial assets at amortized cost:		
Cash in banks	**P13,934,565,155**	P24,228,811,119
Money market placements	**13,874,983,635**	3,890,824,855
Time deposits	**4,588,835,654**	4,479,225,396
Financial assets at fair value through profit or loss:		
Short-term investments	**7,689,764,472**	16,880,556,120
Government securities	**4,623,381,861**	4,623,381,861
	P44,711,530,777	P54,102,799,351

Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P67.1 million and P81.2 million in June 2026 and December 2025, respectively. A 2.0% decrease in interest rates would have had the equal but opposite effect. Assuming a 10.0% interest rate and on the basis that all other variables remain constant.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets.

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, Trade and Other Payables, 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 FVTPL

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

Security Deposits

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

Long-term Loans, Lease Liabilities and Accrued Fixed Assets

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

As at June 30, 2026 and December 31, 2025, the Group's investments in equity securities classified as financial assets at fair value through profit or loss (FVTPL) are categorized under Level 1 of the fair value hierarchy, while the investments in government securities and short-term investments are classified under Level 2.

31. Impact of Israel-United States-Iran Conflict

The ongoing conflicts in the Middle East during the first quarter of 2026 can have indirect but meaningful effects on the Group. One of the most immediate impacts is on global oil prices, as instability in the region often disrupts supply chains or creates uncertainty in energy markets. Higher fuel costs increase transportation and logistics expenses, raising the cost of moving goods and putting pressure on operating margins or retail prices.

Additionally, the conflict may contribute to broader global economic uncertainty, including inflation, currency fluctuations, and supply chain disruptions. For the Group, this can result in higher procurement costs for both imported and locally sourced goods, particularly those linked to global commodities. Rising prices may also weaken consumer purchasing power, shifting demand toward essential and lower-margin products.

Overall, while these conditions may create cost pressures and affect consumer behavior, the impact on the Group remains indirect and manageable. These factors do not pose a going concern issue, given the Group's stable operations and established position in the Philippine market.

As at June 30, 2026, the Group cannot reasonably determine the quantifiable impact of the ongoing geopolitical situation on its future financial performance or the carrying value of its assets. This is due to the high degree of uncertainty regarding the duration of the conflicts and their ultimate effect on global macroeconomics.