



April 18, 2024

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

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

**Philippine Stocks Exchange**  
6/F, PSE Tower, 5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City, Taguig City

Attention: **Ms. Alexandra T. Wong**  
*OIC, Disclosure Department*

Gentlemen:

For submission is the **Definitive Information Statement** ("DIS") (SEC Form 20-IS) of **Puregold Price Club, Inc.** (the "Company") for its forthcoming Annual Stockholders' Meeting scheduled on May 14, 2024, at 10:00 am via online meeting.

Stated in the table below are the reference pages for the Company's reply to the Commission's letter dated April 17, 2024:

Minutes of the previous Annual Meeting	Annex "H"
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Thank you.

Very truly yours,

  
**Atty. Candy H. Dacanay – Datuon**  
Assistant Corporate Secretary

# COVER SHEET

A 1 9 9 8 1 3 7 5 4

SEC Registration Number

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

(Company's Full Name)

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

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

CANDY H. DACANAY-DATUON

(Contact Person)

(63) 917 861 2459

(Company Telephone Number)

1 2 3 1  
Month Day

SEC FORM 20-IS

(Form Type)

0 5 1 4  
Month Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing  
Domestic Foreign

/ SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS  
INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
 Preliminary Information Statement  
 **Definitive Information Statement**
2. **PUREGOLD PRICE CLUB, INC.**  
Name of Registrant as specified in its charter:
3. **MANILA, PHILIPPINES**  
Province, country, or other jurisdiction of incorporation or organization
4. SEC Identification Number: **A199803754**
5. BIR Tax Identification Code: **201-277-095**
6. **No. 900 ROMUALDEZ ST., PACO, MANILA** **1007**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code: **(63) 9178612459**
8. **MAY 14, 2024, TUESDAY, 10 AM, VIA ONLINE MEETING**  
Date, time, and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **APRIL 19, 2024**
10. In case of Proxy Solicitations: **We are not asking for Proxy Solicitations**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on the number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock<br>Outstanding or Amount of Debt |
|---------------------|---|
| <b>COMMON SHARE</b> | <b>2,880,137,615</b>  |
12. Are any or all of registrant's securities listed in a Stock Exchange?  
**Yes [x] No [ ]**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **PHILIPPINE STOCK EXCHANGE, COMMON SHARES**



## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of **PUREGOLD PRICE CLUB, INC.** (the "Company") will be on **May 14, 2024, Tuesday, at 10:00 am**, by remote communication, with the following agenda:

### A G E N D A

1. **Call to Order**
2. **Certification of Notice and Quorum**
3. **Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management**
4. **Presentation of Annual Report and Approval of the 2023 Audited Financial Statements**
5. **Election of Regular Directors and Independent Directors**
6. **Re-election of External Auditor and fixing its remuneration**
7. **Other Matters**
8. **Adjournment**

Only stockholders of record as of **April 22, 2024** are entitled to notice of, and vote at, this meeting.

Pursuant to the Company's bylaws and resolution of the Board of Directors dated April 4, 2024, the annual stockholders' meeting will be held online or virtual. Stockholders may participate in the meeting by remote communication, voting *in absentia*, or by appointing the Chairman of the meeting as their proxy. The Information Statement will be accessible on the Company website, [www.puregold.com.ph](http://www.puregold.com.ph), starting **April 19, 2024**.

Stockholders attending by proxies should e-mail their duly accomplished proxies to [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph) or send original hard copies of proxies to the Office of the Assistant Corporate Secretary, Puregold Head Office, No. 900 Romualdez St., Paco, Manila 1007 on or before **May 6, 2024**, and stockholders attending by remote communication should notify the Company on or before **May 7, 2024**. The Information Statement will provide the requirements and procedures for participating in the meeting.

The Company's Stock Transfer Agent will validate the votes on **May 7, 2024, 3:00 pm**, at the Office of the Assistant Corporate Secretary, Puregold Head Office, No. 900 Romualdez St., Paco, Manila, 1007.

Manila, Philippines, April 8, 2024.

  
**CANDY H. DACANAY – DATUON**  
Assistant Corporate Secretary & Compliance Officer

## EXPLANATION OF AGENDA ITEMS

### 1. Call to Order.

The Chairman of the meeting will welcome the stockholders and formally open the annual meeting at 10:00 am.

### 2. Certification of Notice and Quorum.

The Corporate Secretary will certify that the notice of the meeting to stockholders was posted on the Company website and the Philippine Stock Exchange Edge platform in accordance with Section 4, Article II of the Company's By-Laws. The Corporate Secretary will also certify that a quorum exists for the transaction of business.

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

The result of the last Annual Meeting is posted on the Company website. A resolution presenting the said Minutes and the ratification of the acts and resolutions of the Board of Directors and Management since the last stockholders' meeting will be submitted to the stockholders for approval.

### 4. Presentation of Annual Report and Approval of the Audited Financial Statements.

The Company will present its 2023 Annual Report and Audited Financial Statements to the stockholders. A resolution ratifying the 2023 Annual Report and Audited Financial Statements will also be presented to the stockholders for approval.

### 5. Election of Regular and Independent Directors.

The Chairman of the meeting will announce the nominees for the election of directors and the Corporate Governance Committee's recommendation on their qualifications to perform the duties required of them, and they will be presented for the election of stockholders. The nominees for the election of directors are:

For Regular Directors:

1. Mr. Lucio L. Co
2. Ms. Susan P. Co
3. Mr. Ferdinand Vincent P. Co
4. Ms. Pamela Justine P. Co - Yuyitung
5. Mr. Leonardo B. Dayao
6. Mr. Jack E. Huang

For Independent Directors:

1. Mr. Jaime S. Dela Rosa
2. Mr. Gil B. Genio
3. Mr. Emmanuel G. Herbosa

The nominees' business profiles will be provided in the Information Statement.

### 6. Re-election of External Auditor and fixing its remuneration.

A resolution for the re-election of R.G. Manabat & Company (KPMG) in the ensuing year and its proposed remuneration of up to P6.5 million as External Auditor of the Company and its subsidiaries will be presented to the stockholders for approval.

### 7. Other Matters.

The Chairman will open the floor to answer any questions from the stockholders.

## **PART 1: INFORMATION REQUIRED IN THE INFORMATION STATEMENT**

### **A. GENERAL INFORMATION**

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

- (a) May 14, 2024, at 10:00 AM, via Online Meeting  
Principal Office: No. 900 Romualdez St., Paco, Manila 1007
- (b) The Information Statement will be available on the Company's website, [www.puregold.com.ph](http://www.puregold.com.ph), beginning on April 19, 2024. The Company will distribute the Notice of Meeting, Information Statements, and its Attachments by posting them on the Company website, PSE Edge Platform, and by publishing them in two newspapers of general circulation as an alternative mode of distributing and providing copies of the said documents to stockholders.

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

#### **Item 2. Dissenters' Right of Appraisal**

No matters or actions to be taken at the meeting may give rise to a possible exercise by stockholders of their appraisal rights under Section 80 Title X of the Revised Corporation Code of the Philippines.

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

- (a) No director, officer, nominee, or any associate of the foregoing person has a substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than an election to office.
- (b) No director, officer, nominee, or any associate of the foregoing person has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

### **B. CONTROL AND COMPENSATION INFORMATION**

#### **Item 4. Voting Securities and Principal Holders**

- (a) Number of outstanding shares as of March 31, 2024.  
2,880,137,615 common shares  
  
Number of votes entitled: one (1) vote per share
- (b) All stockholders, as of the record date, shall be entitled to vote in the meeting.
- (c) Section 23 of the Revised Corporation Code states that stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the Company as of record date. The said stockholder may: (a) vote such number of shares for as many as there are

directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. The total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Company multiplied by the whole number of directors to be elected.

(d) Security Ownership of Certain Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the Company as of March 31, 2024.

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	%
Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	1,410,867,188	48.58%
Common	Susan P. Co No. 900 Romualdez St., Paco, Manila	Stockholder/ Chairman	Record owner herself	Filipino	178,242,585	6.13%
Common	Lucio L. Co No. 900 Romualdez St., Paco, Manila	Stockholder/ Director	Record owner himself	Filipino	211,088,022	7.26%
Common	PCD Nominee Corp. (Non-Filipino)	Stockholder/ Not related	Acting for various clients	Non-Filipino	525,813,149	18.10%
Common	PCD Nominee Corp. (Filipino)	Stockholder/ Not related	Acting for various clients	Filipino	476,013,733	16.39%

2. Security Ownership of Directors and Executive Officers of the Company as of March 31, 2024:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Susan P. Co Chairman	Direct	Filipino	178,242,585	6.13%
Common	Lucio L. Co Director	Direct	Filipino	211,088,022	7.26%
Common	Ferdinand Vincent P. Co President	Direct	Filipino	26,709,460	0.92%
Common	Leonardo B. Dayao Executive Director	Direct and Indirect	Filipino	837,625	0.02%
Common	Pamela Justine P. Co Executive Director	Direct	Filipino	26,709,460	0.92%

Common	Jack E. Huang Non-Executive Director	Direct	Filipino	15,000	0.00%
Common	Jaime S. Dela Rosa Independent Director	Direct	Filipino	1	0.00%
Common	Gil B. Genio Independent Director	Direct	Filipino	161,000	0.00%
Common	Emmanuel G. Herbosa Independent Director	Direct	Filipino	100	0.00%
Common	Kenneth Tiu Senior Finance Officer	Direct	Filipino	10,000	0.00%
Common	Candy H. Dacanay-Datuon Assistant Corporate Secretary	Direct	Filipino	4,100	0.00%

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

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

5. Foreign ownership level as of March 31, 2024:

525,813,149 common shares or 18.25% of the outstanding capital stock

#### **Item 5. Directors and Executive Officers**

(a) Presented below are the business profiles of the Company's Directors and Executive Officers. The incumbent directors are also the nominees for the election of regular and independent directors

##### **(i) Directors**

The following are the nominees for the election of regular directors:

- a. Mr. Lucio L. Co
- b. Ms. Susan P. Co
- c. Mr. Ferdinand Vincent P. Co
- d. Ms. Pamela Justine P. Co
- e. Mr. Leonardo B. Dayao
- f. Mr. Jack E. Huang

The following are the nominees for the election of independent directors:

- a. Mr. Jaime S. Dela Rosa
- b. Mr. Gil B. Genio
- c. Mr. Emmanuel G. Herbosa

The business profile of the foregoing nominees for election of directors of the Company are as follows:

**Susan P. Co, Filipino, 66 years old**

Mrs. Co served as Vice-Chairman of the Company from 1998 until her election as Chairman in 2023. She concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation, Tower 6789 Corporation, President of Makabayan Holdings Incorporated, and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Blue Origin Holdings Incorporated, Illido Management Corporation, Union Energy Corporation, and Union Equities, Inc.

Mrs. Co also serves in other PSE-listed companies: Vice-Chairman of Cosco Capital, Inc. and Director of the Philippine Bank of Communications.

Mrs. Co earned her Bachelor of Science degree in Commerce from the University of Santo Tomas.

**Lucio L. Co, Filipino, 69 years old**

Mr. Co served as Chairman of the Company from 1998 to 2022. He is currently the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCKK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., and VS Grial Power Corporation. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co holds positions in other PSE-listed companies: Chairman of Cosco Capital, Inc., Director of Philippine Bank of Communications, and Chairman of The Keepers Holdings, Inc.

Mr. Co has been an entrepreneur for the past 50 years.

**Ferdinand Vincent P. Co, Filipino, 42 years old**

Mr. Vincent Co has served as President of the Company since 2015. He concurrently holds the following positions: Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation,

League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc., Filmore Holdings Incorporated, Illido Management Corporation, Azora Holdings Incorporated, SPC Resources Inc.; Chairman of Pinehurst Creek Holdings Corporation, South Coast Automotive Group, Inc. and Pure Commerce, Inc.; President of Ayagold Retailers, Inc., Entenso Equities, Inc., Union Equities, Inc., Aracena Holdings Corporation, Blue Origin Holdings Incorporated, Imperium Holdings, Inc.; and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation, Cassina Creek Holdings Corporation, Makabayan Holdings Incorporated, Maxent Investment, Inc. and Union Energy Corporation.

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

**Pamela Justine P. Co-Yuyitung, Filipino, 39 years old**

Ms. Pamela Co has served as Executive Director of the Company since 2015. She is concurrently the President of Pinehurst Creek Holdings Corporation and Aracena Holdings Corporation; and Director of Alerce Holdings Corp., Bellagio Holdings, Inc., Blue Ocean Foods, Inc., Blue Ocean Holdings, Inc., Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Forbes Corporation, Invesco Company, Inc., Kareila Management Corporation, KMC Realty Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., P.G. Holdings, Inc., Patagonia Distributions, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty-Free (Subic), Inc., Puregold Properties, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc., Union Energy Corporation, Union Equities, Inc., SPC Resources, Inc., Azora Holdings Incorporated, Cassina Creek Holdings Corporation, Fillmore Holdings Incorporated, Illido Management Corporation, Imperium Holdings, Inc., Kalayaan Lakeview Corp., Makabayan Holdings Incorporated, Maxent Investment, Inc., and VFC Land Resources, Inc. She is also one of the executive officers in Kareila Management Corporation (S&R) concentrating on merchandising.

She graduated from Thames International School with a Bachelor of Science Degree in Entrepreneurship in 2006.

**Leonardo B. Dayao, Filipino, 80 years old**

Mr. Dayao was the President of the Company from 2005 to 2014. He was a member of the Board since 1998. He is also the Chairman and President of Fertuna Holdings Corp.; Chairman of Catuiran Hydropower Corporation, Karayan Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of Alcorn Petroleum and Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management and Services, Inc. (SUMSI), Union Energy Corporation, Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc. and

Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation, Kareila Management Corporation, KMC Realty Corporation, and Puregold Realty Leasing & Management, Inc.

Mr. Dayao is also holding positions in other PSE-listed companies: President of Cosco Capital, Inc. and Vice-Chairman of the Philippine Bank of Communications.

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

**Jack E. Huang, Filipino, 70 years old**

Mr. Huang has served as Director of the Company since 2017. Mr. Huang also serves as Vice-President of Abacus Capital and Investment Corp., Director of Cebu Business Continuous Forms and Richmedia Network, Inc., and a member of the Board of Trustees of Sacred Heart School (Ateneo de Cebu).

Mr. Huang graduated with a degree of Bachelor of Arts, major in Economics, from the Ateneo de Manila University in 1975.

**Jaime S. Dela Rosa, Filipino, 79 years old<sup>1</sup>**

Mr. Dela Rosa has served as an Independent Director of the Company since 2017. He graduated from the Far Eastern University in 1964 with a degree of Bachelor of Science, major in Accounting. He completed a program on Global Financial System, Structures, Crises, and Reform from the Harvard University–John F. Kennedy School of Government. He is a recipient of an Outstanding Alumnus Award for Government Service. Mr. Dela Rosa is a member of Alabang Country Club, Inc. Free Masonry. Before joining the company, Mr. Dela Rosa worked as Director of Alcorn Gold Resources Corporation, PNCC-Skyway Corporation of the Philippines, and Development Bank of the Philippines. He was the former President of Portman Mining Philippines, Cabaluan Chromite Corp., and Food Terminal, Inc. He also worked as Head of Ayala Investment and Development Corporation and Philsec Investment Corporation for Visayas and Mindanao and Assistant Vice-President for Citibank.

**Gil B. Genio, Filipino, 64 years old<sup>2</sup>**

Mr. Genio was elected as an Independent Director of the Company in May 2023. He is also an Independent Director of GT Capital Holdings, Inc. Mr. Genio worked as an executive for Globe Telecom and Ayala Corporation for a combined 24 years. He was Globe Telecom's Chief Technology and Information Officer (CTIO) from November 2015 to April 2021, as well as its Chief Strategy Officer (CSO) from 2011 to April 2021. He also performed other legal entity functions for Globe such as CEO of Globe Capital Venture Holdings, and Director at its strategic joint ventures, Global Telehealth, Inc., BellTel, ETPI, and others. He also became COO of Bayan Telecommunications (Bayantel) and Isla Communications (Islacom) as they were acquired, and before they were integrated into Globe. His executive roles in Globe prior to his CTIO appointment included: COO for Business and International Markets (2010-2015), Group Head for Business Customers (2003-2010), Head of Carrier Services (2002-2010), Group Head for the Residential and

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<sup>1</sup> Certification for Independent Director is hereto attached as **Annex "E"**.

<sup>2</sup> Certification for Independent Director is hereto attached as **Annex "F"**.

Business Fixed Network Group (2000-2003), and Chief Financial Officer (1997-2000). Mr. Genio was hired by Ayala Corporation in 1997 and was seconded to Globe Telecom. He retired from Ayala Corporation in 2018 and became a direct employee of Globe, finally retiring at the end of 2021. Before joining Ayala in 1997, Mr. Genio had spent more than 12 years with Citibank in the Philippines, Singapore, Japan, Hong Kong, and New York, with stints in financial control, risk management, product development, treasury audit, corporate audit and market risk review.

Mr. Genio obtained a Master's degree in Business Management, with Distinction, from the Asian Institute of Management in 1986. He earned his Bachelor of Science degree in Physics, Magna Cum Laude, from the University of the Philippines in 1980.

**Emmanuel G. Herbosa, Filipino, 70 years old<sup>3</sup>**

Mr. Herbosa was elected as an Independent Director of the Company in May 2023. He was the President and CEO of the Development Bank of the Philippines from March 2019 to January 2023, the Philippine Export-Import Credit Agency from June 2018 to February 2019, Executive Vice-President of the Bank of Commerce from January 2014 to December 2017, and Senior Vice-President of the Bank of the Philippine Islands from January 2008 to April 2013.

Mr. Herbosa graduated from Dela Salle University with a degree of Bachelor of Science in Industrial Management Engineering in 1975 and obtained a degree in Master's in Business Administration from Wharton, University of Pennsylvania in 1979.

The Company has two board advisors:

**Levi B. Labra, Filipino, 66 years old**

Mr. Labra has served as Board Advisor of the Company since 2017. He also currently serves as Director of Hope Philippines, Inc. Before joining the company, Mr. Labra worked at Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee of Procter and Gamble for 20 years. He was Regional Sales Manager for three years building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand. He graduated with honors, *Cum Laude*, from the University of San Carlos in 1978 with a degree of Bachelor of Science, major in Business Administration.

**Roberto Juanchito T. Dispo, Filipino, 60 years old**

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

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

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<sup>3</sup> Certification for Independent Director is hereto attached as **Annex "G"**.

and Industry from 1988 to 1990 and as an Administrative Officer in the Department of National Defense from 1987 to 1988.

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

He has been a member of the Money Market Association of the Philippines since 1998 and FINEX since 2012. Mr. Dispo was the CEO of the Year awardee in 2014 given by Asia CEO Awards and became a Finalist in CNBC Asia Best CEO in 2014.

(ii) Corporate Officers

**Grace E. Sy, Filipino, 59 years old**

Ms. Sy has been the Company's Treasurer since 2015. She also works as Treasury Manager of the Company since 2009. She is a graduate of St. Paul College of Manila with a degree of Bachelor of Science major in Accountancy, in 1983.

**Baby Gerlie I. Sacro, Filipino, 45 years old**

Ms. Sacro has been the Corporate Secretary of the Company since 2000. She is a graduate of the Polytechnic University of the Philippines with a degree of Bachelor of Science in Entrepreneurial Management. Before joining the Company, she worked as a Compensation and Benefits employee at Plaza Fair, Inc.

**Candy H. Dacanay-Datuon, Filipino, 45 years old**

Atty. Dacanay has served as Assistant Corporate Secretary and Compliance Officer of the Company since 2012. She started her legal career as Associate Counsel of the Company from 2004 to 2011. She became the Company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012. Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. and The Keepers Holdings, Inc. (both PSE-listed companies), Corporate Secretary of Kareila Management Corporation (S&R warehouse), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *Cum Laude*. She finished her Bachelor of Laws from the University of Santo Tomas in 2003 and was admitted to the Philippine Bar in 2004. Atty. Dacanay completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy", in 2020.

**Edgar T. Tacorda, Filipino, 47 years old**

Mr. Tacorda is the Company's Internal Auditor. He started as Auditor Staff in 2007 and became Senior Audit Manager in 2017. He graduated from Catanduanes State Colleges with a degree of Bachelor of Science major in Accountancy in 1998. He is a Certified Public Accountant.

**Antonio E. Delos Santos, Filipino, 51 years old**

Mr. Delos Santos is one of the Vice-Presidents for Operations of the Company. He joined the Company in 2012. He used to be the National Sales Manager of Colgate Palmolive Philippines Inc. from 2005 to 2012. He graduated from the Ateneo De Manila University with a Bachelor of Arts in Economics degree in 1993.

**Joseph U. Sy, Filipino, 60 years old**

Mr. Sy is one of the Vice-Presidents for Operations of the Company. He is one of the pioneer employees in the Company. He was the first store manager in the Company's first branch in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big store of Puregold in Metro Manila and the operation of three Mercado stores. He graduated from the Philippine School of Business Administration with a Bachelor of Science degree, major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

**Renato T. Bechayda, Filipino, 56 years old**

Mr. Bechayda is one of the Vice-Presidents for Operations of the Company. He started in the Company as Store Manager in 1999 and was promoted to Regional Manager in 2013, and Vice-President for Operations in 2022. He graduated from International Electronics and Technical Institute with a Bachelor of Science degree, major in Computer Management, in 1992.

**Denise Maria D. Carolino, Filipino, 60 years old**

Ms. Carolino is the Company's Vice-President for Administration. She is one of the pioneer employees of the Company. She is a graduate of the University of Santo Tomas with a degree of Bachelor of Science major in Architecture in 1985. She took credits and will pursue her Leadership Management Development Program at the Ateneo De Manila University.

**Elvira D. Gutierrez, Filipino, 53 years old**

Ms. Gutierrez is the Company's Vice-President for Human Resources. She started in the Company as Human Resource Manager in 2003 and became a Senior Human Resource Manager in 2011. She attended seminars in Company Policy on Employee Behavior, Discipline and Dismissal in 2019, Businessmen's Strategy in Coping with DO-174 in 2017, and Level Up Leadership, Developing the Self and Leading Others in 2016. She graduated from the College of the Holy Spirit with a degree of Bachelor of Arts in Psychology, in 1991.

**Maricel R. Cambe, Filipino, 50 years old**

Ms. Cambe is the Senior Finance Manager of the Company. She joined the Company in 2019. She used to be working as an accountant at Liquigaz Philippines Corporation from 2008 to 2019. She is a graduate of Canossa College, San Pablo City, with a degree of Bachelor of Science major in Accounting.

**Kenneth N. Tiu, Filipino, 48 years old**

Mr. Tiu has been the Company's Financial Control Manager since 2005. He was a graduate of Dela Salle University with a Bachelor of Science in Mathematics, major in Actuarial Science degree in 1995.

**Anthony G. Sy, Filipino, 63 years old**

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

**Gisela R. Altura, Filipino, 53 years old**

Ms. Altura is the Finance Director of Kareila Management Corporation. She joined the Company in 2007. She graduated with honors, *Cum Laude*, from the Polytechnic University of the Philippines with a Bachelor of Science major in Accountancy degree in 1990. Ms. Altura is a Certified Public Accountant.

**Significant Employees**

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

**Family Relationships**

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

**Involvement in Certain Legal Proceedings**

As of December 31, 2023, and for the past five years, the Company has no director, executive officer, or principal officer who has been involved in any bankruptcy case nor convicted by final judgment of any criminal proceeding, domestic or foreign, or the subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities or found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the 2023 Consolidated Audited Financial Statements of the Company attached as Annex "G".

Since the last annual meeting of security holders, no director has resigned or declined to stand for re-election to the board of directors because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

**Item 6. Compensation of Directors and Executive Officers**

The Company pays its employees a fixed monthly compensation, subject to periodic performance reviews. The board members receive per diem allowances of P100,000.00 per board meeting and P20,000.00 per committee meeting.

The total annual compensation of the President and the four most highly compensated officers amounted to P17,075,532 in 2022 and P32,921,667 in 2023. Please see the table below:

**(A) Summary Compensation Table**

<b>Name and Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Susan P. Co (Chairman)				
Lucio L. Co				
Ferdinand Vincent P. Co (President)				
Antonio E. Delos Santos (Vice-President)				
Jenny L. Jacintos (Senior Merchandising Manager)				
Aggregate compensation of the President and the four most highly compensated officers	2022	17,075,532	-	-
	2023	32,921,667	-	-
	2024 Projected	33,406,584	-	-
Aggregate compensation paid to all other officers and managers	2022	162,355,052	-	-
	2023	180,541,097	-	-
	2024 Projected	198,595,207	-	-

**(B) Standard Arrangements**

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

**(C) Other Arrangements**

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

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

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

**(E) Warrants and Options**

None.

**Item 7. Independent Public Accountants**

(a) The Company’s External Auditor for 2023:

Mr. Dindo Marco M. Dioso

Handling Audit Partner since 2018  
CPA License No. 0095177  
SEC Accreditation No. 95177-SEC (Group A) valid until 2023.  
Tax Identification No. 912-365-765  
R.G. Manabat & Co.  
The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines  
+63 (2) 885 7000

(b) The Board recommends the same independent external auditor for 2024, upon the favorable recommendation of the Audit Committee.

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

(d) The independent accountant who was previously engaged as the principal accountant to audit the Company's financial statements has not resigned, and there was no indication that he declined to stand for re-election after the completion of the current audit. Neither was he dismissed by the Company.

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

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

Puregold and Subsidiaries	2022	2023
	P7,151,431.00 Audit Fee	P6,570,000.00 Audit Fee

The amount of P6,570,000.00 is being proposed to the stockholders as an independent accountant fee for the Company and its subsidiaries in 2024.

In 2023, the Company's subsidiary, Kareila Management Corporation, engaged the services of R.G. Manabat (KPMG) for non-audit services for a total fee of P6,100,000.00.

The Company did not engage the services of R.G. Manabat (KPMG) in any other services in 2022 and 2023, except as mentioned above.

## **Item 8. Compensation Plans**

No action is to be taken regarding any plan under which cash or non-cash compensation may be paid or distributed during the meeting.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

#### **Item 10. Modification or Exchange of Securities**

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

#### **Item 11. Financial and Other Information**

Please refer to the Management Discussion and Analysis of Financial Position and Result of Operation attached as **Annex "C"** and the 2023 Consolidated Audited Financial Statements of the Company attached as **Annex "D"**.

#### **Item 12. Mergers, Consolidations, Acquisitions, and Similar Matter**

No action involving mergers, consolidations, acquisitions, or similar transactions of the Company is to be taken during the meeting.

#### **Item 13. Acquisition or Disposition of Property**

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

#### **Item 14. Restatement of Accounts**

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

### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

- (a) Minutes of the 2023 Annual Stockholders' Meeting, including the President's Report. (**Annex "H"**)
- (b) Annual Report including the 2023 Consolidated Audited Financial Statements

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken concerning any matter that is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Charter, Bylaws, or Other Documents**

No action is to be taken regarding the amendment of the charter, bylaws, or any other documents.

## Item 18. Other Proposed Action

- (a) Ratification of all the acts and resolutions of the board of directors and management from the date of the previous stockholders' meeting. The summary of material matters approved by the Board of Directors in 2023 is as follows:

Date of Board Meeting	Items Approved by the Board of Directors
March 28, 2023	2022 Consolidated Audited Financial Statements
April 4, 2023	2023 Annual Stockholders' Meeting and the nominees for the election of directors
May 9, 2023	First Quarter Consolidated Financial Report for 2023; Result of 2023 Annual Stockholders' Meeting (Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2022; Approval of 2022 Annual Report and Audited Financial Statements; Re-Appointment of RG Manabat & Company as External Auditor of the Company and subsidiaries with up to 7.1 million fees; Election of Mr. Lucio L. Co, Ms. Susan P. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, Mr. Leonardo B. Dayao, and Mr. Jack Huang as Regular Directors and the Election of Mr. Jaime S. Dela Rosa, Mr. Gil B. Genio, and Mr. Emmanuel G. Herbosa as Independent Directors.)  Result of Organizational Meeting and Appointment of Committee Memberships:  Election of Officers: Chairman: Ms. Susan P. Co President: Mr. Ferdinand Vincent P. Co Treasurer: Ms. Grace E. Sy Finance Managers: Ms. Maricel Cambe & Mr. Kenneth N. Tiu Corporate Secretary: Ms. Baby Gerlie I. Sacro Assistant Corporate Secretary, Data Privacy Officer & Compliance Officer: Ms. Candy H. Dacanay Lead Independent Director: Mr. Jaime S. Dela Rosa Investor Relations Officer: Mr. Victor John G. Dizon Sustainability Officer: Mr. John Marson T. Hao  Election of Committee Members: <u>Executive Committee</u> Chairman: Ms. Susan P. Co Members: Mr. Lucio L. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, Mr. Leonardo B. Dayao <u>Audit Committee</u> Chairman: Mr. Jaime S. Dela Rosa (Independent Director) Members: Mr. Gil B. Genio (Independent Director), Mr. Emmanuel G. Herbosa (Independent Director), Mr. Leonardo B. Dayao, Ms. Pamela Justine P. Co <u>Corporate Governance Committee</u> Chairman: Mr. Emmanuel G. Herbosa (Independent Director) Members: Mr. Jaime S. Dela Rosa (Independent Director), Mr. Gil B. Genio (Independent Director), Mr. Leonardo B. Dayao, Ms. Pamela Justine P. Co.
June 20, 2023	Acquisition of 14 DiviMart Supermarkets, including its leasehold improvements, furniture, fixtures, equipment, and merchandise inventory, from Mr. Harry Uy and Ms. Vivian Ong Juanitas.
July 24, 2023	Second Quarter Consolidated Financial Report for 2023;

<p>October 23, 2023 December 11, 2023</p>	<p>Appointment of the following Officers: Ms. Maricel Cambe as Vice-President for Financial Accounting, Mr. Kenneth Tiu as Vice-President for Accounts Payable, and Ms. Emelda Bechayda as Vice-President for Treasury.</p> <p>Third Quarter Consolidated Financial Report.</p> <p>Regular Cash Dividend Declaration of P0.97 per share;</p> <p>Renewal of the Company's Buy-Back Program of 5 Billion Pesos for the next twelve (12) months or for the year 2024.</p>
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(b) Election of regular and independent directors.

On April 4, 2024, the Board of Directors, on the recommendation of the Corporate Governance Committee, approved the nomination of the following nominees for regular and independent directors. These nominations were endorsed to the stockholders for election.

<u>Regular Directors:</u>	<u>Independent Directors:</u>
Mr. Lucio L. Co	Mr. Jaime S. Dela Rosa
Ms. Susan P. Co	Mr. Gil B. Genio
Mr. Ferdinand Vincent P. Co	Mr. Emmanuel G. Herbosa
Ms. Pamela Justine P. Co	
Mr. Leonardo B. Dayao	
Mr. Jack E. Huang	

(c) Re-appointment of an external auditor and fixing its audit service fees.

R.G. Manabat & Company for Puregold and Kareila	<p>2024 Up to P6,570,000.00</p>
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## Item 19. Voting Procedures

(a) All actions submitted to the stockholders' vote shall be approved by the affirmative vote of at least the majority of the shares present or represented in the meeting.

(b) The stockholders may cast their votes by sending proxies, or *in absentia* by any means of remote communication. Please refer to **Annex "A"**- Guidelines for participating in the 2024 Annual Stockholders Meeting" and **Annex "B"** – Voting Form. The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date.

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

All votes of the stockholders must be submitted by email to [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph) on or before May 7, 2024.

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

## PART II: OPERATIONAL AND FINANCIAL INFORMATION

### Market for Issuer's Common and Related Stockholder Matters

#### (A) Shares of Stock

The Company's common stock trades on the Philippine Stock Exchange under "PGOLD." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in 2023 are stated below:

Period	2021		2022		2023	
	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	41.05	34.20	39.35	31.80	36.20	31.80
2 <sup>nd</sup> Quarter	40.90	31.65	37.75	30.10	33.40	30.10
3 <sup>rd</sup> Quarter	44.50	37.90	36.00	28.25	30.00	28.25
4 <sup>th</sup> Quarter	44.50	36.35	35.50	26.70	29.75	26.70

As of March 31, 2024, the company's share is trading at P26.80.

#### (B) Stockholders

As of March 31, 2024, the Company has 41 stockholders on record, 2,904,214,086 issued shares, 2,880,137,615 outstanding capital stock, and 24,076,471 treasury shares.

The Company's top 20 stockholders as of March 31, 2024:

	Number of Shares	% to the Outstanding Shares
COSCO CAPITAL, INC.	1,410,867,188	48.580
PCD NOMINEE CORP. (NON-FILIPINO)	525,813,149	18.105
PCD NOMINEE CORP. (FILIPINO)	476,013,733	16.390
LUCIO L. CO	211,088,022	7.268
SUSAN P. CO	178,242,585	6.137
FERDINAND VINCENT P. CO	26,709,460	0.920
PAMELA JUSTINE P. CO	26,709,460	0.920
ENTENSO EQUITIES, INC.	14,551,209	0.501
CAMILLE CLARISSE P. CO	8,155,288	0.281
KATRINA MARIE CO	1,000,000	0.034
LEONARDO B. DAYAO &/OR MARCOSA B. DAYAO	739,925	0.025
KATRINA MARIE P. CO-GO	200,000	0.007
EDWIN U. LIM	25,000	0.001
ELVIRA M. CRUZ AND/OR BERNARDO A. CRUZ	8,000	0.000
MARY ROSE M. ONG	3,000	0.000
HENRY C. ONG ITF ENRICO LUIS M. ONG	2,000	0.000
REGINA CAPITAL DEV. CORP. 000351	2,000	0.000
PACIFICO B. TACUB	1,600	0.000
ANTONIO B. RAMOS	1,000	0.000
THERESITA O. TAN	1,000	0.000

## Compliance with Section 49 of the Revised Corporation Code

The Company held seven board meetings in 2023. The record of attendance of the directors is as follows:

	<b>No. of Board Meetings Held/Attended</b>	<b>No. of Executive Committee Meetings Held/Attended</b>	<b>No. of Audit Committee Meetings Held/Attended</b>	<b>No. of Corporate Governance Committee Meetings Held/Attended</b>	<b>Total</b>
Susan P. Co	7/7	12/12	Not Member	1/1	100%
Lucio L. Co	7/7	12/12	Not Member	Not Member	100%
Ferdinand Vincent P. Co	7/7	12/12	Not Member		
Leonardo B. Dayao	7/7	12/12	4/4	1/1	100%
Pamela Justine P. Co	7/7	12/12	4/4	Not Member	100%
Jack E. Huang	7/7	Not Member	Not Member	Not Member	100%
Jaime S. Dela Rosa (ID)	7/7	Not Member	4/4	Not Member	60%
Emmanuel G. Herbosa (ID)	7/7	Not Member	4/4	1/1	100%
Gil B. Genio (ID)	7/7	Not Member	4/4	1/1	80%

<b>Item</b>	<b>Status of Compliance</b>
Description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given	Please refer to the Minutes of the previous Stockholders meeting dated May 9, 2023, which may be viewed/downloaded on the company website, <a href="http://www.puregold.com.ph">www.puregold.com.ph</a> , a copy of which is hereto attached as Annex "H".
A record of the voting results for each agenda item	Please refer to the Minutes of the previous Stockholders meeting and Results of Annual Stockholders Meeting dated May 9, 2023, which may be viewed/downloaded on the company website, <a href="http://www.puregold.com.ph">www.puregold.com.ph</a> a copy of which is hereto attached as Annex "H".
List of directors, officers and stockholders who attended the meeting	Please refer to the Minutes of the previous Stockholders meeting and Results of Annual Stockholders Meeting dated May 9, 2023, which may be viewed/downloaded on the company website, <a href="http://www.puregold.com.ph">www.puregold.com.ph</a> , a copy of which is hereto attached as Annex "H".
List of material information on the current stockholders	Please refer to page 20 of the Information Statement.
Directors qualifications – training and continuing education attended not included in the disclosure	Except for the years 2020 and 2021, the directors and officers of the Company attend an annual Corporate Governance training. The last Corporate Governance seminar they attended was on June 13, 2023.
Directors Attendance Report	The Board of Directors held seven meetings in 2023. All directors were present in those meetings.  The Audit Committee held four meetings in 2023. All members of the Committee attended those meetings.  The Corporate Governance Committee held one online meeting in 2023. All members of the Committee attended those meetings.

Assessment of board performance	The company aims to improve its good Corporate Governance practices including adopting an evaluation system for individual directors and as a group.
Directors' compensation in aggregate	Please refer to pages 13 to 14 of this Information Statement.
Disclosures on self-dealings and related party transactions	Please refer to the attached 2023 Consolidated Audited Financial Statements hereto attached as Annex "D".

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information in this report is true, complete and correct. This report is signed in Manila, Philippines, on April 18, 2024.

**PUREGOLD PRICE CLUB, INC.**

By:

**CANDY H. DACANAY – DATUON**  
Assistant Corporate Secretary

**GUIDELINES FOR PARTICIPATING IN THE 2024 ANNUAL STOCKHOLDERS' MEETING OF PUREGOLD PRICE CLUB, INC. VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA***

The 2024 Annual Stockholders' Meeting ("**ASM**") of Puregold Price Club, Inc. (the "**Company**") will be held on May 14, 2024, at 10 am, via online meeting.

**Registration**

Stockholders must notify the Assistant Corporate Secretary of their intention to participate in the ASM via remote communication and vote in absentia by no later than May 7, 2024, by sending an email to [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph) and by submitting the following supporting documents/information:

- ***Individual Stockholders***
  1. Copy of valid government ID of stockholder/proxy
  2. Stock certificate number/s
  3. If appointing a proxy, a copy of the proxy form duly signed by the stockholder (need *not* be notarized)
  4. Email address and contact number of stockholder or proxy
  
- ***Multiple Stockholders or joint owners***
  1. Stock certificate number/s
  2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
  3. Copy of valid government IDs of all registered stockholders
  4. Email-address and contact number of the authorized representative
  
- ***Corporate Stockholders***
  1. Secretary's Certification of Board resolution appointing and authorizing a proxy to participate in the ASM
  2. Valid government ID of the authorized representative
  3. Stock certificate number/s
  4. Email-address and contact number of the authorized representative
  
- ***Stockholders with Shares under Broker's Account***
  1. Certification from the broker as to the number of shares owned by the stockholder
  2. Valid government ID of stockholder
  3. If appointing a proxy, a copy of the proxy form duly signed by the stockholder (*need not be notarized*)
  4. Email address and contact number of stockholder or proxy

**Online Voting and Meeting**

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their login passwords to join the online meeting. There will be video recordings of the ASM, which a stockholder on record may avail upon request.

The stockholders can then cast their votes following these simple steps:

1. Visit our company website [www.puregold.com.ph](http://www.puregold.com.ph).
2. Look for the “Casting Votes in the 2024 Stockholders’ Meeting” button.
3. Fill up the Voting Forms.
4. Submit your vote by clicking the “Submit” button.
5. For our verification, email the required documents under the “registration” portion at [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph)
6. After our verification, you will receive an email confirmation regarding your votes from the Company.

### **Open Forum**

There will be an Open Forum during the meeting, where representatives of the Company may answer as many questions as time allows. However, a stockholder may send their questions in advance by emailing them to [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph) on or before May 7, 2024. The Company’s Investor Relations Officer will answer questions received but not answered during the ASM by email.

*If you have any questions or concerns, please contact the office of the Assistant Corporate Secretary at 09178612459 or via email at [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph).*

**PUREGOLD PRICE CLUB, INC.**

Annual Stockholders Meeting

May 14, 2024, [www.puregold.com.ph](http://www.puregold.com.ph)

**Vote by Ballot** – casting votes following the instructions in the table below.

**Vote by Proxy** – appointing the Chairman of the meeting to represent and cast votes following the instructions in the table below.

	Agenda Item	FOR	AGAINST	ABSTAIN
1	Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2023			
2	Approval of 2023 Annual Report and Consolidated Audited Financial Statements			
3	Re-appointment of R.G. Manabat & Company as External Auditor of the Company and subsidiaries with up to P6.5 million remuneration			
	Election of Regular and Independent Directors			
4	Mr. Lucio L. Co			
4.1	Ms. Susan P. Co			
4.2	Mr. Ferdinand Vincent P. Co			
4.3	Ms. Pamela Justine P. Co			
4.4	Mr. Leonardo B. Dayao			
4.5	Mr. Jack E. Huang			
4.6	Mr. Jaime S. Dela Rosa, <i>Independent Director</i>			
4.7	Mr. Gil B. Genio, <i>Independent Director</i>			
4.8	Mr. Emmanuel G. Herbosa, <i>Independent Director</i>			

Name of Stockholder \_\_\_\_\_

Number of Shares \_\_\_\_\_

Signature of Stockholder / Authorized Signatory \_\_\_\_\_

1. For corporate shareholders, this form must be accompanied by a corresponding secretary's certificate confirming the appointment of the Proxy or the designated representative and the votes cast.

2. Where no specific authority is indicated, the vote shall be deemed for the approval of all the corporate matters listed above and for all the nominated directors named therein.

3. This form should be sent by e-mail to [corporate.governance@puregold.com.ph](mailto:corporate.governance@puregold.com.ph) on or before May 6, 2024. The company's stock transfer agent will validate the votes on May 7, 2024, at 3:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the auditors' reports and the Group's 2023 audited consolidated financial statements and notes attached herewith as Annex "B".

### Key Performance Indicators

The key performance indicators of the Group as at and for the last three (3) years ended December 31 are as follows:

	2023	2022	2021
Current Ratio <sup>(1)</sup>	<b>2.74:1</b>	2.64:1	3.84:1
Asset to Equity Ratio <sup>(2)</sup>	<b>1.94:1</b>	1.98:1	1.85:1
Debt to Equity Ratio <sup>(3)</sup>	<b>0.94:1</b>	0.98:1	0.85:1
Debt to Total Assets <sup>(4)</sup>	<b>0.49:1</b>	0.50:1	0.46:1
Book Value per Share <sup>(5)</sup>	<b>P30.84</b>	P28.84	P26.31
	<b>2023</b>	2022	2021
Earnings per Share <sup>(6)</sup>	<b>P3.00</b>	P3.24	P2.85
Price Earnings Ratio <sup>(7)</sup>	<b>8.97x</b>	10.77x	13.78x
Return on Assets <sup>(8)</sup>	<b>5.1%</b>	6.1%	6.0%
Return on Equity <sup>(9)</sup>	<b>10.1%</b>	11.7%	11.4%

- (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) Net income after tax over Weighted Average Common Shares Outstanding
- (7) Market Value per Share over Earnings per Share
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Total Equity

### Results of Operations:

For the year ended December 31, 2023, the Group earned a consolidated net income of P8,596 million at 4.3% net margin and a decrease of 7.4% from P9,287 million at 5.0% net margin in 2022.

The Group's financial performance is presented below for the last three (3) comparative years ended December 31:

<i>(In millions)</i>	2023			2022			2021		
		% to Sales	% Change		% to Sales	% Change		% to Sales	
<b>Net Sales</b>	<b>P199,032</b>	<b>100.0%</b>	<b>8.0%</b>	P184,303	100.0%	12.3%	P164,125	100.0%	
Cost of Sales	<b>163,618</b>	<b>82.2%</b>	<b>8.7%</b>	150,483	81.6%	12.3%	134,042	81.7%	
<b>Gross Profit</b>	<b>35,414</b>	<b>17.8%</b>	<b>4.7%</b>	33,820	18.4%	12.4%	30,083	18.3%	
Other Operating Income	<b>3,275</b>	<b>1.6%</b>	<b>2.9%</b>	3,184	1.7%	-0.8%	3,210	2.0%	
<b>Gross Income</b>	<b>38,689</b>	<b>19.4%</b>	<b>4.6%</b>	37,003	20.1%	11.1%	33,293	20.3%	
Operating Expenses	<b>25,337</b>	<b>12.7%</b>	<b>12.5%</b>	22,522	12.2%	10.7%	20,350	12.4%	
<b>Operating Income</b>	<b>13,353</b>	<b>6.7%</b>	<b>-7.8%</b>	14,481	7.9%	11.9%	12,942	7.9%	
Other income(expenses)	<b>(2,139)</b>	<b>-1.1%</b>	<b>-5.2%</b>	(2,257)	-1.2%	-1.5%	(2,290)	-1.4%	
<b>Net Income before tax</b>	<b>11,213</b>	<b>5.6%</b>	<b>-8.3%</b>	12,225	6.6%	14.8%	10,652	6.5%	
Income tax expense	<b>2,618</b>	<b>1.3%</b>	<b>-10.9%</b>	2,937	1.6%	18.8%	2,472	1.5%	
<b>Net Income after tax</b>	<b>P8,596</b>	<b>4.3%</b>	<b>-7.4%</b>	P9,287	5.0%	13.5%	P8,180	5.0%	

## Comparative years 2023 and 2022

### Net Sales

For the year ended December 31, 2023, the Group posted a consolidated net sales of P199,032 million for an increase of P14,729 million or 8.0% compared to P184,303 million in 2022. Net sales grew due to sales contribution from full operation of 2022 new stores (24 PGOLD stores) and revenue contribution from 2023 newly opened stores (37 PGOLD stores and 4 S&R warehouses) of both Puregold and S&R.

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

	PGOLD	S&R
Net Sales <sup>(a)</sup>	<b>3.4%</b>	<b>0.6%</b>
Net Ticket <sup>(b)</sup>	<b>-1.0%</b>	<b>-3.2%</b>
Traffic <sup>(c)</sup>	<b>4.4%</b>	<b>4.0%</b>

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 year ended December 31, 2023, the Group realized an increase of 4.7% in consolidated gross profit from P33,820 million in 2022 at 18.4% margin to P35,414 million at

17.8% margin in 2022, driven by strong and continuing suppliers' support through trade discounts in the form of rebates and conditional discounts granted during the year. Current year margin is slightly lower compared to prior year, primarily due to the aggressive store expansion and slight gross margin compression to remain competitive and grow market share.

### **Other Operating Income**

Other operating income slightly increased by P91 million or 2.9% from P3,184 million in 2022 to P3,275 million in 2023. This is attributable to increase in membership and other miscellaneous income during the year.

### **Operating Expenses**

Operating expenses increased by P2,815 million or 12.5% from P22,522 million in December 31, 2022 to P25,337 million in 2023. Increase in the account is primarily due to full operation of 2022 new stores and expenses from the 2023 newly opened stores. In 2023, the Parent Company adopted the Group's multi-employer retirement plan resulting to a significant increase in retirement expense.

### **Other Expense - net**

Other expenses net of other income amounted to P2,139 million and P2,257 million in December 31, 2023 and 2022, respectively. This includes interest on bank loans and accretion of interest on leased assets in compliance with PFRS 16 – Leases, and net of interest income. Decrease in the account was primarily due to increase on interest income from short term investments during the year.

### **Net Income**

For the year ended December 31, 2023, the Group earned a consolidated net income of P8,596 million at 4.3% net margin and a decrease of 7.4% from P9,287 million at 5.0% net margin in 2022.

## **Comparative years 2022 and 2021**

### **Net Sales**

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

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

	<b>PGOLD</b>	<b>S&amp;R</b>
Net Sales <sup>(a)</sup>	<b>4.5%</b>	<b>11.2%</b>
Net Ticket <sup>(b)</sup>	<b>-4.3%</b>	<b>7.9%</b>
Traffic <sup>(c)</sup>	<b>9.2%</b>	<b>3.1%</b>

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

## **Other Operating Income**

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

## **Operating Expenses**

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

## **Other Expense - net**

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

## **Net Income**

For the year ended December 31, 2022, the Group earned a consolidated net income of P9,287 million at 5.0% net margin and an increase of 13.5% from P8,180 million at 5.0% net margin in 2021. This was principally driven by the continuous organic expansion of the

Group's grocery retail outlets, management effort to improve gross margins and sustained strategic cost and expense management.

## Financial Position

The Group's consolidated financial position as at December 31, 2023, 2022 and 2021 are presented below:

<i>(In millions)</i>	2023			2022			2021	
		% to Total Assets	% Change		% to Total Assets	% Change		% to Total Assets
Cash & Cash Equivalents	<b>P41,985</b>	24.4%	6.7%	P39,345	24.0%	-4.8%	P41,312	29.6%
Receivables – net	<b>4,669</b>	2.7%	32.3%	3,529	2.2%	61.9%	2,179	1.6%
Merchandise inventory	<b>27,309</b>	15.9%	-3.2%	28,215	17.2%	30.9%	21,559	15.5%
Investments in trading securities	<b>4,626</b>	2.7%	7.6%	4,299	2.6%	13892.7%	31	0.0%
Prepaid expenses and other current assets	<b>602</b>	0.4%	-83.3%	3,610	2.2%	324.3%	851	0.6%
<b>Total Current Assets</b>	<b>79,192</b>	46.1%	0.2%	78,998	48.2%	19.8%	65,931	47.3%
Investments in associate and joint ventures	<b>523</b>	0.3%	-21.0%	662	0.4%	4.0%	637	0.5%
Property and equipment- net	<b>35,478</b>	20.7%	17.3%	30,235	18.5%	31.1%	23,070	16.5%
Intangibles and goodwill	<b>19,727</b>	11.5%	0.2%	19,690	12.0%	-0.1%	19,703	14.1%
Right-of-use assets – net	<b>31,676</b>	18.4%	5.8%	29,950	18.3%	14.2%	26,217	18.8%
Deferred tax assets – net	<b>2,016</b>	1.2%	33.1%	1,515	0.9%	13.5%	1,334	1.0%
Other noncurrent assets	<b>3,109</b>	1.8%	13.1%	2,748	1.7%	8.1%	2,543	1.8%
<b>Total Noncurrent Assets</b>	<b>92,529</b>	53.9%	9.1%	84,799	51.8%	15.4%	73,503	52.7%
	<b>P171,721</b>	100.0%	4.8%	P163,798	100.0%	17.5%	P139,434	100.0%
Accounts payable and accrued expenses	<b>P25,547</b>	14.9%	-4.7%	P26,793	16.4%	85.8%	P14,423	10.3%
Short-term loans payable	-	0.0%	0.0%	-	0.0%	0.0%	-	0.0%
Income tax payable	<b>859</b>	0.5%	-0.8%	866	0.5%	1.5%	854	0.6%
Due to related parties	<b>53</b>	0.0%	7.6%	49	0.0%	7.9%	46	0.0%
Current maturities of long - term loans, net of debt issue costs	<b>120</b>	0.1%	0.0%	120	0.1%	0.0%	120	0.1%
Lease liabilities due within one year	<b>1,272</b>	0.7%	-3.9%	1,323	0.8%	21.2%	1,092	0.8%
Other current liabilities	<b>1,016</b>	0.6%	40.0%	726	0.4%	11.6%	651	0.5%
<b>Total Current Liabilities</b>	<b>28,867</b>	16.8%	-3.4%	29,877	18.2%	73.9%	17,185	12.3%
Long-term loans - net of current maturities and debt issue costs	<b>11,441</b>	6.7%	-0.9%	11,546	7.0%	-0.9%	11,650	8.4%
Lease liabilities	<b>40,454</b>	23.6%	6.7%	37,897	23.1%	12.0%	33,827	24.3%
Other noncurrent liabilities	<b>2,588</b>	1.5%	41.2%	1,833	1.1%	41.5%	1,295	0.9%
<b>Total Noncurrent Liabilities</b>	<b>54,483</b>	31.7%	6.3%	51,276	31.3%	9.6%	46,773	33.5%
<b>Total Liabilities</b>	<b>83,351</b>	48.5%	2.7%	81,153	49.5%	26.9%	63,958	45.9%
Capital stock	<b>2,904</b>	1.7%	0.0%	2,904	1.8%	0.0%	2,904	2.1%
Additional paid in capital	<b>25,374</b>	14.8%	0.0%	25,374	15.5%	0.0%	25,362	18.2%
Remeasurements of retirement liability - net of tax	<b>491</b>	0.3%	-15.6%	582	0.4%	284.8%	151	0.1%
Treasury stock, at cost	<b>(210)</b>	-0.1%	0.0%	(210)	-0.1%	86.2%	(113)	-0.1%
Retained earnings	<b>59,810</b>	34.8%	10.8%	53,994	33.0%	14.5%	47,171	33.8%
<b>Total Equity</b>	<b>88,370</b>	51.5%	6.9%	82,645	50.5%	9.5%	75,476	54.1%
	<b>P171,721</b>	100.0%	4.8%	P163,798	100.0%	17.5%	P139,434	100.0%

## **Comparative Years 2023 and 2022**

### **Current Assets**

As at December 31, 2023 and 2022, total current assets amounted to P79,192 million or 46.1% of total assets and P78,998 million or 48.2% of total assets, respectively, for an increase of P194 million or 0.2% as at December 31, 2023.

Cash and cash equivalents as at December 31, 2023 amounted to P41,985 million or 24.4% of total assets and increased by P2,640 million or 6.7% compared to previous year-end balance. Increase in the Group's cash position was attributable mainly to increase in cash generated from operations during the year, net of settlement of trade and non-trade payables, payment for cash dividend, investment on government securities and capital expenditures for 2023 new organic stores.

Receivables amounted to P4,669 million and P3,529 million as at December 31, 2023 and 2022 or 2.7% and 2.2% of total assets, respectively. The increase was due to increase in sales during the year.

Merchandise inventory amounted to P27,309 million or 15.9% of total assets at the end of 2023 and P28,215 million or 17.2% of total assets in 2022.

Investments in trading securities amounted to P4,626 million and P4,299 million as at December 31, 2023 and 2022, respectively. The increase was due to purchase of government bonds and net of disposals during the year.

Prepaid expenses and other current assets amounted to P602 million and P3,610 million as at December 31, 2023 and 2022, respectively. The decrease was mainly due to full application during the year of advance payment made to suppliers in prior year.

### **Noncurrent Assets**

As at December 31, 2023 and 2022, total noncurrent assets amounted to P92,529 million or 53.9% of total assets and P84,799 million or 51.8% of total assets, respectively, for an increase of P7,729 million or 9.1% as at December 31, 2023.

Investments in associate and joint ventures amounted to P523 million and P662 million as at December 31, 2023 and 2022, respectively.

Net book values of property and equipment increased by P5,243 million or 17.3% from P30,235 million in December 2022 to P35,478 million in December 2023. The increase was mainly due to additions made during the year intended for newly established/operating stores.

Right-of-use asset amounted to P31,676 million or 18.4% of total assets and P29,950 million or 18.3% of total assets as at December 31, 2023 and 2022, respectively. The increase was mainly due to new lease contracts for newly opened stores..

Deferred tax assets – net amounted to P2,016 million or 1.2% of total assets and P1,515 million or 0.9% of total assets as at December 31, 2023 and 2022, respectively, for an increase of 33.1% or P501 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles and goodwill amounted to P19,727 million as at December 31, 2023 and P19,690 million as at December 31, 2022.

Other noncurrent assets amounted P3,109 million as at December 31, 2023 and P2,748 million as at December 31, 2022.

### **Current Liabilities**

As at December 31, 2023 and 2022, total current liabilities amounted to P28,867 million or 16.8% of total assets and P29,877 million or 18.2% of total assets, respectively, for a decrease of P1,010 million or 3.4% as at December 31, 2023.

Accounts payable and accrued expenses amounted to P25,547 million and P26,793 million as at December 31, 2023 and 2022, respectively, and decreased by P1,246 million or 4.7% as of December 2023. The decrease was primarily due to settlement of trade and nontrade liabilities.

Income tax payable amounted to P859 million and P866 million as at December 31, 2023 and 2022, respectively.

Due to related parties, representing royalty fees, amounted to P53 million for the year ended December 2023 and P49 million for the year ended December 2022.

Lease liabilities due within one year amounted to P1,272 million and P1,323 million as at December 31, 2023 and 2022, respectively. This pertains to current portion of lease liabilities.

Other current liabilities increased by P291 million or 40.0% from P726 million in December 2022 to P1,016 million in December 2023. The increase was mainly due to recognition of VAT liability for the year ended December 2023.

### **Noncurrent Liabilities**

As at December 31, 2023 and 2022, total noncurrent liabilities amounted to P54,483 million or 31.7% of total assets and P51,276 million or 31.3% of total assets, respectively, for an increase of P3,208 million or 6.3% as at December 31, 2022.

Lease liabilities amounted to P40,454 million or 23.6% of total assets and P37,897 million or 23.1% of total assets as at December 31, 2023 and 2022, respectively, or an increase of P2,557 million or 6.7% due to new stores opened during the year.

Long-term debt – net of current maturities and debt issue costs amounted to P11,441 million and P11,546 million as at December 31, 2023 and 2022, respectively, for a decrease of P105 million. In 2020, the Group issued a P12 billion long-term notes payable to various banks with interest rates ranging from 4.00% to 4.51% and terms of 7 and 10 years.

Other noncurrent liabilities amounted to P2,588 million and P1,833 million as at December 31, 2023 and 2022, respectively. The increase was mainly due to recognition of retirement liability based on the newly adopted multi-employer retirement plan of the Group.

## **Equity**

As at December 31, 2023 and 2022, total equity amounted to P88,370 million and P82,645 million, respectively, for an increase of P5,725 million or 6.9%.

Capital stock amounted to P2,904 million as at December 31, 2023 and 2022.

Additional paid in capital amounted to P25,374 million as at December 31, 2023 and 2022.

Retained earnings amounted to P59,810 million and P53,994 million as at December 31, 2023 and 2022, respectively, or an increase of P5,816 million or 10.8% due to income made during the year, net of dividend declared.

## **Comparative Years 2022 and 2021**

### **Current Assets**

As at December 31, 2022 and 2021, total current assets amounted to P78,998 million or 48.2% of total assets and P65,931 million or 47.3% of total assets, respectively, for an increase of P13,067 million or 19.8% as at December 31, 2022.

Cash and cash equivalents as at December 31, 2022 amounted to P39,345 million or 24.0% of total assets and decreased by P1,966 million or 4.8% compared to previous year-end balance. Decrease in the Group's cash position was attributable mainly to the net settlement of trade and non-trade payables, payment for cash dividend, investment on government securities and capital expenditures for 2022 new organic stores.

Receivables amounted to P3,529 million and P2,179 million as at December 31, 2022 and 2021 or 2.2% and 1.6% of total assets, respectively. The increase was due to increase in sales during the year.

Merchandise inventory amounted to P28,215 million or 17.2% of total assets at the end of 2022 and P21,559 million or 15.5% of total assets in 2021. Total inventory increased by P6,656 million or 30.9% principally due to increase in Puregold and S&R stores stocking requirements for existing and new operating stores.

Investments in trading securities amounted to P4,299 million and P31 million as at December 31, 2022 and 2021, respectively. The increase of P4,269 million was due to purchase of government bonds during the year.

Prepaid expenses and other current assets amounted to P3,610 million and P851 million as at December 31, 2022 and 2021, respectively. The increase was mainly due to advance payment to suppliers and prepayment on tax expenses.

### **Noncurrent Assets**

As at December 31, 2022 and 2021, total noncurrent assets amounted to P84,799 million or 51.8% of total assets and P73,503 million or 52.7% of total assets, respectively, for an increase of P11,296 million or 15.4% as at December 31, 2022.

Investments in associate and joint ventures amounted to P662 million and P637 million as at December 31, 2022 and 2021, respectively.

Net book values of property and equipment increased by P7,166 million or 31.1% from P23,070 million in December 2021 to P30,235 million in December 2022. The increase was mainly due to additions made during the year intended for newly established/operating stores. This also includes the net book value of property and equipment from the acquisition of PSMT amounting to P4.3 billion.

Right-of-use asset amounted to P29,950 million or 18.3% of total assets and P26,217 million or 18.8% of total assets as at December 31, 2022 and 2021, respectively. The increase was mainly due to new lease contracts for newly opened stores as well as the acquired assets from the acquisition of PSMT.

Deferred tax assets – net amounted to P1,515 million or 0.9% of total assets and P1,334 million or 1.0% of total assets as at December 31, 2022 and 2021, respectively, for an increase of 13.5% or P180 million. The increase was due to recognition of deferred tax in retirement expense and compliance with PFRS 16 – Leases.

Intangibles and goodwill amounted to P19,690 million as at December 31, 2022 and P19,703 million as at December 31, 2021.

Other noncurrent assets amounted P2,748 million as at December 31, 2022 and P2,543 million as at December 31, 2021.

### **Current Liabilities**

As at December 31, 2022 and 2021, total current liabilities amounted to P29,877 million or 18.2% of total assets and P17,185 million or 12.3% of total assets, respectively, for an increase of P12,692 million or 73.9% as at December 31, 2022.

Accounts payable and accrued expenses amounted to P26,793 million and P14,423 million as at December 31, 2022 and 2021, respectively, and increased by P12,370 million or 85.8% as of December 2022. The increase was mainly due to increase in inventory and dividend payable as of December 2022 and consolidation of outstanding payables from the acquisition of PSMT.

Income tax payable amounted to P866 million and P854 million as at December 31, 2022 and 2021, respectively.

Due to related parties, representing royalty fees, amounted to P49 million for the year ended December 2022 and P46 million for the year ended December 2021.

Lease liabilities due within one year amounted to P1,323 million and P1,092 million as at December 31, 2022 and 2021, respectively. This pertains to current portion of lease liabilities.

Other current liabilities increased by P75 million or 11.6% from P651 million in December 2021 to P726 million in December 2022. The increase was mainly due to recognition of deferred income from suppliers intended for future promotional activities.

## **Noncurrent Liabilities**

As at December 31, 2022 and 2021, total noncurrent liabilities amounted to P51,276 million or 31.3% of total assets and P46,773 million or 33.5% of total assets, respectively, for an increase of P4,503 million or 9.6% as at December 31, 2021.

Lease liabilities amounted to P37,897 million or 23.1% of total assets and P33,827 million or 24.3% of total assets as at December 31, 2022 and 2021, respectively, or an increase of P4,070 million or 12.0% due to new stores opened during the year and consolidation of acquired lease contracts from PSMT.

Long-term debt – net of current maturities and debt issue costs amounted to P11,546 million and P11,650 million as at December 31, 2022 and 2021, respectively, for a decrease of P105 million. In 2020, the Group issued a P12 billion long-term notes payable to various banks with interest rates ranging from 4.00% to 4.51% and terms of 7 and 10 years.

Other noncurrent liabilities amounted to P1,833 million and P1,295 million as at December 31, 2022 and 2021, respectively. The increase was due recognition of unpaid noncurrent portion of purchased asset. This was partially offset by the decrease in retirement liabilities due to recognition of gain on changes in financial assumptions recognized under other comprehensive income as of December 2022.

## **Equity**

As at December 31, 2022 and 2021, total equity amounted to P82,645 million and P75,476 million, respectively, for an increase of P7,169 million or 9.5%.

Capital stock amounted to P2,904 million as at December 31, 2022 and 2021.

Additional paid in capital amounted to P25,374 million and P25,362 million as at December 31, 2022 and 2021, respectively.

Retained earnings amounted to P53,994 million and P47,171 million as at December 31, 2022 and 2021, respectively, or an increase of P6,823 million or 14.5% due to income made during the year, net of dividend payments.

## Cash Flows

The following table sets forth the Group's statements of cash flows for the last three (3) years ended December 31:

<i>(In millions)</i>	<b>2023</b>	2022	2021
Net cash provided by operating activities	<b>P18,739</b>	P13,215	P14,996
Net cash used in investing activities	<b>(8,790)</b>	(9,186)	(1,337)
Net cash used in financing activities	<b>(7,309)</b>	(5,996)	(5,072)
Net increase in cash and cash equivalents	<b>P2,640</b>	(P1,967)	P8,587

### *Cash flows from operating activities*

Net cash provided by operating activities amounted to P18,739 million, P13,215 million and P14,996 million for the years ended December 31, 2023, 2022 and 2021, respectively. This was mainly due to increase in operating income driven by aggressive store expansion.

### *Cash flows used in investing activities*

Net cash used in investing activities amounted to P8,790 million, P9,186 million and P1,337 million for the years ended December 31, 2023, 2022 and 2021, respectively. Capital expenditures for acquisitions of equipment, furniture & fixtures, lands, construction of buildings and improvements on leased assets amounted to P7,632 million in 2023 and P5,269 million in 2022.

### *Cash flows from (used in) financing activities*

Net cash used in financing activities amounted to P7,309 million, P5,996 million and P5,072 million for the years ended December 2023, 2022 and 2021, respectively. This pertains to lease payments and dividends paid.

## Capital Expenditures

The table below sets out the Group's capital expenditures in 2023, 2022 and 2021 (note 10 of AFS).

<i>(In millions)</i>	For the years ended December 31,		
	<b>2023</b>	2022	2021
Office and store equipment	<b>P1,028</b>	P692	P841
Furniture and fixtures	<b>362</b>	199	203
Leasehold improvements	<b>1,000</b>	337	843
Building	<b>319</b>	211	130
Land	<b>872</b>	1,442	320
Construction in progress	<b>4,051</b>	2,388	1,345
Total	<b>P7,632</b>	P5,269	P3,682

The Group has historically funded its capital expenditures through internally generated funds derived from operating cash flows augmented by bank loans if and when necessary. The

group's low leverage ratios would enable the parent company to raise additional equity or debt capital fundings from the capital market to finance strategic business acquisition possibilities should the opportunity arise.

### **Financial Risk Management 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 Risk

The Group's financial risk management objectives and policies are discussed in Note 29 of the Group's audited consolidated financial statements.

### **Material Events and Uncertainties**

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

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

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

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

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

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

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



# PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2023, 2022 and 2021**

With Independent Auditors' Report



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Puregold Price Club, Inc. and Subsidiaries (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

SUSAN P. CO  
Chairman

FERDINAND VINCENT P. CO  
President

EMELDA T. BECHAYDA  
VP for Treasury

MARICEL R. CAMBE  
VP for Financial Accounting

APR 15 2024

Signed this \_\_\_th day of \_\_\_\_\_ 2024

APR 15 2024

SUBSCRIBED AND SWORN to before me this day of \_\_\_\_\_ 2024, affiants exhibiting to me their respective TIN as follows

Name	TIN
Susan P. Co	100-053-331
Ferdinand Vincent P. Co	208-381-185
Emelda T. Bechayda	121-551-251
Maricel R. Cambe	184-996-223

Doc No. 321  
Page No. 65  
Book No. 10  
Series of 2024

ATTY. PETER ANTHONY T. MALLARI  
Notary Public until December 31, 2024  
Notarial Commission # 2023-210  
1155 Gen. Luna St., Ermita Manila  
IBP # 317318, Roll # 77587 TIN: 133-031-552  
PTR# 1527774 / 1-02-2024 Mla. 1-3-2024  
MCLE VIII# 0002695



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

### *Opinion*

We have audited the consolidated financial statements of Puregold Price Club, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising a summary of material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until September 20, 2026  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



## *Key Audit Matters*

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

*Valuation of Goodwill and Other Intangibles with Indefinite Lives*  
Refer to Note 12 to the consolidated financial statements.

### *The risk*

The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P19.5 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

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

### *Our response*

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

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.
- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.
- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.
- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

*Revenue Recognition (P201.4 billion)*  
Refer to Note 17 to the consolidated financial statements.

### *The risk*

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



### *Our Response*

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We vouched, on a sample basis, sales transactions to supporting documentation such as the proof of payment or delivery, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as the proof of payment or delivery, to assess whether these transactions are recorded in the correct reporting period.
- We tested journal entries posted in revenue accounts based on high risk criteria, including inspection of the source documentation to assess the validity of the business rationale and substantiation of corroborating evidence.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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



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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

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

**R.G. MANABAT & CO.**

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 10075179

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

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

December 31			
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	<b>P41,985,314,006</b>	P39,345,261,577
Receivables - net	5	<b>4,669,290,509</b>	3,528,534,693
Merchandise inventories	6	<b>27,308,803,049</b>	28,214,691,119
Financial assets at fair value through profit or loss	7	<b>4,626,139,942</b>	4,299,380,312
Prepaid expenses and other current assets	8	<b>602,155,608</b>	3,610,192,152
<b>Total Current Assets</b>		<b>79,191,703,114</b>	78,998,059,853
<b>Noncurrent Assets</b>			
Investment in associate and joint ventures - net	9	<b>523,169,163</b>	661,884,696
Property and equipment - net	10	<b>35,477,805,354</b>	30,235,011,571
Goodwill and other intangibles	12	<b>19,726,802,814</b>	19,690,050,733
Right-of-use assets - net	11	<b>31,676,080,984</b>	29,949,574,410
Deferred tax assets - net	25	<b>2,015,624,231</b>	1,514,818,425
Other noncurrent assets	13, 19	<b>3,109,336,767</b>	2,748,114,642
<b>Total Noncurrent Assets</b>		<b>92,528,819,313</b>	84,799,454,477
		<b>P171,720,522,427</b>	P163,797,514,330
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	14, 23, 29	<b>P25,546,874,423</b>	P26,792,821,120
Lease liabilities due within one year	19	<b>1,271,652,922</b>	1,322,639,880
Income tax payable		<b>859,093,590</b>	866,441,753
Current portion of long-term loans	15	<b>120,000,000</b>	120,000,000
Due to related parties	23	<b>53,269,546</b>	49,497,532
Other current liabilities	16	<b>1,016,466,075</b>	725,857,583
<b>Total Current Liabilities</b>		<b>28,867,356,556</b>	29,877,257,868
<b>Noncurrent Liabilities</b>			
Lease liabilities due beyond one year	19	<b>40,454,144,290</b>	37,897,091,551
Noncurrent portion of long-term loans	15	<b>11,441,128,640</b>	11,545,793,200
Other noncurrent liabilities	24	<b>2,588,011,748</b>	1,832,770,412
<b>Total Noncurrent Liabilities</b>		<b>54,483,284,678</b>	51,275,655,163
<b>Total Liabilities</b>		<b>83,350,641,234</b>	81,152,913,031
<b>Equity</b>			
Capital stock	26	<b>2,904,214,086</b>	2,904,214,086
Additional paid-in capital		<b>25,373,547,130</b>	25,373,547,130
Retirement benefits reserve		<b>491,315,609</b>	581,938,236
Treasury stock		<b>(209,597,201)</b>	(209,597,201)
Retained earnings		<b>59,810,401,569</b>	53,994,499,048
<b>Total Equity</b>		<b>88,369,881,193</b>	82,644,601,299
		<b>P171,720,522,427</b>	P163,797,514,330

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2023	2022	2021
<b>NET SALES</b>	17	<b>P199,031,904,535</b>	P184,302,944,650	P164,124,835,299
<b>COST OF SALES</b>	6, 18	<b>163,617,673,968</b>	150,483,272,460	134,042,067,009
<b>GROSS INCOME</b>		<b>35,414,230,567</b>	33,819,672,190	30,082,768,290
<b>OTHER REVENUE</b>	17, 19, 20	<b>3,275,172,027</b>	3,183,788,425	3,209,751,218
<b>TOTAL GROSS INCOME AND OTHER REVENUE</b>		<b>38,689,402,594</b>	37,003,460,615	33,292,519,508
<b>OPERATING EXPENSES</b>	21	<b>25,336,853,222</b>	22,522,133,140	20,350,317,319
<b>INCOME FROM OPERATIONS</b>		<b>13,352,549,372</b>	14,481,327,475	12,942,202,189
<b>OTHER CHARGES</b>				
Interest expense	15, 19	<b>3,313,825,011</b>	2,907,818,153	2,784,113,290
Interest income	4, 7	<b>(1,302,778,953)</b>	(678,357,411)	(399,200,942)
Share in losses of associate and joint ventures	9	<b>187,325,380</b>	37,163,734	-
Others - net	22	<b>(59,042,494)</b>	(9,827,933)	(94,528,066)
		<b>2,139,328,944</b>	2,256,796,543	2,290,384,282
<b>INCOME BEFORE INCOME TAX</b>		<b>11,213,220,428</b>	12,224,530,932	10,651,817,907
<b>PROVISION FOR INCOME TAX</b>				
Current		<b>3,120,096,350</b>	3,192,461,050	2,649,687,385
Deferred		<b>(502,397,257)</b>	(255,356,976)	(177,891,241)
	25	<b>2,617,699,093</b>	2,937,104,074	2,471,796,144
<b>NET INCOME</b>		<b>8,595,521,335</b>	9,287,426,858	8,180,021,763
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of retirement benefits	24	<b>(120,863,764)</b>	560,492,711	371,012,567
Tax effect		<b>30,241,137</b>	(129,778,755)	(101,154,102)
		<b>(90,622,627)</b>	430,713,956	269,858,465
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P8,504,898,708</b>	P9,718,140,814	P8,449,880,228
Basic and diluted earnings per share	28	<b>P3.00</b>	P3.24	P2.85

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Retirement Benefits Reserve	Treasury Stock	Retained Earnings	Total Equity
Balance at January 1, 2021		P2,904,214,086	P25,361,670,581	(P118,634,185)	(P71,253,489)	P40,425,722,939	P68,501,719,932
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	8,180,021,763	8,180,021,763
Other comprehensive income		-	-	269,858,465	-	-	269,858,465
		-	-	269,858,465	-	8,180,021,763	8,449,880,228
Transactions with Owners of the Parent Company	26						
Treasury shares - at cost		-	-	-	(41,339,729)	-	(41,339,729)
Cash dividends		-	-	-	-	(1,434,268,203)	(1,434,268,203)
		-	-	-	(41,339,729)	(1,434,268,203)	(1,475,607,932)
Balance at December 31, 2021		2,904,214,086	25,361,670,581	151,224,280	(112,593,218)	47,171,476,499	75,475,992,228
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	9,287,426,858	9,287,426,858
Other comprehensive income		-	-	430,713,956	-	-	430,713,956
		-	-	430,713,956	-	9,287,426,858	9,718,140,814
Transaction with Owners of the Parent Company	26						
Treasury shares - at cost		-	-	-	(97,003,983)	-	(97,003,983)
Cash dividends		-	-	-	-	(2,464,404,309)	(2,464,404,309)
		-	-	-	(97,003,983)	(2,464,404,309)	(2,561,408,292)
Other							
Effect of acquisition of a subsidiary	1	-	11,876,549	-	-	-	11,876,549
Balance at December 31, 2022		2,904,214,086	25,373,547,130	581,938,236	(209,597,201)	53,994,499,048	82,644,601,299
Total Comprehensive Income for the Year							
Net income for the year		-	-	-	-	8,595,521,335	8,595,521,335
Other comprehensive income		-	-	(90,622,627)	-	-	(90,622,627)
		-	-	(90,622,627)	-	8,595,521,335	8,504,898,708
Transaction with Owners of the Parent Company	26						
Cash dividends		-	-	-	-	(2,779,618,814)	(2,779,618,814)
<b>Balance at December 31, 2023</b>		<b>P2,904,214,086</b>	<b>P25,373,547,130</b>	<b>P491,315,609</b>	<b>(P209,597,201)</b>	<b>P59,810,401,569</b>	<b>P88,369,881,193</b>

See Notes to the Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P11,213,220,428	P12,224,530,932	P10,651,817,907
Adjustments for:				
Depreciation and amortization	10, 11, 12, 21	5,020,019,254	4,564,410,149	4,633,632,273
Interest expense	15, 19	3,313,825,011	2,907,818,153	2,784,113,290
Retirement benefits cost	21, 24	904,911,727	272,768,815	286,572,205
Interest income	4, 7	(1,302,778,953)	(678,357,411)	(399,200,942)
Share in losses of associate and joint ventures	9	187,325,380	37,163,734	-
Gain from lease terminations	19, 22	(46,836,234)	(4,593,117)	(27,660,711)
Loss (Gain) from insurance claims	22	-	1,587,440	(6,378,701)
Dividend income	7, 22	(1,400,010)	(1,119,623)	(983,255)
Unrealized valuation loss (gain) on financial assets at fair value through profit or loss	22	(6,405,009)	323,662	(3,212,598)
Loss (gain) on sale of financial assets	7	(6,524,397)	-	5,291,597
Gain from rent concessions	19, 22	-	-	(61,760,915)
Operating income before changes in working capital		19,275,357,197	19,324,532,734	17,862,230,150
Decrease (increase) in:				
Receivables	1	(1,046,361,968)	(1,282,972,367)	497,355,362
Merchandise inventories	1	973,603,762	(6,656,058,157)	(640,312,675)
Prepaid expenses and other current assets		2,820,437,626	(3,079,418,919)	(610,673,562)
Increase (decrease) in:				
Trade and other payables	1	(1,893,857,852)	7,059,118,773	37,376,057
Due to related parties		3,772,014	3,629,099	(3,700,084)
Other current liabilities		290,608,492	76,778,290	140,217,186
Cash generated from operations		20,423,559,271	15,445,609,453	17,282,492,434
Income taxes paid		(2,887,894,838)	(2,898,180,651)	(2,682,366,321)
Interest received		1,208,385,105	678,357,411	399,200,942
Retirement benefits paid	24	(5,050,016)	(10,401,509)	(3,317,374)
Net cash provided by operating activities		18,738,999,522	13,215,384,704	14,996,009,681
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Financial assets at fair value through profit or loss	7	(1,300,000,000)	(4,268,978,190)	-
Property and equipment	1, 10, 24	(7,412,851,985)	(4,147,357,466)	(3,665,291,732)
Intangibles	12	(94,929,765)	(36,962,943)	(32,665,649)
Investment in associate and joint ventures	9	-	(62,500,000)	-
Other noncurrent assets	13	(361,222,125)	(169,342,638)	(50,798,935)
Payment of direct costs on leases	11	-	(400,000,000)	-
Cash paid on acquisition of business/assets, net of cash acquired	1	(613,740,541)	(102,918,152)	-
Insurance claims	22	-	(1,587,440)	6,378,701
Proceeds from disposal of:				
Property and equipment	10	4,771,768	2,707,372	25,993,167
Computer software	12	-	71,512	-
Financial assets at fair value through profit or loss	7	986,169,776	-	2,378,570,451
Dividends received	7	1,400,010	1,119,623	983,255
Net cash used in investing activities		(8,790,402,862)	(9,185,748,322)	(1,336,830,742)

Forward

		<b>Years Ended December 31</b>		
	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of lease:	19			
Interest expense		<b>(P2,748,879,538)</b>	(P2,389,133,602)	(P2,269,146,910)
Principal amount		<b>(1,157,494,319)</b>	(1,452,214,242)	(834,868,613)
Payments of:				
Cash dividends	26	<b>(2,464,404,309)</b>	(1,434,268,203)	(1,291,356,633)
Interest expense		<b>(552,096,159)</b>	(503,349,112)	(514,966,380)
Liability on land purchase	24	<b>(265,669,906)</b>	-	-
Repayment of long-term loans	15	<b>(120,000,000)</b>	(120,000,000)	(120,000,000)
Acquisition of treasury shares	26	-	(97,003,983)	(41,339,729)
Net cash used in financing activities		<b>(7,308,544,231)</b>	(5,995,969,142)	(5,071,678,265)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>2,640,052,429</b>	(1,966,332,760)	8,587,500,674
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>39,345,261,577</b>	41,311,594,337	32,724,093,663
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	4	<b>P41,985,314,006</b>	P39,345,261,577	P41,311,594,337

*See Notes to the Consolidated Financial Statements*

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**NOTES TO THE 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:

	<b>Percentage of Ownership</b>	
	<b>2023</b>	<b>2022</b>
Kareila Management Corporation	<b>100</b>	100
S&R Pizza (Harbor Point), Inc. <sup>(a)</sup>	<b>100</b>	100
S&R Pizza, Inc. <sup>(a)</sup>	<b>100</b>	100
PSMT Philippines Inc. <sup>(a)</sup>	<b>100</b>	100
PPCI Subic, Inc.	<b>100</b>	100
Entenso Equities Incorporated	<b>100</b>	100
Melilla Management Corporation	<b>100</b>	100
Purepadala, Inc. <sup>(b)</sup>	<b>100</b>	100

*(a) Indirect subsidiaries through Kareila Management Corporation*

*(b) Not yet started operations*

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

Melilla's 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.

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.

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 at 32nd Street, 5th Avenue, Fort Bonifacio Global City, Taguig City.

*Transactions During the Period*

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

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

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

On December 1, 2022, Kareila Management Corporation acquired 100% ownership in PSMT for a cash consideration of P112.5 million. The acquisition was accounted for under the pooling of interest method, which resulted in the recognition of additional paid-in capital ("APIC") amounting to P11.9 million in the consolidated financial statements. This represents mainly the excess of the P124 million net assets acquired over the cash consideration.

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

Current assets	<b>P103,628,388</b>
Noncurrent assets	<b>5,564,215,023</b>
Current liabilities	<b>4,027,564,579</b>
Noncurrent liabilities	<b>1,516,245,211</b>

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

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

## **2. Basis of Preparation**

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 4, 2024.

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

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

### Functional and Presentation Currency

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

### Significant Judgments, Estimates and Assumptions

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

### Judgments

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

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

Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, the lease term and the appropriate discount rate to calculate the present value of the lease payments.

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

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

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

For leases of parcels of land, stores, warehouses, distribution centers and parking spaces, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

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

*Operating Leases - Group as a Lessor (Notes 19 and 20)*

The Group has entered into various 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 P472.0 million, P501.3 million and P364.5 million in 2023, 2022 and 2021, respectively.

Estimates

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

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

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

The carrying amount of receivables amounted to P4.7 billion and P3.5 billion as at December 31, 2023 and 2022, 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 P27.3 billion and P28.2 billion as at December 31, 2023 and 2022, respectively.

*Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 12)*

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

The carrying amounts of goodwill and other intangibles with indefinite lives totaled P19.5 billion as at December 31, 2023 and 2022.

*Impairment of Non-financial Assets Other than Goodwill*

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

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

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

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

There are no impairment indicators affecting the Group's non-financial assets as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, the following are the carrying amounts of nonfinancial assets:

	<i>Note</i>	<b>2023</b>	2022
Right-of-use assets - net	11	<b>P31,676,080,984</b>	P29,949,574,410
Property and equipment - net	10	<b>35,477,805,354</b>	30,235,011,571
Investment in associate and joint ventures	9	<b>523,169,163</b>	661,884,696
Computer software and licenses, and leasehold rights	12	<b>225,265,965</b>	188,513,884

*Estimating Realizability of Deferred Tax Assets (Note 25)*

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

As at December 31, 2023 and 2022, the Group recognized deferred tax assets amounting to P2.0 billion and P1.5 billion, respectively.

*Estimating Retirement Benefits Liability (Note 24)*

The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 24.

Retirement benefits liability amounted to P2.0 billion and P1.0 billion as at December 31, 2023 and 2022, respectively.

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### **3. Summary of Material Accounting Policies**

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

Adoption of Amendments to Standards, and Frameworks

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

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

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

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

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

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

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

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

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

- *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12 Income Taxes)*. The amendments provide a temporary mandatory exception from accounting for deferred tax that arises from legislation implementing the Pillar Two model rules published by the Organisation for Economic Co-operation and Development, including tax law that implements qualified domestic minimum top-up taxes described in those rules. Under the relief, a company:
  - discloses that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes;
  - discloses separately its current tax expense (income) related to Pillar Two income taxes; and
  - in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

#### Standards Issued but Not Yet Adopted

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

#### *Effective January 1, 2024*

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

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

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

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

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

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

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

- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*. The amendments introduce new disclosures about a company's supplier finance arrangements that would enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, a company discloses in aggregate for its supplier finance arrangements:

- the terms and conditions of the arrangements;
- beginning and ending carrying amounts and associated line items of the financial liabilities that are part of a supplier finance arrangement, distinguishing those for which suppliers were already paid, and range of payment due dates including those for comparable trade payables not part of a supplier finance arrangement; and
- the type and effect of non-cash changes in the carrying amounts.

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

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

#### Consolidation

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

#### 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.

#### 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 and security deposits are included in this category.

#### *Financial Assets at FVTPL*

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

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

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

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

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

As of December 31, 2023 and 2022, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

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

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

#### *Financial Liabilities*

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

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

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

- (a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
- (d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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

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

Trade and other payables, 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 Associates and Joint Arrangements

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

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 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.

##### Impairment of Non-current Assets Other than Goodwill

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

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

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

### *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 12 months. The Group recognizes the fee in the period in which it occurs.
- *Gift Certificates* - The Group recognizes revenue from the sale of gift certificates when the gift certificate is redeemed by customer.
- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

#### Contract Balances

##### *Receivables*

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

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

##### *Contract Liabilities*

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

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

#### Cost and Expense Recognition

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

##### *Vendor Rebates and Allowances*

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

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

#### *Operating Expenses*

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

#### Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

#### *As a Lessee*

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

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

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

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

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

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

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

#### *Variable Lease Payments*

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

#### *Lease Modifications as a Lessee*

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

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

#### *COVID-19-Related Rent Concessions*

The Group elected to apply an optional practical expedient for rent concessions that are a direct consequence of COVID-19. The lessee is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply to the reduction in lease payments relates to payments due on or before June 30, 2021; and no other substantive changes have been made to the terms of the lease.

#### *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.

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#### 4. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2023</b>	2022
Cash on hand		<b>P1,397,565,448</b>	P1,706,298,317
Cash in banks	29	<b>16,394,013,918</b>	12,567,230,455
Money market placements	29	<b>24,193,734,640</b>	25,071,732,805
		<b>P41,985,314,006</b>	P39,345,261,577

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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 1.6% to 5.7% in 2023, 0.2% to 7.0% in 2022, and 0.3% to 3.1% in 2021.

Interest income earned from cash in banks and money market placements totaled P1.1 billion, P563.1 million and P383.6 million in 2023, 2022 and 2021, respectively.

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#### 5. Receivables

This account consists of:

	<i>Note</i>	<b>2023</b>	2022
Trade receivables	23	<b>P2,685,739,566</b>	P2,303,649,634
Less allowance for impairment losses		<b>7,462,327</b>	7,462,327
		<b>2,678,277,239</b>	2,296,187,307
Nontrade receivables	23	<b>1,991,013,270</b>	1,232,347,386
	29	<b>P4,669,290,509</b>	P3,528,534,693

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

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

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## 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 P27.3 billion and P28.2 billion as at December 31, 2023 and 2022, respectively.

Inventory charged to the cost of sales amounted to P163.6 billion, P150.5 billion and P134.0 billion in 2023, 2022 and 2021, respectively (see Note 18).

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## 7. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	<i>Note</i>	<b>2023</b>	<b>2022</b>
Held-for-trading:	22, 29		
Government securities		<b>P4,588,450,000</b>	P4,268,095,378
Equity securities		<b>37,689,942</b>	31,284,934
		<b>P4,626,139,942</b>	P4,299,380,312

The Group recognized a gain (loss) on sale of government securities amounting to P6.5 million and nil in 2023 and 2022, respectively (see Note 22).

Interest income on government securities amounted to P190.4 million and P115.2 million in 2023 and 2022, respectively.

Dividend income on equity securities amounted to P1.4 million and P1.1 million in 2023 and 2022, respectively (see Note 22).

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## 8. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>2023</b>	<b>2022</b>
Prepaid expenses	<b>P472,393,220</b>	P479,578,036
Deferred input VAT	<b>127,577,222</b>	209,036,870
Input VAT	<b>375,089</b>	83,642,167
Creditable withholding tax	<b>1,810,077</b>	1,547,079
Advances to suppliers	-	2,836,388,000
	<b>P602,155,608</b>	P3,610,192,152

Advances to suppliers were applied in full against the inventory purchases in 2023.

Deferred input VAT consists of the unamortized portion of accumulated input taxes on purchases until December 31, 2021 of capital assets more than P1 million and unpaid services which can be applied against future output VAT when realized or paid.

The details of prepaid expenses are as follows:

	2023	2022
Taxes and licenses	<b>P182,732,640</b>	P226,139,184
Insurance	<b>145,873,654</b>	134,310,071
Advertising and promotion	<b>49,045,850</b>	65,622,592
Supplies	<b>23,442,201</b>	8,855,876
Repairs and maintenance	<b>21,902,328</b>	1,778,528
Others	<b>49,396,547</b>	42,871,785
	<b>P472,393,220</b>	P479,578,036

## 9. Investment in Associate and Joint Ventures

The details of this account are as follows:

	2023	2022
Associate	<b>P422,745,311</b>	P446,276,872
Joint ventures	<b>100,423,852</b>	215,607,824
	<b>P523,169,163</b>	P661,884,696

### *Investment in Associate*

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

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

	2023	2022
Balance at beginning of the year	<b>P446,276,872</b>	P461,152,697
Share in net loss*	<b>(23,531,561)</b>	(14,875,825)
Balance at end of year	<b>P422,745,311</b>	P446,276,872

\*2023 includes share in net losses in prior years.

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.

	<b>2023</b>	2022*
Percentage of ownership	<b>49.34%</b>	49.34%
Current assets	<b>P674,615,728</b>	P588,231,947
Noncurrent assets	<b>728,202,454</b>	788,394,248
Current liabilities	<b>(554,969,634)</b>	(515,403,272)
Noncurrent liabilities	<b>(546,259,147)</b>	(555,578,813)
Net assets	<b>301,589,401</b>	305,644,110
Group's share in net assets	<b>148,804,210</b>	150,804,804
Goodwill	<b>276,058,136</b>	276,058,136
Unrecognized share in net loss in prior years	-	19,413,932
Other*	<b>(2,117,035)</b>	-
Carrying amount of interest in associate	<b>P422,745,311</b>	P446,276,872
Net sales	<b>P3,852,491,645</b>	P3,778,025,380
Net loss	<b>(6,465,835)</b>	(30,149,625)
Group's share in net loss	<b>(P3,190,243)</b>	(P14,875,825)

\*Unrecognized prior period adjustments based on unaudited amounts

#### *Investment in Joint Venture*

##### *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.

##### *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.

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

	<b>2023</b>	2022
Balance at beginning of year	<b>P215,607,824</b>	P175,395,733
Cost of investment during the year	-	62,500,000
Share in net loss	<b>(115,183,972)</b>	(22,287,909)
Balance at end of year	<b>P100,423,852</b>	P215,607,824

	<b>2023</b>	2022
Unrecognized share in net loss current year	<b>P -</b>	P47,321,164
Unrecognized share in net loss prior years	-	43,211,692

Also, Entenso recognized share in net losses of Pure Commerce in excess of the cost of investment and advances amounting to P48.6 million as part of the commitment under the JV agreement. This is included in "Trade and other payables" under "Nontrade" in the consolidated statements of financial position.

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 and P62.5 million as at December 31, 2023 and 2022.

## 10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
<b>Cost</b>							
Balance, January 1, 2022	P7,013,817,178	P3,461,013,603	P12,191,542,305	P15,789,109,297	P1,256,633,289	P627,576,233	P40,339,691,905
Additions (Note 24,17)	210,570,302	199,333,598	692,164,763	336,504,272	1,441,751,941	2,388,359,571	5,268,684,447
Transfer in (Note 1)	-	219,459,884	143,357,231	907,108,385	4,000,000,000	-	5,269,925,500
Reclassifications	310,238,096	12,221,396	222,060,344	311,515,463	-	(928,219,359)	(72,184,060)
Disposals	-	(1,774,873)	(20,883,461)	(14,334,133)	-	-	(36,992,467)
Balance, December 31, 2022	7,534,625,576	3,890,253,608	13,228,241,182	17,329,903,284	6,698,385,230	2,087,716,445	50,769,125,325
Additions	319,111,230	361,514,378	1,028,187,721	999,951,468	872,441,915	4,050,769,781	7,631,976,493
Reclassifications/Adjustments	217,394,627	92,858,502	938,174,334	1,591,732,388	-	(3,212,151,552)	(371,991,701)
Disposals	(875,000)	(2,195,466)	(39,339,684)	-	-	-	(42,410,150)
<b>Balance, December 31, 2023</b>	<b>8,070,256,433</b>	<b>4,342,431,022</b>	<b>15,155,263,553</b>	<b>19,921,587,140</b>	<b>7,570,827,145</b>	<b>2,926,334,674</b>	<b>57,986,699,967</b>
<b>Accumulated Depreciation</b>							
Balance, January 1, 2022	1,964,428,295	2,065,048,182	8,957,253,337	4,283,454,278	-	-	17,270,184,092
Depreciation	250,038,745	202,719,652	1,011,450,433	828,477,154	-	-	2,292,685,984
Transfer in (Note 1)	-	219,442,922	143,334,810	644,004,835	-	-	1,006,782,567
Reclassifications	1,027,662	(1,213,381)	(6,253,715)	5,185,640	-	-	(1,253,794)
Disposals	-	(1,759,691)	(20,836,360)	(11,689,044)	-	-	(34,285,095)
Balance, December 31, 2022	2,215,494,702	2,484,237,684	10,084,948,505	5,749,432,863	-	-	20,534,113,754
Depreciation	263,724,091	230,841,225	959,307,269	888,287,315	-	-	2,342,159,900
Reclassifications/Adjustments	-	(35,137,354)	34,384,061	(328,987,366)	-	-	(329,740,659)
Disposals	(874,999)	(1,922,617)	(34,840,766)	-	-	-	(37,638,382)
<b>Balance, December 31, 2023</b>	<b>2,478,343,794</b>	<b>2,678,018,938</b>	<b>11,043,799,069</b>	<b>6,308,732,812</b>	<b>-</b>	<b>-</b>	<b>22,508,894,613</b>
<b>Carrying Amount</b>							
December 31, 2022	P5,319,130,874	P1,406,015,924	P3,143,292,677	P11,580,470,421	P6,698,385,230	P2,087,716,445	P30,235,011,571
<b>December 31, 2023</b>	<b>P5,591,912,639</b>	<b>P1,664,412,084</b>	<b>P4,111,464,484</b>	<b>P13,612,854,328</b>	<b>P7,570,827,145</b>	<b>P2,926,334,674</b>	<b>P35,477,805,354</b>

Interest expense on loans capitalized as part of property and equipment amounted to P11.1 million, P10.9 million and P17.0 million in 2023, 2022 and 2021, respectively (see Note 15).

The cost of fully depreciated property and equipment that are still being used in the Group's operations amounted to P9.8 billion and P8.3 billion as at December 31, 2023 and 2022, respectively.

The unpaid balance on the additions to the cost of property and equipment in 2022 pertains mainly to the accrued fixed assets in Note 24.

## 11. Right-of-Use Assets

The movements in this account are as follows:

	2023	2022
<b>Cost</b>		
Balance at January 1	P45,252,414,144	P39,180,627,913
Additions	4,914,098,524	5,007,531,886
Transfer in (Note 1)	-	1,538,374,493
Modifications to leases	(164,580,173)	(167,530,577)
Terminated leases	(114,911,930)	(89,464,681)
Derecognition of right-of-use assets	(633,960,104)	(217,124,890)
<b>Balance at December 31</b>	<b>49,253,060,461</b>	<b>45,252,414,144</b>
<b>Accumulated Depreciation</b>		
Balance at January 1	15,302,839,734	12,964,084,205
Depreciation	2,640,856,225	2,243,691,702
Derecognition of right-of-use assets	(355,172,913)	(217,124,890)
Terminated leases	(28,248,910)	(27,584,943)
Transfer in (Note 1)	-	339,773,660
Other	16,705,341	-
<b>Balance at December 31</b>	<b>17,576,979,477</b>	<b>15,302,839,734</b>
<b>Carrying Amount at December 31</b>	<b>P31,676,080,984</b>	<b>P29,949,574,410</b>

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.

The ROU additions in 2023 include payments totaling P219 million for leasehold rights on Divimart store locations while those for 2022 include payments totaling P400 million for leasehold rights on several properties in the Central Visayas region where some of the new stores are situated. These are considered direct costs in obtaining the lease agreements and included as part of the cost of ROU.

## 12. Goodwill and Other Intangibles

This account consists of:

	2023	2022
Goodwill	<b>P14,902,423,321</b>	P14,902,423,321
Trademark	<b>3,709,660,547</b>	3,709,660,547
Customer relationships	<b>889,452,981</b>	889,452,981
Computer software and licenses - net	<b>187,224,005</b>	147,196,673
Leasehold rights – net	<b>38,041,960</b>	41,317,211
	<b>P19,726,802,814</b>	P19,690,050,733

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

The details of goodwill are as follows:

	2023	2022
Kareila	<b>P12,079,473,835</b>	P12,079,473,835
Budgetlane Supermarkets	<b>837,974,199</b>	837,974,199
Gant	<b>742,340,804</b>	742,340,804
Daily Commodities, Inc. and First Lane Super Traders Co., Inc. (DCI and FLSTCI)	<b>685,904,317</b>	685,904,317
Company E	<b>358,152,015</b>	358,152,015
Black & White (B&W) Supermart	<b>187,203,888</b>	187,203,888
Puregold Junior Supermarket, Inc. (PJSI)	<b>11,374,263</b>	11,374,263
	<b>P14,902,423,321</b>	P14,902,423,321

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

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

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

## VIU

Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). Sales growth and operating margin are based on the Group'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 8.5% to 8.7% in 2023 and 10.6% to 11.11% in 2022. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5.0% and 6.0% for the CGUs. The average operating margins applied in the projected periods ranged between 2.0% and 6.0% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period is 5.4% for the CGUs.

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

	Pre-tax Discount Rate		Growth Rate (Terminal Value)	
	2023	2022	2023	2022
Kareila	8.6%	11.1%	3.6%	5.4%
Budgetlane Supermarkets	8.7%	11.1%	3.6%	5.4%
Gant	8.6%	11.1%	3.6%	5.4%
DCI and FLSTCI	8.5%	11.1%	3.6%	5.4%

As at December 31, 2023, 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:

	2023	2022
<b>Cost</b>		
Balance at January 1	P514,306,537	P477,456,094
Additions	94,329,765	36,962,943
Disposal/adjustments	-	(112,500)
<b>Balance at December 31</b>	<b>608,636,302</b>	514,306,537
<b>Accumulated Amortization</b>		
Balance at January 1	367,109,863	320,751,386
Amortization*	54,302,434	46,399,465
Disposal/adjustments	-	(40,988)
<b>Balance at December 31</b>	<b>421,412,297</b>	367,109,863
<b>Carrying Amount</b>		
<b>At December 31</b>	<b>P187,224,005</b>	P147,196,674

\*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:

	2023	2022
<b>Cost</b>		
Balance at January 1	<b>P75,355,005</b>	P75,355,005
Additions	<b>600,000</b>	-
Balance at December 31	<b>75,955,005</b>	75,355,005
<b>Accumulated Amortization</b>		
Balance at January 1	<b>34,037,794</b>	30,190,044
Amortization*	<b>3,875,251</b>	3,847,750
Balance at December 31	<b>37,913,045</b>	34,037,794
<b>Carrying Amount at December 31</b>	<b>P38,041,960</b>	P41,317,211

\*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.

### 13. Other Noncurrent Assets

This account consists of:

	Note	2023	2022
Security deposits	29	<b>P2,625,607,951</b>	P2,322,579,554
Advances to contractors		<b>452,881,103</b>	397,317,446
Accrued rent income	20, 25	<b>22,968,553</b>	20,338,482
Others		<b>7,879,160</b>	7,879,160
		<b>P3,109,336,767</b>	P2,748,114,642

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.

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#### 14. Trade and Other Payables

This account consists of:

	<i>Note</i>	<b>2023</b>	2022
Trade	23, 29	<b>P17,561,775,652</b>	P16,511,333,099
Nontrade	23, 29	<b>2,026,205,071</b>	1,137,842,437
Dividends payable	26, 29	<b>2,779,618,814</b>	2,464,404,309
Withholding taxes payable		<b>288,000,534</b>	279,208,001
Advances from a stockholder	23, 29	-	4,000,000,000
Accrued expenses:	29		
Manpower agency services		<b>1,062,347,946</b>	920,481,837
Fixed assets	10, 24	<b>881,161,832</b>	568,897,009
Utilities		<b>220,906,451</b>	224,156,868
Rent		<b>218,716,856</b>	155,371,231
Supplies		<b>118,848,880</b>	116,091,602
Others		<b>389,292,387</b>	415,034,727
		<b>P25,546,874,423</b>	P26,792,821,120

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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.

Advances from a stockholder pertain to cash advances made to PSMT for the purchase of a parcel of land. The outstanding amount is non-interest bearing, payable on demand and will be settled in cash. There are no guarantees (see Note 23).

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#### 15. Long-term Loans

This account consists of:

	<i>Note</i>	<b>2023</b>	2022
<b>Unsecured Peso Denominated</b>			
Fixed-rate Notes of Parent Company		<b>P11,640,000,000</b>	P11,760,000,000
<b>Unamortized Debt Issue Cost</b>		<b>(78,871,360)</b>	(94,206,800)
	29	<b>11,561,128,640</b>	11,665,793,200
Less current portion		<b>(120,000,000)</b>	(120,000,000)
Noncurrent portion		<b>P11,441,128,640</b>	P11,545,793,200

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##### *Fixed-rate Notes of Parent Company*

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

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

The contractual maturities of the long-term loans are discussed in Note 29.

The movements in debt issue cost are as follows:

	<b>2023</b>	2022
Balance at beginning of the year	<b>P94,206,800</b>	P109,542,239
Additions	-	-
Amortization	<b>(15,335,440)</b>	(15,335,439)
Balance at end of the year	<b>P78,871,360</b>	P94,206,800

Interest expense charged to profit or loss amounted to P565.0 million, P518.7 million and P515.0 million in 2023, 2022 and 2021, respectively.

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

Changes in Liabilities Arising from Financing Activities:

The movements and balances of this account are as follows:

	<b>Long Term Loans Payable</b>	<b>Dividend Payable (Notes 14 and 26)</b>	<b>Lease Liabilities</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	<b>P11,665,793,200</b>	<b>P2,464,404,309</b>	<b>P39,219,731,431</b>	<b>P53,349,928,940</b>
Changes from financing cash flows:				
Payment of loans	(120,000,000)	-	-	(120,000,000)
Lease payments	-	-	(3,906,373,857)	(3,906,373,857)
Payment of dividends	-	(2,464,404,309)	-	(2,464,404,309)
Total changes from financing cash flows	(120,000,000)	(2,464,404,309)	(3,906,373,857)	(6,490,778,166)
Other changes:				
<i>Liability-related</i>				
Additions	-	-	4,120,812,073	4,120,812,073
Transfer in	-	-	-	-
Amortization of debt issue cost	15,335,440	-	-	15,335,440
Other lease adjustments	-	-	2,291,627,565	2,291,627,565
Declaration of dividends	-	2,779,618,814	-	2,779,618,814
Total liability-related changes	15,335,440	2,779,618,814	6,412,439,638	9,207,393,892
<b>Balance at December 31, 2023</b>	<b>P11,561,128,640</b>	<b>P2,779,618,814</b>	<b>P41,725,797,212</b>	<b>P56,066,544,666</b>

	Long Term Loans Payable	Dividend Payable (Notes 14 and 26)	Lease Liabilities	Total
Balance at January 1, 2022	P11,770,457,761	P1,434,268,203	P34,918,966,090	P48,123,692,054
Changes from financing cash flows:				
Payment of loans	(120,000,000)	-	-	(120,000,000)
Lease payments	-	-	(3,841,347,844)	(3,841,347,844)
Payment of dividends	-	(1,434,268,203)	-	(1,434,268,203)
Total changes from financing cash flows	(120,000,000)	(1,434,268,203)	(3,841,347,844)	(5,395,616,047)
Other changes:				
<i>Liability-related</i>				
Additions	-	-	4,535,955,067	4,535,955,067
Transfer in	-	-	1,513,818,279	1,513,818,279
Amortization of debt issue cost	15,335,439	-	-	15,335,439
Other lease adjustments	-	-	2,092,339,839	2,092,339,839
Declaration of dividends	-	2,464,404,309	-	2,464,404,309
Total liability-related changes	15,335,439	2,464,404,309	8,142,113,185	10,621,852,933
Balance at December 31, 2022	P11,665,793,200	P2,464,404,309	P39,219,731,431	P53,349,928,940

## 16. Other Current Liabilities

This account consists of:

	Note	2023	2022
Deposits from tenants	19, 29	<b>P271,071,123</b>	P251,437,954
VAT payable		<b>307,898,418</b>	5,896,011
Unredeemed gift certificates		<b>187,213,233</b>	189,892,979
Unearned income from suppliers		<b>177,793,421</b>	215,824,384
Commission payable	29	<b>71,059,866</b>	62,659,291
Others	29	<b>1,430,014</b>	146,964
		<b>P1,016,466,075</b>	P725,857,583

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

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

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

### Contract Liabilities

The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2023 and 2022. 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 as at December 31:

	2023	2022
Beginning balance	<b>P189,892,979</b>	P204,842,310
Add receipts	<b>379,667,289</b>	382,653,710
Less sales recognized	<b>382,347,035</b>	397,603,041
Ending balance	<b>P187,213,233</b>	P189,892,979

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## 17. Revenue from Contract with Customers

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

	<i>Note</i>	<b>2023</b>	2022	2021
Net sales from stores		<b>P199,031,904,535</b>	P184,302,944,650	P164,124,835,299
Concession fee income	20	<b>1,632,540,665</b>	1,743,522,470	2,030,608,968
Membership fee income	20	<b>778,436,637</b>	670,476,386	617,841,418
Revenue from contract with customers		<b>P201,442,881,837</b>	P186,716,943,506	P166,773,285,685

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## 18. Cost of Sales

This account for the years ended December 31 consists of:

	<i>Note</i>	<b>2023</b>	2022	2021
Beginning inventory	6	<b>P28,214,691,119</b>	P21,558,632,962	P20,918,320,287
Add purchases		<b>162,711,785,898</b>	157,139,330,617	134,682,379,684
Total goods available for sale		<b>190,926,477,017</b>	178,697,963,579	155,600,699,971
Less ending inventory	6	<b>27,308,803,049</b>	28,214,691,119	21,558,632,962
		<b>P163,617,673,968</b>	P150,483,272,460	P134,042,067,009

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## 19. 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:

	<b>2023</b>	2022
Due within one year	<b>P1,271,652,922</b>	P1,322,639,880
Due beyond one year	<b>40,454,144,290</b>	37,897,091,551
	<b>P41,725,797,212</b>	P39,219,731,431

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The movements in lease liabilities are as follows:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Balance at January 1		<b>P39,219,731,431</b>	P34,918,966,090
Additions		<b>4,120,812,073</b>	4,535,955,067
Transfer in (Note 1)		-	1,513,818,279
Accretion of interest expense		<b>2,748,879,538</b>	2,389,133,602
Repayments		<b>(3,906,373,857)</b>	(3,841,347,844)
Terminations		<b>(133,499,254)</b>	(72,013,313)
Modifications		<b>(323,752,719)</b>	(224,780,450)
Balance at December 31	29	<b>P41,725,797,212</b>	P39,219,731,431

The maturity analysis of the undiscounted lease payments as at December 31:

	<b>2023</b>	<b>2022</b>
Less than one year	<b>P4,023,543,806</b>	P3,765,152,786
One to five years	<b>15,804,458,793</b>	14,926,559,695
More than five years	<b>51,622,714,550</b>	51,611,205,935
	<b>P71,450,717,149</b>	P70,302,918,416

The following are the amounts recognized in profit or loss:

	<b>2023</b>	<b>2022</b>
Variable lease payments not included in the measurement of lease liabilities*	<b>P565,093,102</b>	P655,173,058
Expenses related to leases of low-value assets	<b>25,271,464</b>	29,537,679
Expenses related to short-term leases	<b>20,448,762</b>	8,571,885
Total rent expense	<b>610,813,328</b>	693,282,622
Interest accretion on lease liabilities	<b>2,748,879,538</b>	2,389,133,602
Depreciation charge for right-of-use assets	<b>2,640,856,225</b>	2,243,691,702
Gain (loss) from lease terminations	<b>46,836,234</b>	4,593,117

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 P2.6 billion and P2.3 billion as at December 31, 2023 and 2022, respectively.

#### 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 P472.0 million, P501.3 million and P364.5 million in 2023, 2022 and 2021, respectively (see Note 20).

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

	<b>2023</b>	2022
Less than one year	<b>P315,926,540</b>	P273,377,461
One to two years	<b>259,576,750</b>	129,561,045
Two to three years	<b>106,008,911</b>	90,247,977
Three to four years	<b>88,247,081</b>	61,240,232
Four to five years	<b>71,836,843</b>	49,216,568
More than five years	<b>1,187,250,601</b>	974,404,082
	<b>P2,028,846,726</b>	P1,578,047,365

## 20. Other Revenue

This account consists of:

	<b>Note</b>	<b>2023</b>	2022	2021
Concession fee income	17	<b>P1,632,540,665</b>	P1,743,522,470	P2,030,608,968
Membership fee income	17	<b>778,436,637</b>	670,476,386	617,841,418
Rent income	19	<b>472,034,786</b>	501,337,594	364,546,034
Miscellaneous		<b>392,159,939</b>	268,451,975	196,754,798
		<b>P3,275,172,027</b>	P3,183,788,425	P3,209,751,218

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

## 21. Operating Expenses

This account consists of:

	<i>Note</i>	<b>2023</b>	2022	2021
Depreciation and amortization	10, 11, 12	<b>P5,020,019,254</b>	P4,564,410,149	P4,633,632,273
Manpower agency services		<b>4,440,761,660</b>	3,764,669,180	3,510,188,962
Communication, light and water		<b>3,240,654,666</b>	3,172,571,318	2,415,601,655
Salaries and wages		<b>3,045,095,189</b>	2,683,910,259	2,337,430,784
Security services		<b>1,140,059,725</b>	1,040,650,849	1,065,779,102
Taxes and licenses		<b>1,143,057,821</b>	1,018,664,555	962,824,841
Retirement benefits cost	24	<b>904,911,727</b>	272,768,815	286,572,205
Advertising and marketing		<b>633,075,764</b>	564,778,557	464,246,519
Store and office supplies		<b>866,390,052</b>	819,558,765	636,149,811
Repairs and maintenance		<b>861,921,252</b>	706,700,802	685,309,791
Rent	19	<b>610,813,328</b>	693,282,622	596,034,492
Transportation		<b>578,654,742</b>	507,247,761	426,350,865
Credit card charges		<b>546,422,521</b>	585,387,582	479,227,953
SSS/Medicare and HDMF contributions		<b>306,726,922</b>	247,187,601	213,835,772
Insurance		<b>272,757,787</b>	249,498,342	232,779,599
Janitorial and messengerial services		<b>223,713,896</b>	199,832,069	195,688,239
Input VAT on exempt sales		<b>214,427,231</b>	206,969,582	203,180,491
Other selling expenses		<b>211,242,882</b>	191,829,474	178,727,573
Representation and entertainment		<b>181,699,709</b>	152,851,109	132,869,776
Fuel and oil		<b>165,919,048</b>	175,771,439	97,327,650
Royalty	23	<b>66,586,933</b>	61,871,915	57,335,542
Donations and contributions		<b>11,608,252</b>	55,763,357	1,000,000
Professional fees		<b>70,075,359</b>	43,684,770	32,197,150
Miscellaneous		<b>580,257,502</b>	542,272,268	506,026,274
		<b>P25,336,853,222</b>	P22,522,133,140	P20,350,317,319

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**22. Others**

This account consists of:

	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Foreign exchange gains		<b>P225,223</b>	P8,333,528	P2,087,451
Gain from lease terminations	19	<b>46,836,234</b>	4,593,117	27,660,711
Bank charges		<b>(2,348,379)</b>	(2,307,233)	(2,263,968)
Gain (loss) from insurance claims		-	(1,587,440)	6,378,701
Dividend income	7	<b>1,400,010</b>	1,119,623	983,255
Unrealized valuation gain (loss) on financial assets at FVTPL	7	<b>6,405,009</b>	(323,662)	3,212,598
Gain from rent concessions	19	-	-	61,760,915
Gain (loss) from sale of financial assets	7	<b>6,524,397</b>	-	(5,291,597)
		<b>P59,042,494</b>	P9,827,933	P94,528,066

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## 23. 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 Year	Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 14)	Nontrade Payable, Loans and Lease Liabilities (see Notes 14, 15 and 19)	Due to Related Parties	Terms	Conditions
<b>Parent</b>										
Dividends	2023		P1,368,541,172	P -	P -	P -	P1,368,541,172	P -	Due and demandable	Unsecured
	2022		1,213,345,782	-	-	-	1,213,345,782	-	Due and demandable	Unsecured
<b>Entities under Common Control</b>										
Leases	2023		1,435,233,162	-	675,925	-	5,914,731,850	-	Due and demandable	Unsecured;
	2022	a	1,330,904,364	-	2,775,453	-	5,970,886,420	-	demandable	no impairment
Short-term investments	2023		-	-	-	-	-	-	Original maturity of less than 3 months	
	2022	4	-	-	-	-	-	-		
Purchase of (advances for) inventories	2023		4,224,885,924	-	-	623,531,962	-	-	Due and demandable	Unsecured
	2022		4,097,690,503	-	-	(10,615,529)	-	-		
Sale of merchandise	2023		219,362,017	297,220,752	-	-	-	-	Due and demandable	Unsecured;
	2022		67,484,602	67,578,142	-	-	-	-	demandable	no impairment
Security deposits	2023		45,126,075	-	19,662	-	1,225,038	-	Due and demandable	Unsecured;
	2022	a	13,833,993	-	39,603	-	216,738	-	demandable	no impairment
Advances	2023		75,990,243	-	-	-	-	-	Due and demandable	Unsecured;
	2022		116,000,000	-	-	-	-	-	demandable	impaired
Management fee	2023		18,708,226	-	-	-	3,982,137	-	Due and demandable	Unsecured
	2022		13,457,786	-	-	-	2,023,780	-		
Fixed asset	2023		9,972,531	-	136,570,848	-	-	-	Due and demandable	Unsecured
	2022		17,526,059	-	140,920,710	-	-	-		
Loans	2023		2,491,576	-	-	-	2,491,576	-	Due and demandable	
	2022		2,496,492	-	-	-	2,496,492	-	demandable	
Expense reimbursement	2023		331,678,813	-	16,796,025	-	45,403,052	-	Due and demandable	Unsecured
	2022		241,874,471	-	11,988,770	-	21,372,305	-		
<b>Stockholder</b>										
Advances	2023	d	-	-	-	-	-	-	Due and demandable	Unsecured
	2022		-	-	-	-	4,000,000,000	-	demandable	
Royalty expense	2023		66,586,933	-	-	-	-	53,269,546	30 years and subject to renewal	Unsecured
	2022	b	61,871,915	-	-	-	-	49,497,532		
Leases	2023		27,978,752	-	-	-	-	-		
	2022	a	26,396,704	-	-	-	-	-		
<b>Key Management Personnel</b>										
Short-term benefits	2023		50,063,679	-	-	-	-	-		
	2022		44,947,303	-	-	-	-	-		
<b>Total</b>	<b>2023</b>			<b>P297,220,752</b>	<b>P154,062,460</b>	<b>P623,531,962</b>	<b>P7,336,374,825</b>	<b>P53,269,546</b>		
<b>Total</b>	<b>2022</b>			<b>P67,578,142</b>	<b>P155,724,536</b>	<b>(P10,615,529)</b>	<b>P11,210,341,517</b>	<b>P49,497,532</b>		

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. Advances from a Stockholder

This amount pertains to the advances from a stockholder to PSMT which were used for the acquisition of three (3) parcels of land located in Brgy. Tambo, Paranaque City with an aggregate area of 10,913.59 square meters.

The amount outstanding is non-interest bearing, payable on demand and will be settled in cash.

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

Significant Related Party Transactions and Balances Eliminated During Consolidation

a. Receivables and Sales of the Parent Company from/to the subsidiaries:

	<b>2023</b>	2022
Sales	<b>P1,507,608</b>	<b>P192,000</b>
Trade receivable	<b>1,507,608</b>	<b>192,000</b>

b. Dividend receivable of the Parent Company from KMC:

	<b>Amount of Transaction</b>	<b>2023</b>	2022
Dividend receivable	<b>P1,491,655,123</b>	<b>P1,491,655,123</b>	P1,238,459,174

## 24. Other Noncurrent Liabilities

This account consists of:

	Note	2023	2022
Retirement benefits liability		<b>P2,020,732,372</b>	P999,821,130
Accrued fixed assets - net of current	10, 14	<b>567,279,376</b>	832,949,282
		<b>P2,588,011,748</b>	P1,832,770,412

### 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, 2023. 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 as at December 31 is as follows:

	2023	2022
Present value of defined benefit obligation	<b>P2,051,601,544</b>	P1,029,323,469
Fair value of plan assets	<b>(30,869,172)</b>	(29,502,339)
Retirement benefits liability	<b>P2,020,732,372</b>	P999,821,130

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

	2023	2022
Balance at January 1	<b>P1,029,323,469</b>	P1,325,171,983
<b>Included in Profit or Loss</b>		
Current service cost	<b>236,633,376</b>	205,938,976
Past service cost	<b>561,386,378</b>	-
Interest cost	<b>109,207,808</b>	68,347,388
	<b>907,227,562</b>	274,286,364
<b>Benefits paid/Transfer to affiliated Company</b>	<b>(5,050,016)</b>	(8,636,498)
<b>Included in Other Comprehensive Income</b>		
Remeasurements gain:		
Actuarial losses (gains) arising from:		
Financial assumptions	<b>357,183,550</b>	(457,870,576)
Demographic assumptions	-	-
Experience adjustments	<b>(237,083,021)</b>	(103,627,804)
	<b>120,100,529</b>	(561,498,380)
<b>Balance at December 31</b>	<b>P2,051,601,544</b>	P1,029,323,469

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

	2023	2022
Beginning of the year	<b>P29,502,339</b>	P29,873,021
Interest income	<b>2,130,069</b>	1,517,549
Remeasurement gain (loss)	<b>(763,236)</b>	(1,888,231)
End of the year	<b>P30,869,172</b>	P29,502,339

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

	2023	2022
Beginning of year	<b>(P762,001,397)</b>	(P201,508,686)
Actuarial gain (losses) for the year	<b>120,863,764</b>	(560,492,711)
Ending balance	<b>(P641,137,633)</b>	(P762,001,397)

The cumulative actuarial gain or loss, net of income tax effect, amounted to P491.3 million and P581.9 million as at December 31, 2023 and 2022, respectively, which are presented as "Retirement benefits reserve" in the equity section of the consolidated statements of financial position.

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

	2023	2022
Cash in banks	<b>P591,957</b>	P14,821
Debt instruments - government securities	<b>16,418,120</b>	15,743,510
Trust fees payable	<b>(9,813)</b>	(8,547)
Other receivables	<b>13,868,908</b>	13,752,555
	<b>P30,869,172</b>	P29,502,339

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 2023.

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

	<b>2023</b>	2022
Discount rate	<b>6.12%</b>	7.22%
Future salary increases	<b>8.00%</b>	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, 2023 and 2022 is 23.2 years and 17.6 years, respectively.

#### *Sensitivity Analysis*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

#### **2023**

	<b>Increase</b>	<b>Decrease</b>
Discount rate (1% movement)	<b>(P410,198,010)</b>	<b>P315,474,143</b>
Future salary increase rate (1% movement)	<b>397,894,281</b>	<b>(313,197,792)</b>

#### 2022

	Increase	Decrease
Discount rate (1% movement)	(P128,857,791)	P103,606,529
Future salary increase rate (1% movement)	126,515,768	(103,797,515)

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:

	<b>2023</b>				
	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>Within 1 - 5 Years</b>	<b>Within 5 - 10 Years</b>
Defined benefit obligation	<b>P2,051,601,544</b>	<b>P423,397,233</b>	<b>P67,600,128</b>	<b>P53,645,812</b>	<b>P302,151,293</b>

	2022				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P1,029,323,469	P393,224,101	P64,802,941	P81,466,610	P246,954,550

*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 (see Note 10). The current portion amounting to P276.6 million and P288.4 million as at December 31, 2023 and 2022 is included in "Trade and other payables" account (see Note 14).

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## 25. Income Taxes

The components of income tax expense are as follows:

	2023	2022	2021
Current tax expense	<b>P3,120,096,350</b>	P3,192,461,050	P2,649,687,385
Deferred tax benefit	<b>(502,397,257)</b>	(255,356,976)	(177,891,241)
	<b>P2,617,699,093</b>	P2,937,104,074	P2,471,796,144

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:

	2023	2022	2021
Income before income tax	<b>P11,213,220,428</b>	P12,224,530,932	P10,651,817,907
Income tax expense at the statutory income tax rates:			
Regular - 25%	<b>P3,159,833,695</b>	P3,352,341,131	P2,820,882,695
Special - 5%	<b>1,778,211</b>	3,048,313	2,838,680
Income tax effects of:			
Dividend income exempt from tax	<b>(376,792,451)</b>	(313,023,209)	(170,455,314)
Interest income subject to final tax	<b>(321,768,228)</b>	(167,896,798)	(99,014,425)
Nondeductible other expenses	<b>59,705,211</b>	16,224,388	8,667,030
Nondeductible interest expense	<b>77,554,584</b>	36,097,624	22,329,670
Nontaxable income	<b>(2,026,441)</b>	(2,485,932)	(5,165,428)
Changes in unrecognized DTA/DTL	<b>21,045,611</b>	12,798,557	-
Effect of change in tax rate	-	-	(108,286,764)
Other income subject to final tax	<b>(1,631,099)</b>	-	-
	<b>P2,617,699,093</b>	P2,937,104,074	P2,471,796,144

Changes in unrecognized DTA/DTL pertains to the unrecognized DTA related to PFRS 16 – net of Melilla.

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:

	2023		2022	
	Amount	DTA (DTL)	Amount	DTA (DTL)
PFRS 16*	<b>P10,643,953,381</b>	<b>P2,660,988,345</b>	P9,667,413,096	P2,416,853,273
Retirement benefits liability	<b>2,661,587,294</b>	<b>665,396,824</b>	1,762,485,397	440,621,349
Allowance for impairment losses on receivables	<b>7,462,327</b>	<b>1,865,582</b>	7,462,327	1,865,582
Recognition of DTA due to merger	<b>389,731</b>	<b>97,433</b>	389,731	97,433
DTA	<b>13,313,392,733</b>	<b>3,328,348,184</b>	11,437,750,551	2,859,437,637
Fair value of intangible assets from business combination	<b>(4,599,113,528)</b>	<b>(1,149,778,382)</b>	(4,599,113,528)	(1,149,778,382)
Actuarial gain	<b>(638,299,344)</b>	<b>(159,574,836)</b>	(759,024,837)	(189,756,209)
Accrued rent income	<b>(13,482,940)</b>	<b>(3,370,735)</b>	(20,338,482)	(5,084,621)
DTL	<b>(5,250,895,812)</b>	<b>(1,312,723,953)</b>	(5,378,476,847)	(1,344,619,212)
Net	<b>P8,062,496,921</b>	<b>P2,015,624,231</b>	P6,059,273,704	P1,514,818,425

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

The aggregate current and deferred tax relating to items recognized directly in equity amounted to P2.6 billion and P2.8 billion in 2023 and 2022, respectively.

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.

## 26. Equity

### Capital Stock and Additional Paid-in Capital

The Parent Company's authorized, issued and outstanding common shares as at December 31 are as follows:

	2023	2022	2021
Common shares - P1 par value			
Authorized	<b>3,000,000,000</b>	3,000,000,000	3,000,000,000
Issued	<b>2,904,214,086</b>	2,904,214,086	2,904,214,086
Treasury shares	<b>(38,627,680)</b>	(38,627,680)	(35,677,680)
	<b>2,865,586,406</b>	2,865,586,406	2,868,536,406

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 million 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.

On February 20, 2019, the BOD approved the increase in the authorized capital stock of the Parent Company from 3,000,000,000 shares to 5,000,000,000 shares with par value of P1.0 per share. The shareholders approved the amendment to the articles of incorporation on May 14, 2019.

#### Treasury Stock

The Group's treasury shares as at December 31 are as follows:

	<b>2023</b>	2022	2021
Balance at beginning of year	<b>38,627,680</b>	35,677,680	34,532,680
Additions	-	2,950,000	1,145,000
Balance at end of year	<b>38,627,680</b>	38,627,680	35,677,680

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

On December 18, 2020, the Group's BOD approved the declaration of a regular dividend of P0.3 per share and special dividend of P0.2 per share on record date of January 8, 2021 and payment date of January 29, 2021. The total amount of dividends is P1.3 billion.

On December 21, 2021, the Group's BOD approved the declaration of a regular dividend of P0.3 per share and special dividend of P0.3 per share on record date of January 10, 2022 and payment date of February 1, 2022. The total amount of dividends is P1.4 billion.

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 P2.5 billion.

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 P2.8 billion.

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## 27. Segment Information

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

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

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## 28. Basic/Diluted EPS

Basic/Diluted EPS is computed as follows:

	2023	2022	2021
Net income (a)	<b>P8,595,521,335</b>	P9,287,426,858	P8,180,021,763
Weighted average number of ordinary shares (b)	<b>2,865,586,406</b>	2,866,536,406	2,869,095,989
Basic/diluted EPS (a/b)	<b>P3.00</b>	P3.24	P2.85

As at December 31, 2023, 2022 and 2021, the Group has no dilutive debt or equity instruments.

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## 29. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Other Market Price Risk

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

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

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

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

#### Credit Risk

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

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

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

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

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

	<i>Note</i>	<b>2023</b>	<b>2022</b>
Cash in banks and cash equivalents	4	<b>P40,587,748,558</b>	P37,638,963,260
Receivables – net	5	<b>4,669,290,509</b>	3,528,534,693
Financial assets at fair value through profit or loss	7	<b>4,626,139,942</b>	4,299,380,312
Security deposits*	13	<b>2,625,607,951</b>	2,322,579,554
		<b>P52,508,786,960</b>	P47,789,457,819

\*Included under noncurrent assets.

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

	As of December 31, 2023			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	<b>P40,587,748,558</b>	<b>P -</b>	<b>P -</b>	<b>P40,587,748,558</b>
Receivables – net	<b>3,770,949,373</b>	<b>898,341,136</b>	<b>-</b>	<b>4,669,290,509</b>
Financial assets at fair value through profit or loss	<b>4,626,139,942</b>	<b>-</b>	<b>-</b>	<b>4,626,139,942</b>
Security deposits*	<b>2,625,607,951</b>	<b>-</b>	<b>-</b>	<b>2,625,607,951</b>
	<b>P51,610,445,824</b>	<b>P898,341,136</b>	<b>P -</b>	<b>P52,508,786,960</b>

\*Included under noncurrent assets.

	As of December 31, 2022			Total
	Grade A	Grade B	Grade C	
At amortized cost:				
Cash in banks and cash equivalents	P37,638,963,260	P -	P -	P37,638,963,260
Receivables – net	1,117,240,088	2,411,294,605	-	3,528,534,693
Financial assets at fair value through profit or loss	4,299,380,312	-	-	4,299,380,312
Security deposits*	2,322,579,554	-	-	2,322,579,554
	P45,378,163,214	P2,411,294,605	P -	P47,789,457,819

\*Included under noncurrent assets.

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

- a. Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- b. Trade receivables were classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as standard grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as standard grade as these are paid through salary deductions and have a high probability of collections.
- c. Financial assets at fair value through profit or loss were assessed as high grade since these are government securities and placed in entities with good favorable credit standing.
- d. Security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

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

	2023		2022	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	<b>P3,769,863,323</b>	<b>P -</b>	P2,067,455,493	P -
Past due 1 - 30 days	<b>427,763,286</b>	-	868,450,913	-
Past due 31 - 60 days	<b>9,947,767</b>	-	150,171,047	-
More than 60 days	<b>469,178,460</b>	<b>7,462,327</b>	449,919,567	7,462,327
	<b>P4,676,752,836</b>	<b>P7,462,327</b>	P3,535,997,020	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 December 31, 2023				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year – 5 Years	More than 5 Years
<b>Financial Liabilities</b>					
Trade and other payables*	<b>P24,982,288,964</b>	<b>P24,982,288,964</b>	<b>P24,982,288,964</b>	<b>P -</b>	<b>P -</b>
Due to related parties	<b>53,269,546</b>	<b>53,269,546</b>	<b>53,269,546</b>	-	-
Lease liabilities	<b>41,725,797,212</b>	<b>71,450,717,149</b>	<b>4,023,543,806</b>	<b>15,804,458,793</b>	<b>51,622,714,550</b>
Long-term loans including current portion**	<b>11,561,128,640</b>	<b>14,107,817,263</b>	<b>617,377,004</b>	<b>8,524,241,649</b>	<b>4,966,198,610</b>
Accrued fixed assets	<b>844,303,179</b>	<b>1,041,381,120</b>	<b>320,424,960</b>	<b>720,956,160</b>	-
Other current liabilities***	<b>343,561,003</b>	<b>343,561,003</b>	<b>343,561,003</b>	-	-

\*excluding statutory payables to the government and current portion of accrued fixed assets (see Note 24)

\*\*contractual cash flows include future interest payment

\*\*\*excluding deferred income, unredeemed gift certificates and VAT payable

	As at December 31, 2022				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>					
Trade and other payables*	<b>P26,225,235,420</b>	<b>P26,225,235,420</b>	<b>P26,225,235,420</b>	<b>P -</b>	<b>P -</b>
Due to related parties	<b>49,497,532</b>	<b>49,497,532</b>	<b>49,497,532</b>	-	-
Lease liabilities	<b>39,219,731,431</b>	<b>70,302,918,416</b>	<b>3,765,152,786</b>	<b>14,926,559,695</b>	<b>51,611,205,935</b>
Long-term loans including current portion**	<b>11,665,793,200</b>	<b>14,619,020,133</b>	<b>506,389,883</b>	<b>8,874,812,000</b>	<b>5,237,818,250</b>
Accrued fixed assets	<b>1,121,326,981</b>	<b>1,361,806,080</b>	<b>320,424,960</b>	<b>1,041,381,120</b>	-
Other current liabilities***	<b>314,244,209</b>	<b>314,244,209</b>	<b>314,244,209</b>	-	-

\*excluding statutory payables to the government and current portion of accrued fixed assets (see Note 24)

\*\*contractual cash flows include future interest payment

\*\*\*excluding deferred income, unredeemed gift certificates and VAT payable

### 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:

	<b>2023</b>	2022	2021
Financial assets:			
Cash in banks	<b>P16,394,013,918</b>	P12,567,230,455	P8,298,899,619
Money market placements	<b>24,193,734,640</b>	25,071,732,805	32,445,645,484
Government securities	<b>4,588,450,000</b>	4,268,095,378	-
	<b>P45,176,198,558</b>	P41,907,058,638	P40,744,545,103

### Sensitivity Analysis

A 2.0% increase in interest rates would have increased equity and net income by P67.8 million, P62.9 million and P61.1 million in 2023, 2022 and 2021, 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.

### 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 and quoted market prices 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 December 31, 2023 and 2022, the Group's investment in financial assets at FVTPL for equity securities and government securities are classified as Level 1 and 2, respectively.



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the “Group”) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 included in this Form 17-A, and have issued our report thereon dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group’s management. Such additional components include:

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until September 20, 2026  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to be 'D.M. Dioso', written over a light blue horizontal line.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 10075179

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE A. FINANCIAL ASSETS**

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Various banks/Cash and cash equivalents	N/A	P40,587,748,558	P40,587,748,558	P1,112,381,124*
Various customers and suppliers/Receivables - net	N/A	4,669,290,509	4,669,290,509	-
Various lessors/Security deposit	N/A	1,829,521,459	1,829,521,459	-
Bureau of Treasury (BTR)/Government securities	4,588,450,000	4,588,450,000	4,562,423,303	190,397,830
Various publicly-listed companies/Equity securities	959,578	37,689,942	37,689,942	6,405,009**
		<b>P51,712,700,468</b>	<b>P51,686,673,771</b>	<b>P1,309,183,963</b>

**Notes:**

\*This represents interest income earned, net of final tax.

\*\* This represents unrealized valuation loss on trading securities.

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**

**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Mr. Lucio L. Co - Chairman	P2,397,623	P4,530,035	(P2,397,812)	P -	P4,529,846	P -	P4,529,846
Various employees	4,323,503	7,970,524	(3,373,273)	-	8,920,754	-	8,920,754
	<b>P6,721,126</b>	<b>P12,500,559</b>	<b>(P5,771,085)</b>	<b>P -</b>	<b>P13,450,600</b>	<b>P -</b>	<b>P13,450,600</b>

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES****SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Kareila Management Corporation	P1,238,459,174	P1,538,593,054	(P1,232,762,444)	P -	P1,544,289,784	P -	P1,544,289,784
Puregold Price Club, Inc.	192,000	141,599,275	(32,641,565)	-	109,149,710	-	109,149,710
	<b>P1,238,651,174</b>	<b>P1,680,192,329</b>	<b>(P1,265,404,009)</b>	<b>P -</b>	<b>P1,653,439,494</b>	<b>P -</b>	<b>P1,653,439,494</b>

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE D. LONG TERM DEBT**

Title of Issue and type of obligation	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	China Banking Corporation	P3,355,343,750	P35,000,000	P3,320,343,750	4.5%	N/A	September 30, 2030
	Development Bank of the Philippines	2,896,339,286	30,000,000	2,866,339,286	4.0%	N/A	September 30, 2027
	Keb Hana Bank	482,991,071	5,000,000	477,991,071	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,448,169,643	15,000,000	1,433,169,643	4.0%	N/A	September 30, 2027
	Land Bank of the Philippines	1,446,588,462	15,000,000	1,431,588,462	4.5%	N/A	September 30, 2030
	Metropolitan Bank & Trust Co.	965,714,286	10,000,000	955,714,286	4.0%	N/A	September 30, 2027
	Shinhan Bank	482,991,071	5,000,000	477,991,071	4.0%	N/A	September 30, 2027
	The Insular Life Assurance Company, Ltd.	482,991,071	5,000,000	477,991,071	4.0%	N/A	September 30, 2027
<b>Totals</b>		<b>P11,561,128,640</b>	<b>P120,000,000</b>	<b>P11,441,128,640</b>			

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**

**SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)**

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Name of Related Parties	Balance at beginning of period	Balance at end of period
-------------------------	--------------------------------	--------------------------

**NOT APPLICABLE**

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS**

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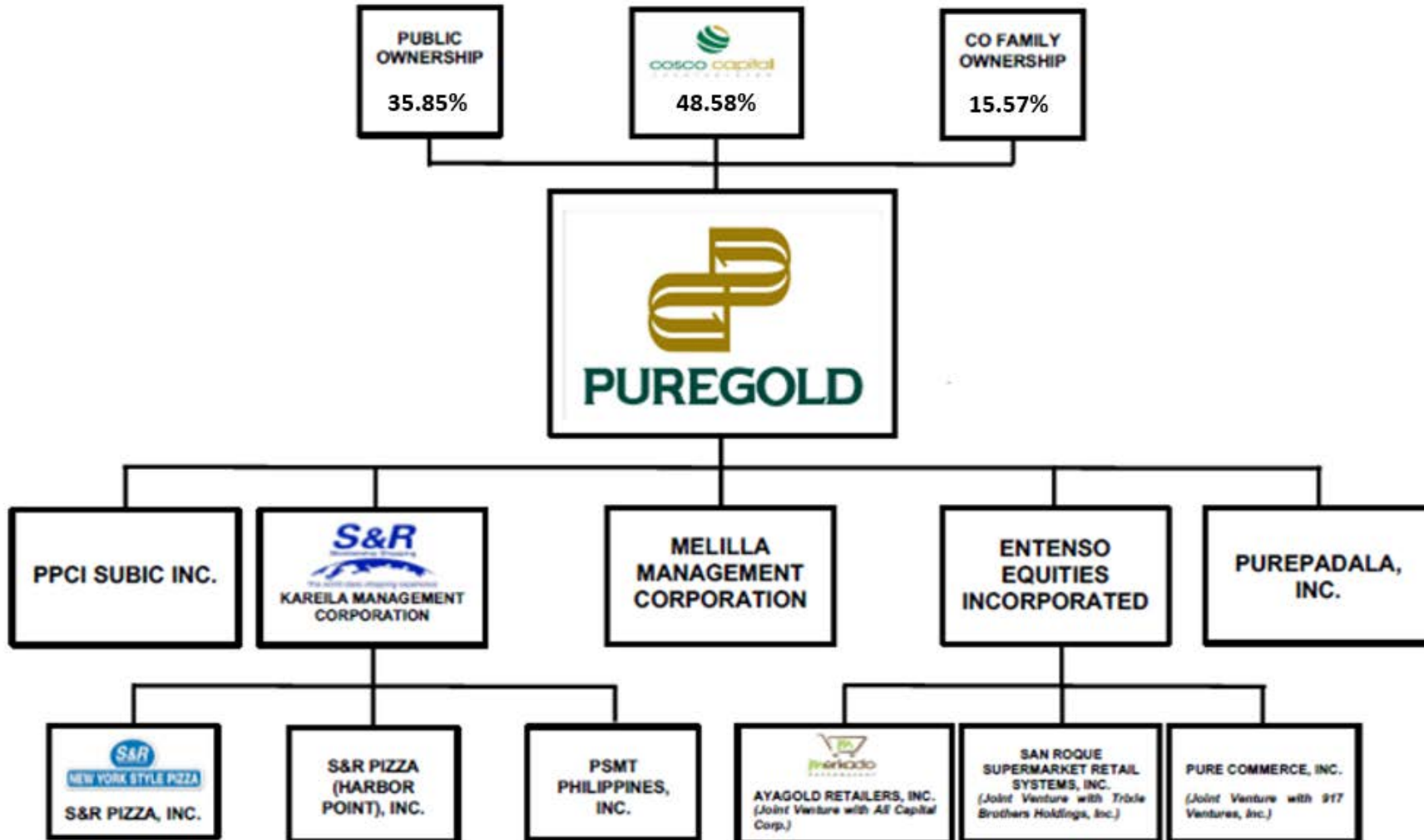
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee
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**NOT APPLICABLE**

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE G. CAPITAL STOCK**

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	<b>3,000,000,000</b>	<b>2,865,586,406</b>	<b>(38,627,680)</b>	<b>1,425,418,397</b>	<b>452,931,667</b>	<b>-</b>

**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**Map of Group of Companies Within which the Company Belongs**  
**As at December 31, 2023**



**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

**PUREGOLD PRICE CLUB, INC.**  
900 Romualdez, Street, Paco, Manila

<b>Unappropriated Retained Earnings, beginning of the reporting period</b>	<b>P30,479,663,604</b>
<b>Add: <u>Category A</u>: Items that are directly credited to Unappropriated Retained Earnings</b>	
Reversal of Retained Earnings Appropriation/s	P -
Effect of restatements or prior-period adjustments	-
Others (describe nature)	-
<b>Less: <u>Category B</u>: Items that are directly debited to Unappropriated Retained Earnings</b>	
Dividend declaration during the reporting period	(2,793,733,487)
Retained Earnings appropriated during the reporting period	-
Effects of restatements or prior-period adjustments	-
Others (describe nature)	(2,793,733,487)
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>27,685,930,117</b>
<b>Add: Net Income for the current year</b>	<b>5,907,421,235</b>
<b>Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>	
Equity in net income of associate/joint venture, net of dividends declared	-
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Unrealized foreign exchange gain of Investment Property	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-
<b>Sub-total</b>	<b>-</b>

Forward

---

**Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**

Realized foreign exchange gain, except those attributable to cash and cash equivalents	P -
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Realized foreign exchange gain of Investment Property	-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-

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Sub-total	P -
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**Add: Category C.3: Unrealized income recognized in profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)**

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-
Reversal of previously recorded fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-
Reversal of previously recorded fair value gain of Investment Property	-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-

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Sub-total	-
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<b>Adjusted Income</b>	<b>5,907,421,235</b>
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**Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**

Depreciation on revaluation increment (after tax)	-
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Sub-total	-
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Forward

<b>Add/Less: Category E: Adjustment related to relief granted by the SEC and BSP</b>		
Amortization of the effect of reporting relief	P	-
Total amount of reporting relief granted during the year		-
Others (describe nature)		-
Sub-total		<b>P -</b>
<b>Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution</b>		
Net movement of treasury shares (except for reacquisition of redeemable shares)		-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable		(335,622,089)
Adjustment due to deviation from PFRS/GAAP - gain (loss)		-
Others (describe nature)		-
Sub-total		<b>(335,622,089)</b>
<b>Total Retained Earnings, end of the reporting period available for dividend</b>		<b>P33,257,729,263</b>



R.G. Manabat & Co.  
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6787 Ayala Avenue, Makati City  
Philippines 1209  
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Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders  
**Puregold Price Club, Inc. and Subsidiaries**  
900 Romualdez Street  
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Puregold Price Club, Inc. and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 15, 2024.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until September 20, 2026  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of three years in the period ended December 31, 2023 and no material exceptions were noted (see Annex A).

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to be 'D.M. Dioso', written over a horizontal line.

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-030-2022

Issued June 27, 2022; valid until June 27, 2025

PTR No. MKT 10075179

Issued January 2, 2024 at Makati City

April 15, 2024

Makati City, Metro Manila

**Annex A**  
**PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS FOR**  
**ALL SECONDARY LICENSEES AND PUBLIC COMPANIES**  
**DECEMBER 31, 2023 AND 2022**

	2023	2022
Current Assets	P79,191,703,114	P78,998,059,853
Current Liabilities	28,867,356,556	29,877,257,868
<b>Current Ratio</b>	<b>2.74:1.00</b>	2.64:1.00
Total Liabilities	P83,350,641,234	P81,152,913,031
Shareholder's Equity	88,369,881,193	82,644,601,299
<b>Debt to Equity Ratio</b>	<b>0.94:1.00</b>	0.98:1.00
Total Asset	P171,720,522,427	P163,797,514,330
Total Liabilities	83,350,641,234	81,152,913,031
<b>Asset to Liability Ratio</b>	<b>2.06:1.00</b>	2.02:1.00
Total Assets	P171,720,522,427	P163,797,514,330
Shareholder's Equity	88,369,881,193	82,644,601,299
<b>Asset to Equity Ratio</b>	<b>1.94:1.00</b>	1.98:1.00
Earnings before Interest Expense and Taxes	P13,352,549,372	P14,481,327,475
Interest Expense	3,313,825,011	2,907,818,153
<b>Interest Rate Coverage Ratio</b>	<b>4.03:1.00</b>	4.98:1.00
Net Income	P8,595,521,335	P9,287,426,858
Average Total Assets	167,759,018,379	151,615,660,775
<b>Return on Asset Ratio</b>	<b>0.05:1.00</b>	0.06:1.00
Net Income	P8,595,521,335	P9,287,426,858
Average Shareholder's Equity	85,507,241,246	79,060,296,764
<b>Return on Equity</b>	<b>0.10:1.00</b>	0.12:1.00
Gross Profit	P35,414,230,567	P33,819,672,190
Net Sales	199,031,904,535	184,302,944,650
<b>Gross Profit Ratio</b>	<b>0.18:1.00</b>	0.18:1.00
Net Income	P8,595,521,335	P9,287,426,858
Net Sales	199,031,904,535	184,302,944,650
<b>Net Profit Ratio</b>	<b>0.04:1.00</b>	0.05:1.00

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **JAIME S. DELA ROSA**, Filipino, of legal age and a resident of [REDACTED], after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **PUREGOLD PRICE CLUB, INC.** for the years 2024 to 2025 and have been its independent director since 2017.
2. I am not affiliated with any company or organization at the moment.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rule and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Puregold Price Club, Inc.
5. I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not involved or employed in government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.
7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulation, Code of Governance, and other SEC issuances.
8. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the above-mentioned information within five days of their occurrence.

SIGNED, this **05 APR 2024** in the City of Manila.

  
**JAIME S. DELA ROSA**  
 Nominee for Independent Director  
 Puregold Price Club, Inc.

SUBSCRIBED AND SWORN to before me this **05 APR 2024** day of April 2024 in the City of Manila, the affiant personally appeared before me and exhibited to me competent proof of his identity.

Doc. No. **363**  
Page No. **74**  
Book No. **39**  
Series of 2024.

  
**CHERRIE LYNNE MAY R. LOREZA**  
 Notary Public for the City of Manila  
 Commission No. 2023-030 until Dec. 31, 2024  
 Rol No. 58325  
 IBP Lifetime Member No. 09093  
 PTR No. 1515456/01-02-2024/Mla.  
 MCLE Compliance No. NH-0008868/02-11-22  
 No. 900 Romualdez St., Paco, Manila

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **GIL B. GENIO**, Filipino, of legal age and a resident of [REDACTED] after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee for independent director of Puregold Price Club, Inc. for the years 2024 to 2025 and have been its independent director since 2023.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

<b>COMPANY/ORGANIZATION</b>	<b>POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
GT Capital Holdings	Independent Director	May 2022 to present
Institute of Corporate Directors	Fellow	February 2022 to present
Management Association of the Philippines	Member	In good standing for 2023

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Puregold Price Club, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Puregold Price Club, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

<b>NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER</b>	<b>COMPANY</b>	<b>NATURE OF RELATIONSHIP</b>
Susan Co	Puregold Price Club, Inc.	My daughter Jill Julie Genio Liong is married to Frederick Liong, whose mother Ellen Liong is the sister of Susan Co

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.
7. I shall inform the Corporate Secretary of Puregold Price Club, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this **05 APR 2024**, Manila City.

  
**GIL B. GENIO**  
 Affiant

05 APR 2024

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of April 2024 at Manila City, affiant personally appeared before me and exhibited competent proof of his identity.

Doc. No. 362  
Page No. 74  
Book No. 39  
Series of 2024.

  
**CHERRIE LYNNE MAY R. PUREZA**  
Notary Public for the City of Manila  
Commission No. 2023-030 until Dec. 31, 2024  
Roll No. 58325  
IBP Lifetime Member No. 09093  
PTR No. 1515456/01-02-2024/Mla.  
MCLE Compliance No. VI-0008868/02-11-22  
No. 900 Romualdez St., Paco, Manila



**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **EMMANUEL G. HERBOSA**, Filipino, of legal age, and a resident of [REDACTED] after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Puregold Price Club, Inc. (the "Corporation").
2. I am affiliated with the following companies or organizations:

Name of Company/Organization	Position/Relationship	Period of Service
Development Bank of the Philippines	President & CEO	2019-2023
Bank of the Philippine Island	Senior Vice President	1979-2013
Bank of Commerce	Executive Vice President	2014-2017
Ayala Insurance	Chief Operation Officer	2000-2003
Philippine Guaranty Corporation	President & CEO	2018-2019
De La Salle School Boards, De La Salle Brothers Fund, Inc.	Director	1993 to Present
P & Gers Fund, Inc.	Director	2004 to Present
NLEX Corporation	Independent Director	2024 to Present

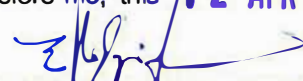
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission.
4. I am not related to any director/officer/substantial shareholder of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulations Code and its Implementing Rules and Regulations, Code of Corporate Governance and other issuances of the Securities Exchange Commission.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

SIGNED this 12<sup>th</sup> day of April 2024 at Manila City.

  
**EMMANUEL G. HERBOSA**  
 Affiant

**SUBSCRIBED AND SWORN TO** before me, this 12 APR 2024 at Manila City, affiant exhibiting to me his [REDACTED]

Doc. No. 175  
 Page No. 35  
 Book No. XXII  
 Series of 2024.

  
**EMMA RHEA B. SADURAL-CAPISTRANO**  
 Notary Public for the City of Manila  
 Commission No. 2023-102 until Dec. 31, 2024  
 Roll No. 55724  
 IBP Lifetime Member No. 07476  
 PTR No. 1515455/01-02-2024/Manila  
 MCLE No. VII-0007124/11-22-2021  
 No. 900 Romualdez St., Paco, Manila



Minutes of the Annual Stockholders' Meeting of  
**PUREGOLD PRICE CLUB, INC.**  
 May 9, 2023, 10 am, via Zoom Meeting

**ATTENDANCE:**

<b><u>STOCKHOLDERS PRESENT/REPRESENTED</u></b>	<b><u>NO. OF SHARES</u></b>	<b><u>PERCENTAGE</u></b>
Remote Communication	2,398,889,231	83.29%
<b>*TOTAL ATTENDANCE</b>	<b>2,398,889,231</b>	<b>83.29%</b>

The Chairman of the Board and the Annual Stockholders' Meeting, Mr. Lucio L. Co, welcomed the stockholders, directors, and officers of Puregold Price Club, Inc. He thanked them for attending the annual stockholders' meeting.

***A. Call to Order and Proof of Notice and Quorum***

Mr. Co called the meeting to order. He asked the Assistant Secretary, Atty. Candy H. Dacanay – Datuon, who was appointed to be the Secretary of the meeting, if there is a quorum in the annual stockholders' meeting. Atty. Candy H. Dacanay - Datuon replied that notices of the Annual Stockholders' Meeting were disseminated to all Stockholders of record of the Company following the pertinent issuances of the Securities and Exchange Commission and provisions of the Company's By-Laws. She added that she submitted the notice of the meeting, together with the Information Statements, to the Securities and Exchange Commission and the Philippine Stock Exchange, through the EDGE submission system, where the PSE approved it as a Company Announcement on April 4, 2023, and posted them on the Company website starting April 14, 2023.

She also mentioned that the members of the board<sup>1</sup>, who are at the same time nominees for re-election, the executive officers of the Company<sup>2</sup>, and the representatives from the External Auditor R.G. Manabat & Co. were in the meeting via videoconference.

Atty. Candy H. Dacanay - Datuon certified that there was a quorum for a valid transaction of business in the meeting because out of 2,880,137,615 common shares issued and outstanding of the Company as of record date, there were present in the meeting by remote communication and proxy, stockholders representing a total of 2,398,889,231 common shares, or equivalent to 83.29% of the Company's outstanding capital stock.

***B. Approval of the Minutes and Ratification of all acts of the Board of Directors and Management***

<sup>1</sup> Lucio L. Co, Susan P. Co, Ferdinand Vincent P. Co, Pamela Justine P. Co, Jack E. Huang, Leonardo B. Dayao, Gil B. Genio, Jaime S. Dela Rosa and Emmanuel G. Herbosa.

<sup>2</sup> Levi Labra (Adviser to the Board), Antonio Delos Santos, Joseph Sy, Renato Bechayda (Vice-President for Operations), Elvira Gutierrez (Vice-President for Human Resources), Denise Maria Carolino (Vice-President for Administration), Grace Sy (Treasurer), John Marson T. Hao (Sustainability Officer), Maricel Cambe and Kenneth Tiu (Finance Managers), Anthony Sy (S&R President) and Gisela Altura (S&R Comptroller).

Mr. Lucio Co proceeded with the next item on the agenda, the approval of the minutes of the previous stockholders' meeting and ratification of all acts of the Board of Directors and officers of the Company since the last Annual Stockholders' Meeting.

A motion was made to approve the minutes of the previous stockholders' meeting, together with all acts, proceedings, contracts, or deeds performed, entered into, or executed by the Company's Board of Directors and officers, be approved, confirmed, and ratified as if such acts, proceedings, contracts, or deeds had been performed, entered into, or executed with specific and special authorization of the stockholders in a meeting duly convened and held. The motion was duly seconded and carried out.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda. Atty. Candy H. Dacanay - Datuon presented the following result of voting *in absentia*:

	<b>Yes</b>	<b>No</b>	<b>Abstain</b>
Approval of the Minutes and Ratification of all acts of the Board of Directors and Management	2,398,889,231 (100%)	0	0

### **C. Approval of 2022 Annual Report and Audited Financial Statements**

Mr. Lucio Co moved to the next item on the agenda, the presentation of the Annual Report and approval of the Consolidated Audited Financial Statements of the Company as of December 31, 2022.

To present this item, the Company played a video presentation<sup>3</sup>, showing the Company's performance for the year 2022 and the highlights of its financial results. The Chairman and President's Report to stockholders are attached as **Annex "A"**.

Mr. Lucio Co asked the stockholders for any questions regarding the Company's Annual Report, and there were none. After that, a motion to approve the Annual Report and the Consolidated Audited Financial Statements of the Company were duly seconded. There being no objection, the motion was approved.

Mr. Lucio Co called upon the Secretary to present the votes garnered in the particular item in the agenda. Atty. Candy H. Dacanay - Datuon gave the following result of voting *in absentia*:

	<b>Yes</b>	<b>No</b>	<b>Abstain</b>
Approval of 2022 Annual Report and Audited Financial Statements	2,397,444,131 (99.94%)	1,445,100 (0.06%)	0

### **D. Election of Directors**

Mr. Lucio Co moved to the next item on the agenda, the election of the members of the Board of Directors for the year 2023-2024.

He mentioned that the Corporate Governance Committee pre-screened the qualifications of all nominees and prepared a final list of all candidates for directors, and

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<sup>3</sup> Available on the Company website.

that such list of candidates was made available to all stockholders through the information statements released to the public.

Atty. Candy H. Dacanay - Datuon announced the candidates for the 2023 Board of Directors:

1. Mr. Lucio Co
2. Mrs. Susan Co
3. Mr. Ferdinand Vincent Co
4. Mr. Leonardo Dayao
5. Ms. Pamela Justine Co
6. Mr. Jack Huang
7. Mr. Jaime D. Dela Rosa as Independent Director
8. Mr. Gil B. Genio as Independent Director
9. Mr. Emmanuel G. Herbosa as Independent Director

Mr. Lucio Co requested the Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	<b>Yes</b>	<b>No</b>	<b>Abstain</b>
Election of Lucio L. Co	2,217,647,703 (92.44%)	181,241,528 (7.56%)	0
Election of Susan P. Co	2,210,482,328 (92.15%)	188,406,903 (7.85%)	0
Election of Ferdinand Vincent P. Co	2,316,109,311 (96.55%)	82,779,920 (3.45%)	0
Election of Pamela Justine P. Co	2,306,535,611 (96.15%)	92,353,620 (3.85%)	0
Election of Leonardo B. Dayao	2,210,084,988 (92.13%)	188,804,243 (7.87%)	0
Election of Jack T. Huang	2,299,122,941 (95.84%)	99,766,290 (4.16%)	0
Election of Jaime S. Dela Rosa (ID)	2,386,041,056 (99.46%)	12,848,175 (0.54%)	0
Election of Gil B. Genio (ID)	2,397,126,206 (99.93%)	1,763,025 (0.07%)	0
Election of Emmanuel G. Herbosa (ID)	2,397,126,206 (99.93%)	1,763,025 (0.07%)	0

Mr. Lucio L. Co, thereafter, declared himself, Mrs. Susan P. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, Mr. Leonardo B. Dayao, and Mr. Jack E. Huang as regular directors of the Company for 2023 – 2024, Mr. Jaime S. Dela Rosa, Mr. Gil B. Genio and Mr. Emmanuel G. Herbosa as independent directors for 2023 – 2024.

### ***E. Re-appointment of R.G. Manabat & Company as External Auditor***

The Chairman moved to the next item on the agenda, the re-appointment of R.G. Manabat & Company as External Auditor. Mr. Lucio Co mentioned that the Audit Committee recommended that R.G. Manabat & Co., (KPMG) be re-appointed as the External Auditor of the Company and its subsidiaries for 2023 with an auditors fee of up to P7.1 million.

A motion to re-appoint R.G. Manabat & Co. (KPMG) as the external auditor of the Company and its subsidiaries for the year ending December 31, 2023, with an audit fee of up to P7.1 million was made and duly seconded.

Mr. Lucio Co requested the Secretary to present the results of the *in absentia* voting for this particular item on the agenda. Atty. Candy H. Dacanay - Datuon gave the following result:

	<b>Yes</b>	<b>No</b>	<b>Abstain</b>
Re-Appointment of External Auditor	2,344,370,851 (97.73%)	54,518,380 (2.27%)	0

### ***F. Other Matters***

Mr. Lucio Co asked the Secretary if there were matters left to be discussed. The Secretary mentioned that there are none. There were also no questions or concerns raised by the stockholders to be discussed in the meeting.

### ***G. Adjournment***

There was no other business to transact, so the Chairman requested a motion to adjourn the meeting. A motion was made and duly seconded. There being no objection, the meeting was adjourned.

Mr. Lucio Co thanked the stockholders and participants in the Annual Stockholders' Meeting.

Prepared by:

SGD.

**Atty. Candy H. Dacanay – Datuon**  
Assistant Corporate Secretary

Approved by:

SGD.

**Mr. Lucio L. Co**  
Chairman of the Board

CERTIFICATION

I, **CANDY H. DACANAY-DATUON**, Filipino of legal age, am the Assistant Corporate Secretary of **PUREGOLD PRICE CLUB, INC.** (the "Company"), hereby certify that none of the Company's directors and officers work for the Philippine Government as of the date hereof.


I am issuing this Certification as a requirement of the Securities and Exchange Commission for the issuance of the Company's Information Statement.

SIGNED this 18<sup>th</sup> day of April 2024, in the City of Manila, Philippines.

  
**CANDY H. DACANAY-DATUON**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 18 APR 2024 day of April 2024 in the City of Manila. Affiant exhibited her Integrated Bar of the Philippines Lifetime ID No. 09872.

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Series of 2024.

  
**LEONARDO B. SADRAL-CAPISTRANO**  
Notary Public for the City of Manila  
Commission No. 2023-102 until Dec. 31, 2024  
Roll No. 55724  
IBP Lifetime Member No. 07476  
PTR No. 1515453/01-02-2024/Manila  
MCLE No. VII-0007124/11-22-2021  
No. 506 Roxas Blvd. St., Paco, Manila