



May 15, 2019

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

Attention: **Vicente Graciano P. Felizmenio, Jr.**
Director – Market and Securities Regulation Division

The Philippine Stock Exchange, Inc.
6th Floor, PSE Tower
28th St., cor. 5th Ave.
BGC, Taguig City

Attention: **Janet A. Encarnacion**
Head – Disclosure Department

Subject: **SEC 17Q as of March 31, 2019**

GENTLEMEN:

For submission is the attached SEC 17-Q / First Quarter Consolidated Financial Statements of Puregold Price Club, Inc. as of March 31, 2019.

Thank you.

Very truly yours,


ATTY. CANDY H. DACANAY-DATUON
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: March 31, 2019
2. Commission identification number: A199813754
3. BIR Tax Identification No: 201-277-095
4. Exact name of issuer as specified in its charter: Puregold Price Club, Inc.
5. Province, country or other jurisdiction of incorporation or organization: Manila, Philippines
6. Industry Classification Code: [REDACTED] (SEC Use Only)
7. Address of issuer's principal office: No. 900 Romualdez St., Paco, Manila Postal Code: 1007
8. Issuer's telephone number, including area code: (632) 522-8801 to 04/ (632) 523-3055
9. Former name, former address and former fiscal year, if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	2,869,681,406 debt: Php17,215,079.80

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

Yes [/] No []

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

Philippine Stock Exchange

Common Share

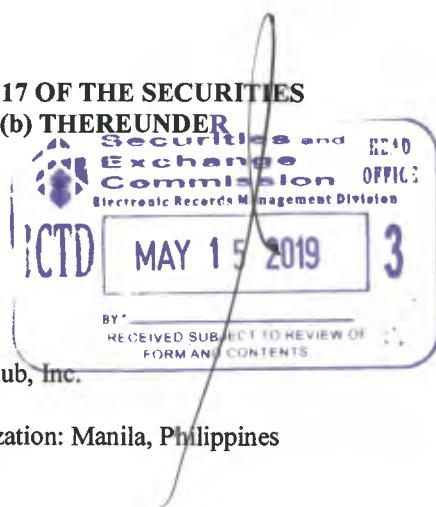
12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []



FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **SECTION A**

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

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

Top Key Performance Indicators

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

	March 2019	December 2018 (as restated)
Current Ratio ⁽¹⁾	3.24:1	2.07:1
Asset to Equity Ratio ⁽²⁾	1.62:1	1.85:1
Debt to Equity Ratio ⁽³⁾	0.62:1	0.85:1
Debt to Total Assets Ratio ⁽⁴⁾	0.38:1	0.46:1
Book Value per Share ⁽⁵⁾	P20.39	P19.36
Price Earnings Ratio ⁽⁶⁾	*22.58x	26.89x

* Based on annualized EPS

	March 2019	March 2018 (as restated)
Earnings per Share ⁽⁷⁾	P0.53	P0.49
Return on Assets ⁽⁸⁾	1.6%	1.5%
Return on Equity ⁽⁹⁾	2.7%	2.8%

- (1) Current Assets over Current Liabilities
- (2) Total Assets over Total Equity
- (3) Total Liabilities over Total Equity
- (4) Total Liabilities over Total Assets
- (5) Total Equity over Total Common Shares Outstanding
- (6) Market Value per Share over Earnings per Share
- (7) Net income after tax over Weighted Average Common Shares Outstanding
- (8) Net income after tax over Average Total Assets
- (9) Net income after tax over Average Total Equity

I. Results of Operations

For the period ended March 31, 2019, the Group earned a consolidated net income of P1,510 million at 4.3% net margin and an increase of 11.9% from P1,349 million at 4.4% net margin in the same period of 2018. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores.

The Group's comparative financial performance is presented below:

For the Three-month Periods Ended March 31					
(In millions)	2019	2018 (as restated)			
	% to Sales	% to Sales	% Change		
Net Sales	P34,832	100.0%	P30,868	100.0%	12.8%
Cost of Sales	28,767	82.6%	25,412	82.3%	13.2%
Gross Profit	6,065	17.4%	5,456	17.7%	11.2%
Other Operating Income	729	2.1%	673	2.2%	8.4%
Gross Income	6,794	19.5%	6,128	19.9%	10.9%
Operating Expenses	4,223	12.1%	3,772	12.2%	12.0%
Operating Income	2,571	7.4%	2,356	7.6%	9.1%
Other expenses – net	(433)	-1.2%	(437)	-1.4%	-0.9%
Net Income before tax	2,138	6.1%	1,919	6.2%	11.4%
Income tax expense	628	1.8%	570	1.8%	10.1%
Net Income after tax	P1,510	4.3%	P1,349	4.4%	11.9%

Net Sales

For the period ended March 31, 2019, the Group posted a consolidated net sales of P34,832 million for an increase of P3,964 million or a growth of 12.8% compared to P30,868 million in the same period of 2018. The full operation of new organic stores put up in 2018 boost the increase in consolidated net sales in addition to robust like for like stores sales growth and revenue contributions from new organic stores established during the first quarter of 2019.

Like for like sales performance indicators for the period ended March 31 are as follow:

	PGOLD		S&R	
	2019	2018	2019	2018
Net Sales	6.9%	5.1%	9.4%	11.1%
Net Ticket	9.0%	5.4%	8.0%	9.2%
Traffic	-1.9%	-0.3%	1.3%	1.7%

Gross Profit

For the period ended March 31, 2019, the Group realized an increase of 11.2% in consolidated gross profit from P5,456 million in 2018 at 17.7% margin to P6,065 million at 17.4% margin in the same period of 2019, driven by strong sales growth from new and old stores and sustained continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P56 million or 8.4% from P673 million in the three months of 2018 to P729 million in the same period of 2019. This is attributable to increase in concess income, membership income and rent income driven mainly by new stores opened during the year and full operation of new stores opened in 2018.

Gross Operating Income

Gross operating income for the first quarter of 2019 amounted to P6,794 million at a gross operating margin of 19.5% which grew by 10.9% from P6,128 million at 19.9% margin in the same period of 2018.

Operating Expenses

Operating expenses increased by P451 million or 12.0% from P3,772 million in the three-month period ended March 31, 2018 to P4,223 million in the same period of 2019. The incremental operating expenses were mainly attributable to depreciation expense as a result of adoption of the new accounting standard, *PFRS 16 – Leases*, taxes and licenses and utilities principally related to the establishment and operation of new organic stores.

Other Expense - net

Other expenses net of other income amounted to P433 million and P437 million for the three-month periods ended March 31, 2019 and 2018, respectively. Interest income increased in March 2019 due to higher placement in short-term investment as compared to the same period of 2018. Interest expense increased as well as a result of adoption of the new accounting standard, *PFRS 16 – Leases*.

Net Income

For the period ended March 31, 2019, the Group earned a consolidated net income of P1,510 million at 4.3% net margin and an increase of 11.9% from P1,349 million at 4.4% net margin in the same period of 2018. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets on the back of a sustained strong consumer demand. This has been augmented by combined management strategies and programs to boost revenue contributions from both the base stores as well as new stores.

II. Financial Condition

The Group's consolidated statements of financial position as at March 31, 2019 and December 31, 2018 are presented below:

(In millions)	March 2019		December 2018 (as restated)		
	% to Total Assets		% to Total Assets	%	
	Assets	Change			
Cash & cash equivalents	P7,638	8.0%	P10,687	10.8%	-28.5%
Receivables – net	2,465	2.6%	4,790	4.8%	-48.5%
Merchandise inventory	20,194	21.2%	19,732	19.9%	2.3%
Investments in trading securities	37	0.0%	37	0.0%	1.1%
Prepaid expenses and other current assets	1,822	1.9%	1,193	1.2%	52.7%
Total Current Assets	32,155	33.8%	36,438	36.8%	-11.8%
Investments	611	0.6%	611	0.6%	0.0%
Property and equipment – net	19,831	20.9%	19,489	19.7%	1.8%
Right-of-use asset – net	20,240	21.3%	20,447	20.6%	-1.0%
Deferred tax assets – net	366	0.4%	297	0.3%	23.1%
Intangibles and goodwill	19,732	20.8%	19,736	19.9%	0.0%
Other noncurrent assets	2,137	2.2%	2,115	2.1%	1.0%
Total Noncurrent Assets	62,917	66.2%	62,696	63.2%	0.4%
	P95,072	100.0%	P99,134	100.0%	-4.1%
Accounts payable and accrued expenses	P6,681	7.0%	P11,677	11.8%	-42.8%
Short-term loans payable	1,419	1.5%	4,756	4.8%	-70.2%
Income tax payable	1,489	1.6%	794	0.8%	87.5%
Due to related parties	13	0.0%	43	0.0%	-69.6%
Other current liabilities	327	0.3%	336	0.3%	-2.6%
Total Current Liabilities	9,930	10.4%	17,606	17.8%	-43.6%
Lease liabilities	25,738	27.1%	25,681	25.9%	0.2%
Long-term debt - net of current maturities and debt issue costs	400	0.4%	1,840	1.9%	-78.3%
Retirement benefits liability	478	0.5%	478	0.5%	0.0%
Total Noncurrent Liabilities	26,616	28.0%	27,999	28.2%	-4.9%
Total Liabilities	36,546	38.4%	45,606	46.0%	-19.9%
Capital stock	2,904	3.1%	2,800	2.8%	3.7%
Additional paid in capital	25,362	26.7%	20,830	21.0%	21.8%
Remeasurements of retirement liability - net of tax	274	0.3%	274	0.3%	0.0%
Treasury stock – at cost	(71)	-0.1%	(71)	-0.1%	0.0%
Retained earnings	30,057	31.6%	29,696	30.0%	1.2%
Total Equity	58,526	61.6%	53,528	54.0%	9.3%
	P95,072	100.0%	P99,134	100.0%	-4.1%

Working Capital

As at March 31, 2019 and December 31, 2018, the Group's working capital stood at P22,225 million and P18,832 million, respectively while its current ratio improved to 3.24 as at March 2019 from 2.07 as at December 2018.

Current Assets

As at March 31, 2019 and December 31, 2018, total current assets amounted to P32,155 million or 33.8% of total assets, and P36,438 million or 36.8% of total assets, respectively, for a decrease of P4,283 million or 11.8% as at March 31, 2019.

Cash and cash equivalents as at March 31, 2019 amounted to P7,638 million or 8.0% of total assets and decreased by P3,050 million or 28.5% 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, partial settlement of loans and capital expenditures for 2019 new organic stores.

Receivables amounted to P2,465 million as at March 31, 2019 or 2.6% of total assets, with a decrease of P2,325 million or 48.5% from P4,790 million in December 2018. The decrease was due to collections made during the period, bulk of which came from the high year end receivables.

Merchandise inventory amounted to P20,194 million or 21.2% of total assets at the end of March 2019. Total inventory increased by P462 million or 2.3% principally due to stocking requirements of existing and new operating stores including the stocking requirements of S & R warehouses particularly during the members' treat sale.

Investments in trading securities amounted to P37 million as at March 31, 2019 and December 31, 2018.

Prepaid expenses and other current assets amounted to P1,822 million and P1,193 million as at March 31, 2019 and December 31, 2018, respectively. The increase was mainly due to advance payment of taxes.

Noncurrent Assets

As at March 31, 2019 and December 31, 2018, total noncurrent assets amounted to P62,917 million or 66.2% of total assets, and P62,696 million or 63.2% of total assets, respectively, for an increase of P221 million or 0.4% as at March 31, 2019.

Investments amounted to P611 million as at March 31, 2019 and December 31, 2018.

Net book values of property and equipment increased by P342 million or 1.8% from P19,489 million in December 2018 to P19,831 million in March 2019. The increase was mainly due to additions made during the period intended for newly established/operating stores.

Right-of-use asset amounted to P20,240 million or 21.3% of total assets and P20,447 million or 20.6% of total assets as at March 31, 2019 and December 31, 2018, respectively.

Deferred tax assets – net amounted to P366 million or 0.4% of total assets and P297 million or 0.3% of total assets as at March 31, 2019 and December 31, 2018, respectively, for an increase of 23.1% or P69 million. The increase was due to recognition of deferred tax in compliance with PFRS 16 – Leases.

Intangibles amounted to P19,732 million as at March 31, 2019 and P19,736 million as at December 31, 2018.

Other noncurrent assets amounted P2,137 million as at March 31, 2019 and P2,115 million as at December 31, 2018.

Current Liabilities

As at March 31, 2019 and December 31, 2018, total current liabilities amounted to P9,930 million or 10.4% of total assets, and P17,606 million or 17.8% of total assets, respectively, for a decrease of P7,676 million or 43.6% as at March 31, 2019.

Accounts payable and accrued expenses amounted to P6,681 million and P11,677 million as at March 31, 2019 and December 31, 2018, respectively, and decreased by P4,995 million or 42.8% primarily due to settlement of trade and nontrade liabilities, bulk of which came from the high year end payables.

Short-term loans payable amounted to P1,419 million and P4,756 million as at March 31, 2019 and December 31, 2018, respectively, or a decrease of 70.2% or P3,337 million. The decrease was due to settlement made by the Parent Company due to high interest rates.

Income tax payable increased by P695 million from P794 million in December 2018 to P1,489 million in March 2019 due to recognition of income tax liability for the first quarter of 2019.

Due to related parties, representing royalty fees, amounted to P13 million for the period ended March 2019 and P43 million for the year ended December 2018. The decrease was due to settlement of liability incurred as at December 2018.

Other current liabilities decreased by P9 million or 2.6% from P336 million in December 2018 to P327 million in March 2019.

Noncurrent Liabilities

As at March 31, 2019 and December 31, 2018, total noncurrent liabilities amounted to P26,616 million or 28.0% of total assets, and P27,999 million or 28.2% of total assets, respectively, for a decrease of P1,383 million or 4.9% as at March 31, 2019.

Lease liabilities amounted to P25,738 million or 27.1% of total assets and P25,681 million or 25.9% of total assets as at March 31, 2019 and December 31, 2018, respectively, or an increase of P57 million or 0.2%.

Long-term debt – net of current maturities and debt issue costs amounted to P400 million and P1,840 million as at March 31, 2019 and December 31, 2018, respectively, for a decrease of P1,440 million or 78.3%. The decrease was due to settlement made by the Parent Company due to high interest rates.

Retirement benefits liability amounted to P478 million as at March 31, 2019 and December 31, 2018.

Equity

As at March 31, 2019 and December 31, 2018, total equity amounted to P58,526 million and P53,528 million, respectively, for an increase of P4,997 million or 9.3%.

Capital stock amounted to P2,904 million and P2,800 million as at March 31, 2019 and December 31, 2018, respectively, for an increase of P104 million or 3.7% due to top up placement of stocks at P45 per share, made in the first quarter of 2019.

Additional paid in capital amounted to P25,362 million and P20,830 million as at March 31, 2019 and December 31, 2018, respectively, for an increase of P4,531 million or

21.8%. The increase was due to the excess of the selling price of new shares issued over the par value of the stocks, net of direct expenses.

Retained earnings amounted to P30,057 million and P29,696 million as at March 31, 2019 and December 31, 2018, respectively, or an increase of P362 million or 1.2% due to income made during the period, net of dividend payments

III. Sources and Uses of Cash

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

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

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

	For the Three-month Periods Ended March 31	
	2019	2018 (as restated)
<i>(In millions)</i>		
Net cash used in operating activities	(P256)	(P2,577)
Net cash used in investing activities	(856)	(820)
Net cash used in financing activities	(1,938)	(2,170)
Net decrease in cash and cash equivalents	(P3,050)	(P5,567)

Net cash used in operating activities for the three-month period ended March 31, 2019 amounting to P256 million were mainly attributable to settlement of payables to both trade and nontrade suppliers, purchase of inventories and other related current operating items to support the Group's expansion.

Net cash used in investing activities for the three-month period ended March 31, 2019 amounting to P856 million were utilized for the acquisition of equipment, furniture & fixtures, construction of buildings and improvements on leased assets.

Net cash used in financing activities for the three-month period ended March 31, 2019 amounting to P1,938 million pertain to net settlement of loans and lease liabilities during the period.

IV. Material Events and Uncertainties

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

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

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report this First Quarter Financial Statements of Puregold Price Club, Inc. and its subsidiaries for the year 2019 to be signed on its behalf by the undersigned thereunto duly authorized.

May 14, 2019 in the City of Manila.

PUREGOLD PRICE CLUB, INC.

By:

FERDINAND VINCENT P. CO
President

Grace
GRACE E. SY
Treasurer

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**March 31, 2019, and December 31, 2018
and for the Three Months Ended March 31, 2019 and 2018**

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

	Note	March 2019	December 2018
		(Unaudited)	(As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P7,637,596,658	P10,687,359,234
Receivables - net	5, 22	2,464,592,704	4,789,798,078
Merchandise inventory	6	20,193,999,575	19,731,823,439
Financial assets at FVPL	7	36,921,005	36,502,592
Prepaid expenses and other current assets	8	1,821,843,519	1,192,910,954
Total Current Assets		32,154,953,461	36,438,394,297
Noncurrent Assets			
Investments	9	611,053,713	611,053,713
Property and equipment - net	10	19,831,252,280	19,489,073,780
Right-of-use assets - net	18	20,240,262,000	20,447,037,492
Intangibles and goodwill	11	19,732,099,542	19,736,251,070
Deferred tax assets - net	24	365,570,477	297,012,557
Other noncurrent assets	12, 18	2,136,894,745	2,115,425,536
Total Noncurrent Assets		62,917,132,757	62,695,854,148
		P95,072,086,218	P99,134,248,445
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	13, 22, 25	P6,681,185,890	P11,676,505,995
Short-term loans payable	14	1,419,258,816	4,756,300,000
Income tax payable		1,489,441,299	794,495,479
Due to related parties	22	13,236,897	43,474,532
Other current liabilities	15	326,814,141	335,626,065
Total Current Liabilities		9,929,937,043	17,606,402,071
Noncurrent Liabilities			
Lease liabilities	18	25,737,910,931	25,680,968,454
Long-term loan - net of current maturities	14	400,000,000	1,840,000,000
Retirement benefits liability	23	478,495,654	478,495,654
Total Noncurrent Liabilities		26,616,406,585	27,999,464,108
Total Liabilities		36,546,343,628	45,605,866,179
Equity			
Capital stock	25	2,904,214,086	2,799,914,086
Additional paid-in capital		25,361,670,581	20,830,391,081
Remeasurement of retirement benefits - net of tax		273,741,007	273,741,007
Treasury stock, at cost		(71,253,489)	(71,253,489)
Retained earnings		30,057,370,405	29,695,589,581
Total Equity		58,525,742,590	53,528,382,266
		P95,072,086,218	P99,134,248,445

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended March 31	
		2019	2018
	Note	<i>(As restated)</i>	
NET SALES			
Gross sales		P34,907,268,721	P30,932,257,452
Sales discount		75,381,560	64,538,789
	16	34,831,887,161	30,867,718,663
COST OF SALES	6, 17	28,766,924,314	25,411,979,153
GROSS PROFIT		6,064,962,847	5,455,739,510
OTHER OPERATING INCOME	16, 18, 19	728,974,070	672,526,264
		6,793,936,917	6,128,265,774
OPERATING EXPENSES	20	4,223,023,956	3,771,830,629
INCOME FROM OPERATIONS		2,570,912,961	2,356,435,145
OTHER INCOME (EXPENSES)			
Interest income	4	46,916,349	13,959,368
Interest expense	14	(467,751,721)	(436,954,690)
Others – net	7, 9, 10, 21	(12,566,128)	(14,394,565)
		(433,401,500)	(437,389,887)
INCOME BEFORE INCOME TAX		2,137,511,461	1,919,045,258
INCOME TAX			
Current		696,415,995	625,683,830
Deferred		(68,557,920)	(55,216,187)
	24	627,858,075	570,467,643
NET INCOME		P1,509,653,386	P1,348,577,615
Basic and diluted earnings per share	27	P0.53	P0.49

See Notes to the Interim Consolidated Financial Statements.

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

							Periods Ended March 31
	Note	Capital Stock	Additional Paid-in Capital	Remeasurements of Retirement Benefits	Treasury Stock - At Cost	Retained Earnings	Total Equity
Balance at January 1, 2018 (As restated)		P2,785,362,877	P20,830,391,081	P117,313,327	(P56,702,280)	P23,303,362,918	P46,979,727,923
Total comprehensive income							
Net income for the year		-	-	-	-	1,348,577,615	1,348,577,615
Other comprehensive income - net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	1,348,577,615	1,348,577,615
Transactions with owners of the Parent Company							
Effect of merger		14,551,209	-	-	14,551,209	-	-
Balance at March 31, 2018 (As restated)		P2,799,914,086	P20,830,391,081	P117,313,327	(P71,253,489)	P24,651,940,533	P48,328,305,538
Balance at January 1, 2019 (As restated)		P2,799,914,086	P20,830,391,081	P273,741,007	(P71,253,489)	P29,695,589,581	P53,528,382,266
Total comprehensive income							
Net income for the year		-	-	-	-	1,509,653,386	1,509,653,386
Other comprehensive income - net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	1,509,653,386	1,509,653,386
Transaction with owners of the Parent Company							
Issuance of shares of stocks	25	104,300,000	4,531,279,500	-	-	-	4,635,579,500
Cash dividends	25	-	-	-	-	(1,147,872,562)	(1,147,872,562)
Total transaction with owners of the Parent Company		104,300,000	4,531,279,500	-	-	(1,147,872,562)	3,487,706,938
Balance at March 31, 2019		P2,904,214,086	P25,361,670,581	P273,741,007	(P71,253,489)	P30,057,370,405	P58,525,742,590

See Notes to the Interim Consolidated Financial Statements.

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

		Periods Ended March 31	
	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P2,137,511,461	P1,919,045,258
Adjustments for:			
Depreciation and amortization	10, 11, 20	977,865,656	843,151,120
Interest expense	14	467,751,721	436,954,690
Unrealized valuation loss (gain) in trading securities	7, 21	(418,413)	5,716,524
Dividend income	9, 21	(173,115)	(156,192)
Interest income	4	(46,916,349)	(13,959,368)
Operating income before changes in working capital		3,535,620,961	3,190,752,032
Decrease (increase) in:			
Receivables		2,325,205,374	923,388,725
Merchandise inventory		(462,176,136)	(1,783,254,715)
Prepaid expenses and other current assets		(628,932,565)	(352,825,210)
Increase (decrease) in:			
Accounts payable and accrued expenses		(4,989,435,858)	(4,577,459,306)
Trust receipts payable		(30,237,635)	11,936,664
Due to related parties		(8,811,923)	47,339,375
Other current liabilities			
Cash generated from operations		(258,767,782)	(2,544,213,141)
Interest received		46,916,349	13,959,368
Interest paid		(42,955,176)	(37,094,779)
Income taxes paid		(1,470,175)	(9,983,294)
Net cash used in operating activities		(256,276,784)	(2,577,331,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	(950,226,620)	(725,435,735)
Investments	9	-	(65,000,000)
Proceeds from disposal of property and equipment		124,133,145	61,725
Increase in:			
Other noncurrent assets		(21,469,209)	(27,379,868)
Intangibles	11	(8,116,857)	(2,596,065)
Dividends received	22	173,115	156,192
Net cash used in investing activities		(855,506,426)	(820,193,751)

Forward

Periods Ended March 31		
Note	2019	2018
	(As Restated)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on lease liabilities	(P648,645,120)	(P583,709,482)
Payment of long-term loans payable	14 (1,440,000,000)	-
Payment of short-term loans payable	14 (3,353,411,184)	(480,000,000)
Availment of short-term loans payable	14 16,370,000	-
Issuance of shares of stocks	4,635,579,500	-
Cash dividends paid	25 (1,147,872,562)	(1,106,152,562)
Net cash used in financing activities	(1,937,979,366)	(2,169,862,044)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(3,049,762,576)	(5,567,387,641)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	10,687,359,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P7,637,596,658
		P2,498,258,594

See Notes to the Interim Consolidated Financial Statements

PUREGOLD PRICE CLUB, INC. AND SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

The Parent Company is principally involved in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, pharmaceutical and medical goods, etc.) on a wholesale and retail basis. The Group has three hundred seventy nine (379) operating stores and thirty-eight (38) food service stalls. Nine (9) stores were newly opened in 2019. Its registered office is located at 900 Romualdez Street, Paco, Manila.

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

	Percentage of Ownership	
	2019	2018
Kareila Management Corporation	100	100
S&R Pizza (Harbor Point), Inc.	100	100
S&R Pizza, Inc.	100	100
PPCI Subic, Inc. (PSI)	100	100
Entenso Equities Incorporated (Entenso)	100	100
Goldtempo Company Incorporated (Goldtempo) ^(b)	-	-
Daily Commodities, Inc. (DCI) ^(b)	-	-
First Lane Super Traders Co., Inc. (FLSTCI) ^(b)	-	-
Pure Padala, Inc. ^(a)	100	100

(a) Newly incorporated and has not started operations yet

(b) Merged to the Company in 2018

All subsidiaries are engaged in the same business as the Parent Company except for Entenso whose 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.

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on May 3, 2019.

Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for:

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

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.

Use of Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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:

Assessing Joint Arrangements

The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. Joint arrangements is classified into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Group has determined that its investments in joint arrangements are classified as investments in joint ventures.

As at March 31, 2019 and December 31, 2018, the carrying amount of its investments in joint ventures amounted to P169.63 million (see Note 9).

Distinction between Investment Property and Property and Equipment

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment or owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

The Group has determined that its properties are classified as owner-occupied properties.

Assessing Lease Agreements

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating Leases - Group as a Lessee

The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense recognized in profit or loss amounted to P36.96 million and P28.13 million in March 2019 and 2018, respectively (see Notes 18 and 20).

Operating Leases - Group as a Lessor

The Group has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P118.26 million and P100.38 million in March 2019 and 2018, respectively (see Notes 18 and 19).

Assessment of Computer Software and Licenses and Leasehold Rights

The Group acquired computer software and licenses and leasehold rights to be used for its primary line of business. The Group assessed that the computer software and licenses and leasehold rights are intangible assets since: (1) these are separable; in the case of computer software and licenses, these are not integral part of the related hardware, thus, the Group can sell the software and licenses individually or together with a related contract, asset or liability, and (2) they arose from contractual or other legal rights.

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

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 allowance for impairment losses on receivables amounted to P7.46 million as at March 31, 2019 and December 31, 2018. In March 2019 and December 2018, the Group did not recognize an additional allowance for impairment losses on receivables because the Group believes that all outstanding receivables are recoverable. The carrying amount of receivables amounted to P2,464.59 million and P4,789.80 million as at March 31, 2019 and December 31, 2018, respectively (see Note 5).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

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 (i.e., pre-termination of contracts). 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 inventory amounted to P20,194.00 million and P19,731.82 million as at March 31, 2019 and December 31, 2018, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Depreciation and amortization recognized in profit or loss amounted to P483.91 million and P433.94 million in March 2019 and 2018, respectively (see Notes 10 and 20). Property and equipment, net of accumulated depreciation and amortization, amounted to P19,831.25 and P19,489.07 million as at March 31, 2019 and December 31, 2018, respectively (see Note 10).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights

The Group estimates the useful lives and amortization methods of computer software and licenses and leasehold rights based on the period and pattern in which the assets' future economic benefits are expected to be consumed by the Group. The

estimated useful lives and amortization period of computer software and licenses and leasehold rights are reviewed at each reporting date and are updated if there are changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the computer software and licenses and leasehold rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the assumptions used.

Amortization recognized in profit or loss amounted to P12.27 million and P9.68 million in March 2019 and 2018, respectively (see Notes 11 and 20). Net carrying value of computer software and licenses and leasehold rights amounted to P230.56 million and P234.71 million as at March 31, 2019 and December 31, 2018, respectively (see Note 11).

Impairment of Goodwill, Trademark and Customer Relationships with Indefinite Lives
The Group determines whether goodwill, trademarks and customer relationships are impaired at least annually. This requires the estimation of the recoverable amounts of the goodwill, trademarks and customer relationships. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which the goodwill, trademarks and customer relationships relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill, trademarks and customer relationships with indefinite useful lives amounted to P19,501.54 million as at March 31, 2019 and December 31, 2018, respectively (see Note 11).

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 separate 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 March 31, 2019 and December 31, 2018.

As at March 31, 2019 and December 31, 2018, the following are the carrying amounts of nonfinancial assets:

	Note	March 2019	December 2018
Property and equipment - net	10	P19,831,252,280	P19,489,073,780
Intangibles and goodwill	11	19,732,099,542	19,736,251,070
Investments	9	611,053,713	611,053,713

Management assessed that there are no impairment losses on the Group's non-financial assets for the years ended March 31, 2019 and December 31, 2018.

Estimating Realizability of Deferred Tax Assets

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

As at March 31, 2019 and December 31, 2018, the Group recognized deferred tax assets amounting to P1,871.86 million and P1,802.49 million, respectively (see Note 24).

The Group has not recognized any provision as at March 31, 2019 and December 31, 2018.

Estimating Retirement Benefits Liability and Cost

The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and salary increase rates. Remeasurements of the retirement benefits liability are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation, return on plan assets, excluding amounts included in the net interest of the pension benefit obligation and any change in the effect of the asset ceiling.

Retirement benefits liability amounted to P478.50 million as at March 31, 2019 and December 31, 2018, respectively (see Note 23).

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2018 and accordingly, changed its accounting policies. The adoption did not have a material impact on the Group's consolidated financial statements.

A number of other amendments and interpretations are also effective from January 1, 2018 but they do not have a material effect on the Group's financial statements.

- *PFRS 15 Revenue from Contracts with Customers replaces PAS 11*

Construction Contracts, PAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Additional disclosures required by the amended standards and interpretation were included in the consolidated financial statements, where applicable.

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Group has not designated any financial liabilities as FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

The adoption of PFRS 9 has no significant impact on the Group's financial statements and additional required disclosures were made as applicable.

Impairment of Financial Assets

PFRS 9 replaces the 'incurred loss' model in PAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

For assets in the scope of the PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group assessed that the impact of providing ECL in its financial assets is immaterial (see Note 28).

Hedge Accounting

The Group has not entered into hedge accounting, thus this has no impact on the Group's financial statements.

PIC Q&A on Advances to Contractors

The Group adopted PIC Q&A 2018-15, PAS 1, *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018.

Advances to contractors and suppliers in relation to the construction of property and equipment previously presented under current assets were reclassified to noncurrent assets. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of application of these advances against billings. The interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (i.e., inventories, investment properties and property and equipment).

The Group has adopted the following amendments to standards starting January 1, 2019 and accordingly, changed its accounting policies.

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

The Group has applied PFRS 16 using the full retrospective approach.

Impacts on financial statements

The following table summarizes the impacts on adopting the new standards on the Group's consolidated financial statements.

Consolidated Statement of Financial Position

	As Previously Presented	PFRS 15	PFRS 16	As Restated
December 31, 2018:				
Assets:				
Right-of-use assets	P-	P-	P20,447,037,492	P20,447,037,492
Deferred tax assets (liabilities) – net	(135,128,978)	-	432,141,535	297,012,557
Liabilities:				
Lease liabilities	-	-	25,680,968,454	25,680,968,454
Noncurrent accrued rent	3,692,167,535	-	(3,692,167,535)	-
Equity:				
Retained earnings	30,805,211,473	-	(1,109,621,892)	29,695,589,581

Consolidated Statement of Comprehensive Income

	As Previously Presented	PFRS 15	PFRS 16	As Restated
March 31, 2018:				
Gross sales	P30,948,086,767	(P15,829,315)	-	P30,932,257,452
Cost of Sales	25,721,929,918	(309,950,765)	-	25,411,979,153
Other Income:				
Display Allowance	277,582,331	(277,582,331)	-	-
Listing Fee	56,935,138	(56,935,138)	-	-
Merchandising Support	2,310,455	(2,310,455)	-	-
Operating Expenses:				
Rent expense	719,771,649	-	(691,639,680)	28,131,969
Depreciation & Amortization	443,618,320	(9,723,436)	399,532,800	833,427,684
Salaries & Wages	486,454,817	(12,195,185)	-	474,259,632
Store Supplies	144,375,990	(18,448,245)	-	125,927,745
Repairs and maintenance	117,677,864	(992,514)	-	116,685,350
SSS, HDMF and Philhealth	36,021,018	(1,062,754)	-	34,958,264
Other selling expense	43,181,991	(284,339)	-	42,897,652
Interest expense	35,561,885	-	401,392,805	436,954,690
Provision for income tax	603,100,820	-	(32,633,177)	570,467,643
Net income after tax	1,425,230,363	-	(76,652,748)	1,348,577,615

Consolidated Statement of Cash Flows

	As Previously Presented	PFRS 15	PFRS 16	As Restated
March 31, 2018:				
Income before income tax	P2,028,331,183	-	(P109,285,925)	P1,919,045,258
Depreciation and amortization	443,618,320	-	399,532,800	843,151,120
Rent expense in excess of billings	107,930,198	-	(107,930,198)	-
Interest expense	35,561,885	-	401,392,805	436,954,690
Net cash used in operating activities	(3,127,922,623)	-	583,709,482	(2,544,213,141)
Payments on lease liabilities	-	-	(583,709,482)	(583,709,482)
Net cash used in by financing activities	(1,586,152,562)	-	(583,709,482)	(2,169,862,044)

New or Revised Standards, Amendments to Standards, and Interpretations Not Yet Adopted

A number of new and amendments to standards and interpretations are issued for annual periods beginning after January 1, 2018. However, the Group has not applied the following relevant new or amended standards in preparing the financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's financial statements.

Effective January 1, 2019

The following amended standards and interpretations are relevant but not expected to have a significant impact on the Group's consolidated financial statements.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. An entity shall disclose in its financial statements that fact if it applied the interpretation in an earlier period.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
 - b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
 - c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
 - d) clarifying the explanatory paragraphs accompanying the definition; and
 - e) aligning the wording of the definition of material across PFRS Standards and other publications.

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

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Financial Instruments

Initial Recognition and Subsequent Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

a. *Initial Recognition and Subsequent Measurement Prior to January 1, 2018*

Financial Assets

Initial Recognition and measurement. Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transactions costs that are attributable to the acquisition of the financial asset. The Group has no financial assets at FVPL and HTM investments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date the Group commits to purchase or sell the asset.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as described below:

- *Loans and receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, receivables, advances to contractors and security deposits (included as part of "Other noncurrent assets") are included in this category.

- *AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. The Group designates financial instruments as AFS financial assets if they are purchased and held

indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in other comprehensive income and are reported as “Cumulative unrealized gain (loss) on AFS financial assets” in equity. When the financial asset is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recognized in profit or loss. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on financial assets are recognized in profit or loss as “Dividend income” when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investments. The major factor of this decision is whether or not the Group will experience inevitable further losses on investments.

These financial assets are classified as noncurrent unless there is intention to dispose of such assets within 12 months of the reporting date.

The Group’s AFS financial assets include investment in equity securities.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL or loans and borrowings.

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

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

The Group's financial liabilities include accounts payable and accrued expenses, dividends payable and long-term debts, except payable to government agencies.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

b. Initial Recognition and Subsequent Measurement Effective January 1, 2018

Financial Assets

Initial Recognition and measurement. Financial assets are classified as financial assets measured at amortized cost, FVPL and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

Subsequent measurement. The subsequent measurement of financial assets depends on their classification as described below:

- *Financial assets at Amortized Cost.* This category is the most relevant to the

Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

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.

As at March 31, 2019, the Group's cash and cash equivalents, receivables, advances to contractors and security deposits (included as part of "Other non current assets") are included in this category.

- *Financial assets designated at FVOCI (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the separate statement of comprehensive income. Dividends earned on financial assets are recognized in profit or loss as "dividend income", when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at March 31, 2019, this category includes the Group's unquoted equity securities. Prior to adoption of PFRS 9, these financial assets were classified as AFS financial assets.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing

involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL or loans and borrowings.

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

Debt Issue Costs

Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Subsequent Measurement. The measurement of financial liabilities depends on their classification as described below:

- *Financial liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the separate statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability at FVPL.

- *Loans and borrowings.* This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group uses the expected credit losses model ("ECL") which is applied to all financial assets measured at amortized cost. The ECL is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit impaired. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that are credit impaired at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

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

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

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

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

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

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Group.

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

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

Offsetting Financial Instruments

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

Business Combinations

Business combinations and acquisition of entities other than those under common control are accounted for using the acquisition method as at the acquisition date - i.e., when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsidiaries

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10 *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of Control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary and any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in preparing the consolidated financial statements, in accordance with the accounting policy on consolidation. Unrealized losses are eliminated unless costs cannot be recovered.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

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.

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

Merchandise Inventory

Merchandise inventory is 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 inventory to its present location and condition.

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

Property and Equipment

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

are ready for use.

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

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

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

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

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

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

Investments in Joint Ventures and Associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control on an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an enterprise in which the investor has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The Group's investments in joint ventures and associates are accounted for under the equity method of accounting. Under the equity method, investments in joint ventures and associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investments in joint ventures and associates after the date of acquisition. The Group's share in profit or loss of the joint ventures and associates are recognized in the Group's profit or loss. Dividends received from the investments in joint ventures and associates reduce the carrying amount of the investments.

Investment in a Joint Operation

A joint arrangement is classified as joint operations when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognizes its share in the results of the joint arrangement aside from the

compensation from the use of its land and building. The Group has no capital commitments or contingent liabilities in relation to its interests in joint arrangements.

Intangible Assets and Goodwill

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademark and customer relationship with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Computer software and licenses and leasehold rights separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the assets to which they relate. All other expenditures are recognized in profit or loss when incurred.

The amortization is computed using the straight-line method over the estimated useful life of the capitalized software from the date it is available for use and amortized over five (5) years. Leasehold rights are amortized on a straight-line basis over the lease period of twenty (20) years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Gain or loss on disposal or retirement of an intangible asset with finite useful life is recognized in profit or loss when the asset is disposed of or retired.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole. The Group performs its impairment test of goodwill on an annual basis or earlier whenever events or changes in circumstances indicate that goodwill may be impaired.

Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits Cost

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

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

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

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

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

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

Equity

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

Other Comprehensive Income

Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans

that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue Recognition

Revenue from Contracts with Customers

The Company is in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company is the principal in its revenue arrangements except for concession income. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods* is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Accordingly, advances received prior to delivery of goods are recorded as unearned revenues and are earned upon physical delivery and acceptance by customer. Unearned revenues are classified as current liabilities.
- *Concession Income* pertains to a range of fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.
- *Membership Income* refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.
- *Other Income* from display, demonstration or sampling, listing fee, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Revenues outside the scope of PFRS 15

- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *Dividends* are recognized when the Group's right as a shareholder to receive the payment is established.
- *Interest Income* is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

Cost of Sales

Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the cost of storing and transporting the products (i.e., freight costs or trucking costs, cross-dock delivery fees, and other direct costs). Vendor returns and allowances are generally deducted from cost of sales.

The Group adopted PFRS 15 retrospectively which resulted to the following reclassifications in the statements of comprehensive income:

Before adoption of PFRS 15, display allowance and listing fee are classified under other operating income. The classification was based on the Group's assessment that the other income are distinct and separately identifiable. With the implementation of PFRS 15, management assessed that these other income would not occur without the purchase of goods from the suppliers and they are highly dependent on the purchase of the supplier products. Thus, these income are not distinct and should be accounted for as a reduction of the purchase price.

Operating Expenses

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

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

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

Deferred Tax

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the

accounting profit nor taxable profit or loss; and

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

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

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

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Leases

Group as Lessee

The Group recognizes a right-of-use asset and a 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 the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property and equipment. In addition, the right-of-use assets 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.

The lease liability is remeasured at amortised cost using 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 or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Cumulative excess of rent income over billing to tenants are presented as accrued rent income classified as part of noncurrent assets.

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.

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.

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.

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.

Events After the Reporting Date

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

4. Cash and Cash Equivalents

This account consists of:

	Note	March 2019	December 2018
Cash on hand		P1,357,677,427	P1,176,262,735
Cash in banks	28, 29	1,952,649,550	2,327,340,011
Money market placements	28, 29	4,327,269,681	7,183,756,488
	29	P7,637,596,658	P10,687,359,234

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 0.60% to 5.80% in March 2019 and December 2018. Interest income earned from cash in banks and money market placements amounted to P46.92 million and P13.96 million in March 2019 and 2018, respectively.

5. Receivables

This account consists of:

	Note	March 2019	December 2018
Trade receivables	22	P2,147,480,552	P3,383,202,926
Non-trade receivables	22	324,574,479	1,414,057,479
		2,472,055,031	4,797,260,405
Less allowance for impairment losses on trade receivables		7,462,327	7,462,327
	28, 29	P2,464,592,704	P4,789,798,078

Trade receivables generally have a one-to-30-day credit terms. Management believes that except for the account provided with allowance for impairment losses amounting to P7.46 million as at March 31, 2019 and December 31, 2018, all other receivables are collectible and therefore, no additional allowance is necessary.

Non-trade receivables represent the amounts due from suppliers with respect to "demo" or "sampling" conducted by suppliers' representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. This account also includes due from tenants in relation to rentals of store spaces and advances to employees which are collected by the Company through salary deduction.

6. Merchandise Inventory

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 inventory at cost as at March 31, 2019 and December 31, 2018 amounted to P20,194.00 million and P19,731.82 million, respectively. Inventory cost as at March 31, 2019 and December 31, 2018 is lower than NRV.

Inventory charged to the cost of sales amounted to P28,766.92 million, and P25,411.98 million in March 2019 and 2018, respectively (see Note 17).

7. Investments in Trading Securities

The investments in trading securities represent the Parent Company's investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at the reporting dates.

The movements and balances of these investments in trading securities are as follows:

	Note	March 2019	December 2018
Cost			
Balance at beginning of the year		P15,355,998	P15,355,998
Valuation Adjustments			
Balance at beginning of the year		21,146,594	31,531,878
Unrealized valuation gain (loss) for the year	21	418,413	(10,385,284)
		21,565,007	21,146,594
	29	P36,921,005	P36,502,592

8. Prepaid Expenses and Other Current Assets

This account consists of:

	March 2019	December 2018
Prepaid expenses	P1,473,522,969	P835,455,304
Input VAT	180,329,388	177,157,046
Deferred input VAT	167,991,162	180,298,604
	P1,821,843,519	P1,192,910,954

The details of prepaid expenses are as follows:

	Note	March 2019	December 2018
Taxes and licenses		P848,568,971	P235,665,656
Rent	18	363,722,425	372,464,353
Insurance		92,571,033	92,809,095
Advertising and promotion		83,041,503	88,984,008
Supplies		28,790,173	25,692,015
Repairs and maintenance		7,911,227	6,046,013
Others		48,917,637	13,794,164
		P1,473,522,969	P835,455,304

Prepaid taxes and licenses pertain to payments made to government for the unexpired portion of registration fees and other taxes.

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

Prepaid insurance refers to payments made in advance in return for insurance services covering the Group's merchandise inventory, property and equipment and others.

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

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.00 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

9. Investments

The details of investments are as follows:

	Note	March 2019	December 2018
Investment in associate	a	P433,542,657	P433,542,657
Investments in joint ventures	b	169,631,896	169,631,896
Financial Assets at FVOCI	c, 21	7,879,160	7,879,160
		P611,053,713	P611,053,713

a. *Investment in Associate*

On December 4, 2013, the Group through Entenso acquired equity interest of 49.34% in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through Entenso subscribed and paid additional one hundred ninety thousand eight (190,008) common shares from the unissued capital stock of the SRS for total cost of P19,000,800.

The carrying amount of its investment and its share in the net income of SRS follow:

	March 2019	December 2018
Carrying Amount		
Balance at beginning of the year	P433,542,657	P433,542,657
Share in net income	6,673,814*	6,673,814*
	P440,216,471	P440,216,471

*Unrecognized share in net income

The following table summarizes the financial information of SRS and the reconciliation of the share of net assets to the carrying amount of the Group's interest in SRS:

	December 2018
Percentage of ownership	49.34%
Current assets	P3,955,182,333
Noncurrent assets	221,748,333
Current liabilities	(3,825,817,091)
Noncurrent liabilities	(18,405,154)
Net assets	332,708,421
Group's share of net assets	164,158,335
Goodwill	276,058,136
Carrying amount of interest in joint venture	P440,216,471
Gross income	P483,357,637
Operating expenses	469,831,463
Net income/Total comprehensive income	13,526,174
Group's share of total comprehensive income	P6,673,814

b. *Investments in Joint Ventures*

PG Lawson Company, Inc.

On June 12, 2014, the Parent Company entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company that will operate convenience stores in the Philippines.

The Parent Company subscribed a total of 3,500,000 common shares at P100.00 par value for a total investment of P350.00 million representing a 70% interest while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150.00 million or 30% interest in the joint venture. PLCI was incorporated in the Philippines on June 2, 2014.

In 2017, the Parent Company subscribed and paid additional 1,400,000 common shares at P100.00 par value for a total amount of P140.00 million while Lawson subscribed and paid additional 600,000 common shares at P100.00 par value for a total amount of P60.00 million.

In April 2018, the Parent Company sold all of its investment in PLCI for a total consideration of P600.00 million which resulted in a gain on sale amounting to P363.00 million.

The carrying amount of its investment and its share in the losses of PLCI follow:

	March 2019	December 2018
Balance at beginning of the year	P -	P237,189,738
Additions	-	-
Share in net loss	-	-
Disposal	-	(237,189,738)
	P -	P -

The following table summarizes the financial information of PLCI and the reconciliation of the share of net assets to the carrying amount of the Group's interest in PLCI as at December 31, 2017:

Percentage of ownership	70%
Current assets	P250,672,472
Noncurrent assets	234,299,691
Current liabilities	(127,834,380)
Noncurrent liabilities	(18,295,300)
Net assets	338,842,483
Group's share of net assets	237,189,738
Carrying amount of interest in joint venture	P237,189,738
Gross income	P472,138,114
Operating expenses	705,932,018
Net loss/Total comprehensive loss	(233,793,904)
Impact of previous years' audited operating results	5,499,377
Adjusted net results	(228,294,527)
Group's share of total comprehensive income	(P159,806,169)

AyaGold Retailers, Inc.

On July 8, 2013, the Group through Entenso entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. AyaGold was incorporated in the Philippines on July 8, 2013 and started operation on July 31, 2015 with the opening of its first supermarket

“Merkado” located at U.P. Town Center.

Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60.00 million representing 50% interest each to the joint venture.

In February 2018, both parties subscribed for an additional 32,500,000 common shares at P1.00 par value for a total amount of P65.00 million.

The redeemable preferred shares shall have the following features:

- (a) Voting rights;
- (b) 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;
- (c) 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
- (d) Redeemable at the option of the joint venture.

The carrying amount of its investment and its share in the losses of AyaGold follow:

	March 2019	December 2018
Balance at beginning of the year	P169,631,896	P123,004,546
Additions	-	32,500,000
Share in net income	-	14,127,350
	P169,631,896	P169,631,896

The following table summarizes the financial information of Ayagold and the reconciliation of the share of net assets to the carrying amount of the Group's interest in Ayagold as at December 31:

	2018	2017
Percentage of ownership	50%	50%
Current assets	P267,156,027	P259,740,877
Noncurrent assets	199,643,384	155,517,973
Current liabilities	(135,618,781)	(173,016,250)
Net assets	331,180,630	242,242,600
Group's share of net assets	165,590,315	121,121,300
Adjustments	4,041,581	1,883,246
Carrying amount of interest in joint venture	P169,631,896	P123,004,546
Gross income	P159,191,383	P120,857,719
Operating expenses	130,936,683	95,549,879
Net income (loss)/Total comprehensive income (loss)	28,254,700	25,307,840
Group's share of total comprehensive income	P14,127,350	P12,653,920

c. *Financial Assets at FVOCI*

Financial Assets at FVOCI include Tower Club shares amounting to P617,500 and Meralco preferred shares amounting to P7,261,660 which were acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Parent Company.

Dividend income related to these investments amounted to P0.17 million and P0.16 in March 2019 and 2018, respectively (see Note 21).

Acquisitions of Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2019 and 2018:

Entenso Equities Incorporated (Entenso)

On July 3, 2013, the Parent Company's BOD approved the acquisition of Entenso's entire outstanding capital stock. On the same day, the BOD of Entenso approved the increase in Entenso's authorized capital stock from P5.00 million divided into 50,000 shares at P100 par value to P1.00 billion divided into 10,000,000 shares at P100 par value.

In 2016 and 2015, the Company made an additional investment to Entenso amounting to P458 million and P1.7 billion, respectively. Entenso is in the process of filing application for increase in its authorized capital stock with the SEC.

Company E Corporation

On January 14, 2013, the Parent Company's BOD approved the acquisition of Company E Corporation (the company behind the Eunilaine Foodmart and Grocer E Supermart chains). The Parent Company acquired 290,000 common shares of Company E representing its total outstanding shares at P1,137.93 per share through cash. Company E has seven supermarkets within Metro Manila, six in Rizal province and two in the province of Cavite which will operate the same store as the Parent Company.

On March 25, 2014, the BOD approved the merger of the Parent Company with Company E Corporation. It was then ratified by at least two-thirds (2/3) votes of the stockholders on May 13, 2014. In April 1, 2015, upon approval by the SEC of the

merger, the existence of Company E ceased and all its assets and liabilities were merged with the Parent Company.

Kareila Management Corporation

On May 28, 2012, the acquisition of Kareila, operator of S&R Membership Shopping, through a “share-for-a-share” swap was approved by the SEC. The principal activities of Kareila include management of businesses, investing in the business that it manages, or of which it is the managing agent; and providing management investment and technical advice to commercial, industrial, manufacturing, and other enterprises.

The Parent Company issued 766,406,250 new common shares, with P1 par value, from its own authorized but unissued capital in exchange for 1,703,125 common shares, with P100 par value per share, of Kareila representing 100% of its outstanding capital stock. The fair market value of the Company’s shares based on the observable market price as at the date of acquisition is P21.50 per share or P16,477.73 million. The Company incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses.

On December 21, 2012, the BOD of Kareila approved the declaration of stock dividends amounting to P329.69 million from its unrestricted retained earnings as at December 31, 2012. The date of record and date of payment are April 15, 2013 and April 30, 2013, respectively.

On November 28, 2013, the BOD of Kareila resolved to increase its authorized capital stock from P500 million divided into 5 million shares, with par value of P100 per share to P3,000 million pesos divided into 30 million shares with a par value of P100 per share. Out of the increase in the authorized capital stock of P2,500 million, 25% of which or P625 million had been actually subscribed by the Parent company out of the stock dividend declared by Kareila. On the same date, the Kareila amended its articles of incorporation. Subsequently, on December 13, 2013, SEC approved the Kareila’s application of its increase in authorized capital stock.

PPCI Subic Inc.

The Parent Company invested P3.13 million in PPCI Subic Inc., an entity incorporated on May 31, 2012. The investment represents 100% of the outstanding capital stock of the investee. PPCI Subic Inc. will operate as a Puregold store within the area of the Subic Bay Economic Zone, Zambales. It started commercial operations on September 20, 2012.

10. Property and Equipment

The movements in this account are as follows:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Total
Cost							
Balance, December 31, 2017	P5,892,512,141	P2,495,771,090	P7,665,588,835	P8,909,844,871	P436,227,845	P1,024,738,318	P26,424,683,100
Additions	236,614,230	154,854,007	888,235,212	625,647,103	-	1,753,032,868	3,658,383,420
Reclassifications	246,162,042	27,710,709	321,155,770	1,058,744,680	-	(1,653,773,201)	-
Disposals	-	(4,273,740)	(27,821,469)	(11,374,253)	-	-	(43,469,462)
Balance, December 31, 2018	6,375,288,413	2,674,062,066	8,847,158,348	10,582,862,401	436,227,845	1,123,997,985	30,039,597,058
Additions	25,720,205	67,746,467	268,248,275	77,042,112	-	540,482,405	979,239,464
Reclassifications	143,308,080	9,168,341	140,114,045	390,256,577	-	(682,847,043)	-
Disposals	-	(1,367,261)	(160,054,843)	-	-	-	(161,422,104)
Adjustments	(29,012,844)	-	-	-	-	-	(29,012,844)
Balance, March 31, 2019	6,515,303,854	2,749,609,613	9,095,465,825	11,050,161,090	436,227,845	981,633,347	30,828,401,574
Accumulated Depreciation and Amortization							
Balance, December 31, 2017	1,082,102,871	1,117,544,271	4,784,742,127	1,743,921,512	-	-	8,728,310,781
Depreciation and amortization	206,515,275	204,693,184	955,675,836	487,956,881	-	-	1,854,841,176
Reclassifications	(18,496)	(1,796,693)	1,700,955	114,234	-	-	-
Disposals	-	(2,247,593)	(25,477,173)	(4,903,913)	-	-	(32,628,679)
Balance, December 31, 2018	1,288,599,650	1,318,193,169	5,716,641,745	2,227,088,714	-	-	10,550,523,278
Depreciation and amortization	52,653,922	52,526,514	248,866,389	129,868,150	-	-	483,914,975
Disposals	-	(277,763)	(37,011,196)	-	-	-	(37,288,959)
Balance, March 31, 2019	1,341,253,572	1,370,441,920	5,928,496,938	2,356,956,864	-	-	10,997,149,294
Carrying Amount							
December 31, 2018	P5,086,688,763	P1,355,868,897	P3,130,516,603	P8,355,773,687	P436,227,845	P1,123,997,985	P19,489,073,780
March 31, 2019	P5,174,050,282	P1,379,167,693	P3,166,968,887	P8,693,204,226	P436,227,845	P981,633,347	P19,831,252,280

As at March 31, 2019 and December 31, 2018, the Parent Company has outstanding payable for property additions amounting to P1.17 million and P1.66 million, respectively (see Note 13). In addition, interest expense related to loans amounting to P11.97 million and P81.73 million was capitalized in March 2019 and December 2018, respectively (see Note 14).

No impairment loss was recognized in March 2019 and December 2018.

11. Intangibles and Goodwill

This account consists of:

	Note	March 2019	December 2018
Goodwill	a	P14,902,423,321	P14,902,423,321
Trademark	b	3,709,660,547	3,709,660,547
Customer relationships	b	889,452,981	889,452,981
Computer software and licenses - net	c	176,623,085	179,832,676
Leasehold rights	c	53,939,608	54,881,545
		P19,732,099,542	P19,736,251,070

a. *Goodwill*

The cost of goodwill is allocated to the CGUs as follows:

	March 2019	December 2018
Kareila	P12,079,473,835	P12,079,473,835
Budgetlane Supermarkets	837,974,199	837,974,199
DCI and FLSTCI	685,904,317	685,904,317
Gant	742,340,804	742,340,804
Company E	358,152,015	358,152,015
B&W	187,203,888	187,203,888
PJSI	11,370,121	11,370,121
Merger of PJSI and Gant to Parent Company	4,142	4,142
	P14,902,423,321	P14,902,423,321

The movements in goodwill are as follows:

	March 2019	December 2018
Balance at beginning of the year	P14,902,423,321	P14,902,423,321
Additions	-	-
Fair value adjustments	-	-
	P14,902,423,321	P14,902,423,321

Acquisition of B and W Supermart, Black and White Supermart and Goodshop Supermart (collectively referred to as "B&W Supermart").

On September 26, 2017, the Parent Company acquired substantially all the assets and rights of B&W Supermart and took over the operations of five (5) supermarkets located in Roxas City, Capiz for a total consideration of P270.00 million. The acquisition resulted in goodwill amounting to P187.20 million.

The following summarizes the identifiable assets acquired:

Purchase price consideration transferred	P270,000,000
Fair value of property and equipment	82,796,112
Goodwill	P187,203,888

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the net assets acquired and the liabilities assumed is attributable to goodwill. The goodwill comprises the fair value of expected synergies arising from the acquisition.

Key Assumptions on Impairment Testing of Goodwill

The Group performs impairment testing of goodwill annually. The recoverable amount of the cash generating units containing the goodwill is based on the value-in use which is determined on discounting the future cash flows to be generated from the continuing use of the cash generating units.

The following are the key assumptions used by the management in the estimation of the recoverable amount:

Net Sales. Growth rates and gross profit margins used to estimate future performance are highly dependent on past performance and experience of growth rates and operating gross profit margins achievable in the relevant industry and in line with the economy or with the nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective territories will also grow at par with the economy.

The revenue growth rates used for the gross revenues are as follows:

Operating Expenses. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

Discount Rate. Discount rates are derived from the Group's Weighted Average Cost of Capital (WACC) which is used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium. The pre-tax discount rates used as at December 31 are as follows:

	2018	2017
Kareila	13.30%	15.67%
Budgetlane Supermarkets	13.10%	11.94%
Gant	13.60%	15.77%
DCI and FLSTCI	13.60%	10.19%
Company E	13.50%	15.77%
B&W Supermart	13.00%	15.50%
PJSI	13.50%	15.77%

Terminal Growth Rate. The long-term rate used to extrapolate the cash flow projections of the acquired investments beyond the period covered by the recent budget excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the

forecast included in the cash flow projections. The terminal growth rates used in the cash flow projections for all cash generating units are 5.00% and 3.00% in December 2018 and 2017, respectively.

In December 2018, the management has identified that a reasonable change of the following assumptions would cause the carrying amount to equal the recoverable amounts of Budgetlane and B&W Supermarkets.

	Revenue Growth Rate	Discount Rate
Budgetlane Supermarkets	12.00%	15.80%
B&W Supermart	19.00%	12.30%

In December 2018, the management assessed reasonable changes for other key assumptions and has not identified any that could cause the carrying amounts to exceed the recoverable values of Budgetlane Supermarkets and B&W Supermart. Management believes that any reasonable change in any of the key assumptions would not cause the carrying amounts of the cash generating units for Gant, DCI and FLSTCI, Company E, and PJSI to exceed the recoverable values.

The recoverable amounts of Budgetlane Supermarkets and B&W Supermart are estimated to exceed their carrying amounts as at December 31, 2018 by P63.27 million and P11.33 million, respectively.

b. Trademark and Customer Relationships

This represents the fair value of S&R trade name and customer relationships determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist.

Impairment of Goodwill, Trademark and Customer Relationships

The recoverable amounts of goodwill, trademark and customer relationships has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plan approved by management. The VIU is based on a 5.00% terminal growth rate and discount rate of 14.36%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin. For purposes of growth rate sensitivity, a growth rate scenario of 2% and 3% is applied on the discounted cash flow analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill, trademark and customer relationship to exceed its recoverable amount.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at March 31, 2019 and December 31, 2018.

c. Leasehold Rights and Computer Software and Licenses

On January 25, 2013, the Parent Company executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by

these lessors. Under the agreement, the lessors 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 each lessor for a period of twenty (20) years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Parent Company recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

The movements and balances of leasehold rights and computer software and licenses as at and for the year ended consist of:

	Computer Software and Licenses	Leasehold Rights
Cost		
Balance, January 1, 2018	P336,525,821	P75,355,005
Additions	39,660,637	-
Balance, December 31, 2018	376,186,458	75,355,005
Additions	8,116,857	-
Balance, March 31, 2019	384,303,315	75,355,005
Accumulated Amortization		
Balance, January 1, 2018	159,315,726	16,705,709
Amortization	37,038,056	3,767,751
Balance, December 31, 2018	196,353,782	20,473,460
Amortization	11,326,448	941,937
Balance, March 31, 2019	207,680,230	21,415,397
Carrying Amount		
December 31, 2018	P179,832,676	P54,881,545
March 31, 2019	P176,623,085	P53,939,608

12. Other Noncurrent Assets

This account consists of:

	Note	March 2019	December 2018
Security deposits	18, 28, 29	P1,682,576,286	P1,661,386,728
Prepaid rent	18	109,329,829	111,498,354
Accrued rent income	18, 24	32,047,961	29,360,256
Advances to contractors		312,940,669	313,180,198
		P2,136,894,745	P2,115,425,536

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

Accrued rent income pertains to the excess of rent income over billing to tenants in accordance with PAS 17, *Leases*.

13. Accounts Payable and Accrued Expenses

This account consists of:

	Note	March 2019	December 2018
Trade	22, 28, 29	P4,626,378,299	P9,287,935,438
Non-trade	22, 28, 29	815,061,660	1,026,916,992
Dividends payable	25, 28, 29		-
Withholding taxes payable		164,152,112	172,972,526
Accrued expenses:	28, 29		
Manpower agency services		777,577,904	858,326,474
Utilities		135,352,334	170,073,802
Rent		29,642,686	45,509,242
Interest			6,539,491
Professional fees		5,501,604	5,883,110
Fixed asset acquisition	10	1,167,025	1,657,228
Others		126,352,266	100,691,692
		P6,681,185,890	P11,676,505,995

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 such as fixed asset acquisitions and structures under construction.

14. Loans Payable

This account consists of:

a. Short-term Loans Payable

The Group entered into the following loan facilities for additional working capital:

	March 2019	December 2018
Cosco Capital	P900,000,000	900,000,000
AUB	500,000,000	500,000,000
Puregold Finance	19,258,816	8,800,000
Metrobank	-	2,447,500,000
BDO	-	900,000,000
	P1,419,258,816	P4,756,300,000

Short-term loans are payable from three to twelve months and bear interest from 5.00% to 5.50% and 4.75% to 5.75% in March 2019 and December 2018, respectively.

The loan proceeds were used for inventory financing and other short-term working capital requirements.

In 2017, Kareila entered into unsecured short-term loans with Cosco at 2.50% interest rate per annum. In 2018, the loan was renewed for another six months at 4.75% interest per annum. An additional loan of P600.00 million was obtained in

2018 at 5.00% interest rate per annum.

b. Long-term Loans Payable

The outstanding loans are as follows:

	Note	March 2019	December 2018
Unsecured Peso Denominated			
Fixed rate note based on 6.40%	i	P-	P1,440,000,000
Fixed rate note based on 3.50%	ii	400,000,000	400,000,000
	28, 29	400,000,000	1,840,000,000
Less current portion		-	-
		P400,000,000	P1,840,000,000

i. On June 13, 2013, the Parent Company issued a P2 billion promissory note to a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is payable every month.

On May 2, 2018, the Parent Company partially paid the loan and the remaining balance of P1.44 billion was rolled over which is payable after 7 years and bears interest at 6.40% per annum.

The movements in debt issue costs are as follows:

	March 2019	December 2018
Balance at beginning of the year	P -	P795,346
Amortizations	-	(795,346)
Balance at end of year	P -	P -

ii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after 5 years. Its related interest is at 3.50% per annum. In 2015, P100.00 million of the loan was repaid in advance by the Company. The remaining balance of P400.00 million was renewed in 2018 for another 7 years at 6.40% interest rate per annum.

The loans are unsecured and are not subject to any covenants.

	March 2019				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans including current portion	P- 400,000,000	P- 422,217,143	P- 3,657,143	P- 14,628,571	P- 403,931,429

	December 2018				
	Carrying Amount	Contractual Cash Flows	1 Year or Less	Within 1 - 5 Years	More than 5 Years
Long-term loans including current portion	P1,440,000,000 400,000,000	P1,523,273,143 423,131,429	P13,165,714 3,657,143	P52,662,857 14,628,571	P1,457,444,572 404,845,715

There are no debt covenants for above unsecured loans entered into by the Group.

Interest expense from these loans amounting to P11.97 million and P81.73 million were capitalized in March 2019 and December 2018, respectively and recognized in building and leasehold improvements under property and equipment account (see Note 10). Remaining interest expense that was charged to profit and loss amounted to P37.07 million and P35.56 million in March 2019 and 2018, respectively.

15. Other Current Liabilities

This account consists of:

	Note	March 2019	December 2018
Deposits	18, 28, 29	P138,850,350	P149,238,744
Unredeemed gift certificates		133,832,115	127,912,876
VAT payable		48,489,429	40,659,413
Promotion fund		4,950,534	1,835,136
Loyalty and rewards		208,523	11,014,026
Others	28, 29	483,190	4,965,870
		P326,814,141	P335,626,065

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 issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable.

Loyalty and rewards are provided for the point's redemption of "Tindahan ni Aling Puring" and PERKS members. Points are earned upon purchase of participating items and may be used as payments of their purchases which make it due and demandable.

Promotion fund is promotional discount granted for the Group's promotion and advertising activities in partnership with suppliers.

Others include trust receipts payable and cashier's bond withheld from each cashier to compensate for any possible cash shortages in the store.

16. 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 or retail basis. The revenue from contracts with customers is disaggregated by revenue streams for the periods ended March 31:

	Note	2019	2018
			<i>(As restated)</i>
Sales of goods, net of discounts		P34,831,887,161	P30,867,718,663
Concession Income	19	451,137,162	409,263,337
Revenue from contract with customers		P35,283,024,323	P31,276,982,000

Sale of goods pertain to the net sales recognized in selling the Group's inventories and recognized at a point in time when control of the asset is transferred to the customer, generally upon delivery.

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store. The Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customer, it does not set prices or take inventory risk. The Group acts as an agent in selling to the end-consumer and is receiving a 'commission' in consideration for the service that it is performing for the concessionaire.

The Group recognizes a commission as a percentage of concess sales from the concessionaire as revenue, rather than the gross revenue from the sale of the concessionaire's goods.

There are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The transaction involves the Group committing to two performance obligations: the good purchased; and the rights related to the PERKS loyalty points. The Group allocates customer payments between products sales and loyalty points, based on their relative stand-alone selling prices.

The allocated transaction price of the points earned is recognized as a deferred revenue.

Revenue from the PERKS loyalty points is recognized upon redemption. The Group is unable to determine the number of points that will be used and assumes 100% redemption to ensure that it is not highly probable that there will be a significant reversal of revenue. In this case, management would recognize the revenue allocated to the points on redemption and on expiration of the points.

There are no performance obligations that are unsatisfied or partially unsatisfied as at March 31, 2019 and December 31, 2018. There are no assets recognized from the costs to obtain or fulfill a contract with customer.

17. Cost of Sales

This account for the periods ended March 31 consists of:

	<i>Note</i>	2019	2018 (As restated)
Beginning inventory	6	P19,731,823,439	P17,696,641,161
Add: Purchases		29,229,100,450	27,195,233,868
Total goods available for sale		48,960,923,889	44,891,875,029
Less ending inventory	6	20,193,999,575	19,479,895,876
		P28,766,924,314	P25,411,979,153

18. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The lease terms range from 5 to 42 years, renewable for the same period under the same terms and conditions. The rent is subject to escalation on the average of 1% to 10%. Rental payments are either fixed monthly or fixed per square meter based on the contracts.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or fixed per square meter. These are shown under "Prepaid expenses and other current assets" account and "Other noncurrent assets" account, respectively, in the consolidated statements of financial position (see Notes 8 and 12).

The Group leases assets including land and buildings. Information about leases for which Group is a lessee is presented below:

Right-of-use asset

The statements of financial position show the following amounts relating to leases:

	Land	Building	Total
Balance, January 1, 2018, as restated	P3,281,570,132	P16,932,541,896	P20,214,112,028
Additions	370,674,817	1,487,083,823	1,857,758,640
Depreciation charge for the year	(192,750,470)	(1,432,082,706)	(1,624,833,176)
Balance, December 31, 2018, as restated	3,459,494,479	16,987,543,013	20,447,037,492
Additions	-	274,906,804	274,906,804
Depreciation charge for the year	(54,910,938)	(426,771,358)	(481,682,296)
Balance, March 31, 2019	P3,404,583,541	P16,835,678,459	P20,240,262,000

Lease liabilities

	Note	March 2019	December 2018
		<i>(As restated)</i>	
Maturity analysis-contractual undiscounted cash flows			
Less than one year		P2,528,928,622	P2,375,712,909
One to five years		10,250,320,465	9,717,243,998
More than five years		37,564,973,063	35,031,216,696
Total undiscounted lease liabilities		P50,344,222,150	P47,124,173,603
Lease liabilities included in the statement of financial position		P25,737,910,931	P25,680,968,454

Amounts recognized in profit or loss

The statements of comprehensive income show the following amounts relating to leases for the periods ended March 31:

<i>(In thousand pesos)</i>	Note	2019	2018
		<i>(As restated)</i>	
Interest expense		(430,680,792)	(401,392,805)
Rent expense relating to lease of low-value assets		(36,960,156)	(28,131,969)

The scheduled maturities of non-cancellable minimum future rental payments relating to lease of low value assets are as follows:

	March 2019	December 2018
Due within one year	P32,690,351	P33,876,268
Due more than one year but not more than five years	54,103,000	62,139,817
Due more than five years	-	50,625
	P86,793,351	P96,066,710

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 15).

Rent income recognized in profit or loss in March 2019 and 2018 amounted P118.26 million and P100.38 million, respectively (see Note 19).

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

	March 2018	December 2018
Due within one year	P258,060,326	P260,144,891
Due more than one year but not more than five years	358,824,953	357,317,582
Due more than five years	89,901,027	95,071,499
	P706,786,306	P712,533,972

19. Other Operating Income

This account for the periods ended March 31 consists of:

	Note	2019	2018
			(As restated)
Concession income	16	P451,137,162	P409,263,337
Membership income		130,440,030	118,625,806
Rent income	18	118,263,628	100,378,651
Demo/sampling income		8,821,519	6,074,240
Miscellaneous		20,311,731	38,184,230
		P728,974,070	P672,526,264

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

Membership income pertains to fees from members of Kareila, PPCI and Subic wherein such fees permit only membership, and all other services or products are paid for separately.

Rent income relates to the income earned for the store spaces occupied by the tenants.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by Kareila in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others.

20. Operating Expenses

This account for the periods ended March 31 consists of:

	Note	2019	2018 (As restated)
Depreciation and amortization	10, 11	P966,700,905	P833,427,684
Manpower agency services		710,914,018	692,519,144
Communication, light and water		550,324,923	502,797,825
Salaries and wages		511,538,169	474,259,632
Security services		225,519,239	224,983,525
Taxes and licenses		212,540,848	176,234,372
Janitorial and messengerial services		169,343,853	151,136,261
Store and office supplies		161,134,405	125,927,745
Concession expense	22	123,289,986	122,500,527
Repairs and maintenance		115,016,748	116,685,350
Advertising and marketing		104,757,746	71,825,070
Insurance		50,921,925	46,804,802
Other selling expenses		40,350,054	42,897,652
Rent	18	36,960,156	28,131,969
SSS/Medicare and HDMF contributions		36,601,227	34,958,264
Transportation		35,612,267	19,493,463
Representation and entertainment		28,584,237	16,070,974
Input VAT allocable to exempt sales		23,814,772	24,516,974
Fuel and oil		19,666,252	17,222,715
Royalty	22	13,236,897	11,936,664
Professional fee		8,652,412	7,804,602
Miscellaneous		77,542,917	29,695,415
		P4,223,023,956	P3,771,830,629

21. Others

This account for the periods ended March 31 consists of:

	Note	2019	2018
Unrealized valuation gain (loss) on trading securities	7	P418,413	(P5,716,525)
Foreign exchange loss		230,138	178,482
Dividend income	9	173,115	156,192
Bank charges		(13,387,794)	(9,012,714)
		(P12,566,128)	(P14,394,565)

22. Related Party Transactions

Other than the items disclosed in Note 9, the Group's significant transactions and balances with related parties as at and for the periods ended March 31 and year ended December 31 are as follows:

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Loans (see Note 14)			
Parent											
Representation and entertainment	2018	c	P47,827	P-	P47,827	P-	P-	P-	P-	demandable	no impairment
Loans	2019	e	-	-	-	-	900,000,000	-	-	Due and	Unsecured;
	2018	e	600,000,000	-	-	-	900,000,000	-	-	demandable	
Insurance	2018	c	-	-	13,156	-	-	-	-	demandable	
Other Related Parties*											
Rent	2019	a	204,646,469	-	-	-	29,320,132	-	-	Due and	Unsecured;
	2018	a	177,069,525	-	3,088	-	25,747,668	-	-	demandable	no impairment
Concession expense	2019	b	123,289,986	-	-	-	-	-	-	Due and	Unsecured
	2018	b	51,085,703	-	-	-	92,395,254	-	-	demandable	
Purchase of merchandise	2019	c	631,506,830	-	-	105,889,283	-	-	-	Due and	Unsecured
	2018	c	481,289,967	-	-	504,052,460	-	-	-	demandable	
Sale of merchandise	2019	c	13,434,563	18,550,345	-	-	-	-	-	Due and	Unsecured;
	2018	c	14,590,944	12,786,493	-	-	-	-	-	demandable	no impairment
Security deposits	2019	c	549,710	-	-	-	144,675	-	-	Due and	Unsecured;
	2018	c	1,406,513	-	-	-	-	-	-	demandable	no impairment
Repairs and maintenance	2019	c	687,006	-	-	-	115,066	-	-	Due and	Unsecured;
	2018	c	140,975	-	8,340,292	-	15,323	-	-	demandable	no impairment
Utilities expense	2019	c	50,357,594	-	-	-	8,608,962	-	-	Due and	Unsecured;
	2018	c	59,530,592	-	5,748,592	-	2,010,376	-	-	demandable	no impairment

Forward

Related Party	Year	Note	Amount of Transactions for the Year	Outstanding Balances					Due to Related Parties	Terms	Conditions
				Trade Receivable (see Note 5)	Non Trade Receivable (see Note 5)	Trade Payable (see Note 13)	Non Trade Payable (see Note 13)	Loans (see Note 14)			
Advances	2018	c	P -	P -	P116,000,000	P -	P -	P -	P -	Due and demandable	Unsecured; no impairment
Communications	2019	c	65,430	-	-	-	13,819	-	-	Due and demandable	Unsecured
	2018	c	143,409	-	2,793	-	14,251	-	-	-	-
Management fee	2019	c	2,208,901	-	-	-	1,995,308	-	-	Due and demandable	Unsecured
	2018	c	3,058,200	-	-	-	2,072,162	-	-	-	-
Supplies	2019	c	12,856,823	-	-	-	1,063,985	-	-	Due and demandable	Unsecured
	2018	c	4,934,568	-	57,933	-	3,307,349	-	-	-	-
Insurance	2019	c	444,953	-	-	-	-	-	-	Due and demandable	Unsecured
	2018	c	201,322	-	94,657	-	6,395	-	-	-	-
Taxes and licenses	2019	c	73,229	-	-	-	-	-	-	Due and demandable	Unsecured
	2018	c	-	-	30,376	-	-	-	-	-	-
Fixed asset	2018	c	-	-	359,048	-	-	-	-	Due and demandable	Unsecured
Employee benefits	2019	c	21,396	-	-	-	5,030	-	-	Due and demandable	Unsecured
	2018	c	160	-	465	-	-	-	-	-	-
Transportation	2019	c	15,009	-	-	-	15,009	-	-	-	-
Representation and entertainment	2018	c	-	-	2,695	-	-	-	-	Due and demandable	Unsecured
Other Income	2018	c	-	-	2,082	-	-	-	-	-	-
Interest expense	2019	c	326,158	-	-	-	326,158	-	-	Due and demandable	Unsecured
Loans	2019		2,809,767	-	-	-	2,809,767	-	-	Due and demandable	Unsecured
	2018		-	-	-	-	-	-	-	-	-
Miscellaneous expense	2019		133,275	-	-	-	133,275	-	-	Due and demandable	Unsecured
Key Management Personnel											
Royalty expense	2019	d	13,236,897	-	-	-	-	-	13,236,897	Due and demandable	Unsecured
	2018	d	11,936,664	-	-	-	-	-	43,474,532	-	-
Rent expense	2019	a	5,961,241	-	-	-	-	-	-	-	-
	2018	a	5,787,613	-	-	-	-	-	-	-	-
Short-term benefits	2019		35,490,539	-	-	-	-	-	-	-	-
	2018		34,467,895	-	-	-	-	-	-	-	-
Total	2019		P18,550,345	P-	P105,889,283	P44,551,187	P -	P -	P13,236,897		
Total	2018		P12,786,493	P130,703,004	P504,052,460	P1,025,568,778	P -	P -	P43,474,532		

*Other related parties pertain to entities under common control.

a. Lease of Building

The Group leases the building from its related parties where some stores are located. The Group pays its related parties a minimum fixed amount or is calculated in reference to a fixed sum per square meter of area leased. The terms of the lease are for the periods ranging from ten to thirty-five (10-35) years, renewable for the same period under the same terms and conditions. The rent shall escalate by the range from 1% to 7%. Rental payments are fixed amounts based on the contracts.

b. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

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

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.
- The Consignor shall give the Consignee a trade or volume discount of its gross sales.
- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.
- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.
- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to five percent (5%) of the consignee's gross sales which was increased to fifteen percent (15%) on November 9, 2006. On January 1, 2011, the contract was further amended giving the consignee a trade or volume discount of ten percent (10%) of the consignee's gross sales.

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

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

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.
- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.
- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

c. Other Significant Transactions

These pertain to purchases and sale of merchandise, rent income, security deposits paid, repairs and maintenance, utilities, communications, taxes and licenses, cash advances granted to related parties, management fee supplies, insurance, fixed asset, communications, presentations and entertainment and employee benefits which are unsecured, noninterest-bearing and due and demandable. The Group has not made any allowance for impairment losses relating to receivables from related parties as at March 31, 2019 and December 31, 2018. This assessment is undertaken annually by management through examination of the financial position of related parties and the market in which they operate.

d. Royalty Agreement

On August 15, 2011, the Group (“licensee”) entered into a license agreement with a stockholder (“licensor”) for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

e. Loans

As discussed in Note 14, Kareila entered into unsecured short - term loans with Cosco amounting to P900.00 million in 2018. These loans are to be settled in cash upon its maturity.

The Parent Company entered into unsecured short-term loan with Puregold Finance amounting to P19.26 million and P8.80 million as at March 31, 2019 and December 31, 2018, respectively.

f. A stockholder has granted the Parent Company the right to use the trademark used in the stores of KMC as part of the sale of KMC to the Parent Company (Note 11).

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

23. Retirement Benefits Liability

The Parent Company and its subsidiaries has unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2018. Valuations are obtained on a periodic basis.

Salient Provisions of the Retirement Plan

Normal Retirement (Minimum Retirement Law, RA 7641)

The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves.

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

	March 2019	December 2018
Present value of defined benefit obligation	P504,207,438	P504,207,438
Fair value of plan assets	(25,711,784)	(25,711,784)
Retirement benefits liability	P478,495,654	P478,495,654

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

	March 2019	December 2018
Balance at January 1	P504,207,438	P564,085,747
Included in Profit or Loss		
Current service cost	-	132,931,025
Interest cost	-	32,152,888
	-	165,083,913
Included in other Comprehensive Income		
Remeasurements gain:		
Actuarial gain arising from:		
Financial assumptions	-	(343,324,419)
Experience adjustment	-	118,362,197
	-	(224,962,222)
Balance at December 31	P504,207,438	504,207,438

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

	March 2019	December 2018
Beginning of the year	P25,711,784	P25,912,570
Interest income	-	1,477,016
Remeasurement loss	-	(1,677,802)
End of the year	P25,711,784	P25,711,784

The movements of actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	March 2019	December 2018
Remeasurements of retirement liability at beginning of year	(P390,651,871)	(P167,393,168)
Actuarial gain on defined benefit obligation	-	(223,258,703)
Remeasurements of retirement liability at end of year	(P390,651,871)	(P390,651,871)

The cumulative remeasurements of retirement benefits liability, net of deferred income taxes, amounted to P273.74 as at March 31, 2019 and December 31, 2018, as presented in the consolidated statements of changes in equity.

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

	2018
Cash in banks	P1,810,041
Debt instruments - government bonds	23,657,118
Trust fees payable	(12,770)
Other	257,395
	P25,711,784

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

	March 2019	December 2018
Discount rate	7.53%	7.53%
Future salary increases	8.00%	8.00%

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

The weighted average duration of the defined benefit obligation at the end of the reporting period is 26.3 years.

Sensitivity Analysis

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

2018

	Increase	Decrease
Discount rate (1% movement)	(P105,323,932)	P83,525,380
Future salary increase rate (1% movement)	103,955,284	(84,070,916)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements

Since the Group does not have a formal retirement plan, funding to the plan are paid by the Group when needed.

Maturity analysis of the benefit payments:

	2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P504,207,438	P167,249,749	P29,708,291	P26,241,559	P111,299,899

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	Within 5 - 10 Years
Defined benefit obligation	P564,085,747	P123,425,704	P23,214,858	P19,300,587	P80,910,259

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

The Group does not expect to contribute to the plan in 2019.

24. Income Taxes

The components of income tax expense for the periods ended March 31 are as follows:

	2019	2018
Current tax expense	P696,415,995	P625,683,830
Deferred tax benefit	(68,557,920)	(55,216,187)
	P627,858,075	P570,467,643

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 for the periods ended March 31 is as follows:

	2019	2018
Income before income tax	P2,137,511,461	P1,919,045,258
Income tax expense at the statutory income tax rate:		
30%	P632,881,996	P569,297,942
5%	1,395,240	1,069,272
Income tax effects of:		
Non-deductible other expenses	3,669,379	2,810,518
Non-deductible interest expense	3,445,301	957,149
Dividend income exempt from tax	(51,934)	(46,857)
Changes in unrecognized DTA/DTL	314,193	303,826
Interest income subjected to final tax	(13,670,576)	(3,924,207)
Non-taxable income	(125,524)	-
	P627,858,075	P570,467,643

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

	March 2019		December 2018	
	Amount	DTA (DTL)	Amount	DTA (DTL)
Lease liability -net*	P5,339,412,516	P1,601,823,758	P5,108,198,427	P1,532,459,527
Retirement benefits liability	893,106,466	267,676,131	893,106,466	267,676,131
NOLCO	-	-	-	-
Allowance for impairment losses on receivables	7,462,327	2,238,698	7,462,327	2,238,698
Recognition of DTA due to Merger	389,731	116,919	389,731	116,919
DTA	6,240,371,040	1,871,855,506	6,009,156,951	1,802,491,275
Fair value of intangible assets from business combination	(4,599,113,528)	(1,379,734,058)	(4,599,113,528)	(1,379,734,058)
Actuarial gains	(390,677,587)	(116,936,583)	(390,677,587)	(116,936,583)
Accrued rent income	(32,047,961)	(9,614,388)	(29,360,256)	(8,808,077)
DTL	(5,021,839,076)	(1,506,285,029)	(5,019,151,371)	(1,505,478,718)
Net	P1,218,531,964	P365,570,477	P990,005,580	P297,012,557

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

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

25. Equity

Capital Stock and Additional Paid-in Capital

The Parent Company's authorized, issued and outstanding common stocks are as follow:

	March 2019	December 2018
Authorized - 3,000,000,000 shares (P1 par value)		
Issued and outstanding		
Balance at beginning of year	2,799,914,086	2,785,362,877
Issuances during the year	104,300,000	14,551,209
Balance at end of year	2,904,214,086	2,799,914,086

On June 7, 2011, the BOD approved the issuance of 50,000,000 shares. These were subscribed and paid in full on June 10, 2011.

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

The Parent Company acquired 100% equity interest of Kareila in exchange for the 766,406,250 common shares of the Parent Company's authorized but unissued capital stock on May 28, 2012. The fair value of shares as at the acquisition date is P21.50 per share. The additional paid-in capital net of direct transaction costs amounted to P15,661.57 million.

On January 16, 2019, the Parent Company conducted a top-up placement for a total of 104,300,000 common shares at P45.00 per share for a total amount of P4,693.50 million. The deal was done via an overnight book built offering with Mr. Lucio L. Co as the sole selling shareholder. On the same day, the Mr. Co subscribed for the same number of shares at P45.00 per share.

Treasury Stock

The Group's treasury shares are as follows:

	March 2019	December 2018
Balance at beginning of year	34,532,680	19,981,471
Additions	-	14,551,209
Balance at end of year	34,532,680	34,532,680

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

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2018 and 2017, the Parent Company already bought P34.53 million worth of shares 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 stock shares issued were recognized.

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

Retained Earnings

On December 22, 2016, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.10 per share on record date of January 12, 2017 and payment date of January 20, 2017. The total amount of dividends is P829.61 million.

On December 15, 2017, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of January 2, 2018 and payment date of January 26, 2018. The total amount of dividends is P1,106.15 million.

No dividends were declared in 2018.

On February 1, 2019, the Group's BOD approved the declaration of a regular dividend of P0.20 per share and special dividend of P0.20 per share on record date of February 15, 2019 and payment date of March 1, 2019. The total amount of dividends is P1,147.87 million.

On December 21, 2016, KMC's BOD approved an appropriation of retained earnings amounting to P2.7 billion to finance the construction of four (4) 'S&R Membership Shopping' stores and twelve (12) 'S&R New York Style Pizza' quick service restaurants (QSRs). In 2017, the said appropriation was reversed.

On December 15, 2017, KMC's BOD approved an appropriation of retained earnings amounting to P4.7 billion to finance the construction of six (6) new stores and twelve (12) QSRs.

26. Segment Information

The Group operates through stores in several locations. The combined financial statements of all stores is 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 nature of products, class of customers, and regulatory environment is the same for all the stores.

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*.

27. Basic/Diluted EPS

Basic/Diluted EPS for the periods ended March 31 is computed as follows:

	2019	2018
Net income (a)	P1,509,653,386	P1,348,577,615
Weighted average number of ordinary shares (b)	2,834,914,739	2,765,381,406
Basic/diluted EPS (a/b)	P0.53	P0.49

As at March 31, 2019 and December 31, 2018, the Group has no dilutive debt or equity instruments.

28. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

Credit Risk

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

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it

remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

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

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

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

	Note	March 2019	December 2018
Cash in banks and cash equivalents	4	P6,279,919,231	P9,511,096,499
Receivables - net	5	2,464,592,704	4,789,798,078
Security deposits*	12	1,682,576,286	1,661,386,728
P10,427,088,221		P15,962,281,305	

*Included under noncurrent assets.

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

	As of March 31, 2019		
	Grade A	Grade B	Grade C
At amortized cost:			
Cash in banks and cash equivalents	P6,279,919,231	P -	P -
Security deposits	1,682,576,286	-	-
Receivables - net	2,464,592,704	-	-
	P10,427,088,221	P -	P10,427,088,221

	As of December 31, 2018		
	Grade A	Grade B	Grade C
At amortized cost:			
Cash in banks and cash equivalents	P9,511,096,499	P -	P -
Security deposits	1,661,386,728	-	-
Receivables - net	4,789,798,078	-	-
	P15,962,281,305	P -	P15,962,281,305

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

- 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 probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
- Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since

these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

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

The aging of receivables - net at the reporting date are as follows:

	March 2019		December 2018	
	Gross Amount	Impairment	Gross Amount	Impairment
Current	P1,790,764,635	P -	P2,930,178,205	P -
Past due 1-30 days	305,200,146	-	955,111,912	-
Past due 31-60 days	120,661,424	-	420,908,784	-
More than 60 days	247,966,499	7,462,327	491,061,504	7,462,327
	P2,472,055,031	P7,462,327	P4,797,260,405	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 March 31, 2019				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P6,517,033,778	P6,517,033,778	P6,517,033,778	P -	P -
Short-term loans payable	1,419,258,816	1,447,892,256	1,447,892,256	-	-
Due to related parties	13,236,897	13,236,897	13,236,897	-	-
Long-term debt including current portion	400,000,000	422,217,143	3,657,143	14,628,571	403,931,429
Other current liabilities**	187,822,969	187,822,969	187,822,969	-	-
Lease liability	25,737,910,931	50,344,222,150	2,528,928,622	10,250,320,465	37,564,973,063

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

	As at December 31, 2018 (As Restated)				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses*	P11,503,533,469	P11,503,533,469	P11,503,533,469	P -	P -
Short-term loans payable	4,756,300,000	4,456,300,000	4,456,300,000	-	-
Due to related parties	43,474,532	43,474,532	43,474,532	-	-
Long-term debt including current portion	1,840,000,000	1,946,404,572	16,822,857	67,291,428	1,862,290,287
Other current liabilities**	154,204,614	154,204,614	154,204,614	-	-
Lease liability	25,680,968,454	47,124,173,603	2,375,712,909	9,717,243,998	35,031,216,696

*excluding statutory payables to the government

**excluding promotion fund, loyalty and rewards, unredeemed gift certificates VAT payable and other current liabilities of Kareila

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

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

	March 2019	December 2018
Financial assets (cash deposits):		
Cash in banks	P1,952,649,550	P2,327,340,011
Money market placements	4,327,269,681	7,183,756,488
	P6,279,919,231	P9,511,096,499

Sensitivity Analysis

A 2% increase in interest rates would have increased equity and net income by P8.79 million and P13.31 million, for the period ended March 31, 2019 and year ended December 31, 2018, respectively. A 2% decrease in interest rates would have had the equal but opposite effect. Assuming a 10% interest rate and on the basis that all other variables remain constant.

Other Market Price Risk

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

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed requirements.

29. Financial Instruments

The carrying amounts of Group's financial instruments approximate their fair values as at March 31, 2019 and December 31, 2018.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

Cash and Cash Equivalents, Receivables and Security Deposits

The carrying amounts of cash and cash equivalents and receivables approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets

The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities and derivative instruments linked to unquoted stock are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Short-term Loans, Due to Related Parties and Other Current Liabilities

The carrying amounts of accounts payable and accrued expenses, due to related parties, short-term loans and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Long-term Loans including Current Maturities

The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2019 and 2018 range from 3.50% to 6.40%.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

As at March 31, 2019 and December 31, 2018, the Group's investment in financial assets measured at FVPL and FVOCI were measured based on Level 1 and Level 3 classification, respectively.

As at March 31, 2019 and December 31, 2018, the Group has not introduced any movement among Levels 1, 2 and 3 classifications.