



June 8, 2023

PHILIPPINE STOCK EXCHANGE

9th Floor, Philippine Stock Exchange Tower
28th Street corner 5th Avenue, BGC Taguig
City

Attention: Ms. Alexandra D. Tom Wong
Officer-in-Charge - Disclosure Department

Subject: AllDay Marts, Inc.: **Definitive Information Statement**

Gentlemen:

Please see attached copy of the SEC Form 20-IS, Revised Definitive Information Statement, filed today for the Company's Annual Stockholders' Meeting on July 3, 2023.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "M. Barao".

Maria Cristina O. Barao
Chief Financial Officer

COVER SHEET

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(Company's Full Name)

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

Maria Cristina O. Barao

Contact Person

(+632) 8830-1900

Company Telephone
Number

1	2	3	1
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Month Day
Calendar Year

20-IS Definitive Information Statement

FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this
Doc.

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Amended Articles
Number/Section

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Total No. of

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Domestic

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Foreign

Total Amount of Borrowings

Stockholders

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier



CERTIFICATION

ALLDAY MARTS, INC.. (the "Company") hereby certifies that except for Ms. Camille A. Villar, none of the directors and officers of the Company named in the Information Statement for the Annual Meeting of its shareholders for the year 2023 works in the government as of the date hereof.

Ms. Villar is currently a duly elected Congresswoman, representing Las Piñas City. She is not disqualified from being, and does not require any consent or approval to serve as, a director of the Company on account of her said position.

Issued this 16th day of May 2023.

ALLDAY MARTS, INC.

By:


ARBIN OMAR CARIÑO

Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Jessie D. Cabaluna**, Filipino, of legal age and a resident of _____
after having been duly sworn to in accordance with law do hereby declare
that:

1. I am a nominee for independent director of **AllDay Marts, Inc.** and have been its independent director since August 5, 2021.
2. I am affiliated with the following companies or organizations:

Company / Organization	Position / Relationship	Period of Service
AllHome Corp.	Independent Director	8 July 2019-Present
Stetchworth	President	18 September 2019 to present
Anvaya Cove Beach and Nature Club, Inc.	Independent Director	30 July 2021 to present
Areit, Inc.	Independent Director	3 December 2021 to present
Alveira Country Club	Independent Director	21 March 2023-Present
SyCip Gorres Velayo & Co. (SGV)	Partner	1978 to 2017

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **AllDay Marts, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **AllDay Marts, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 19 2023 at MANDALUYONG CITY.


JESSIE D. CABALUNA
Affiant

SUBSCRIBED AND SWORN to before me this MAY 19 2023 at
MANDALUYONG, affiant personally appeared before me and exhibited to me her valid

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Series of 2023.


ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ROLL No. 53511
JSP Division Office No. 010533
PTR No. 516514764, Pin. 1-02111 Mandaluyong City
MCLE Compliance No. VR-2018241, Course dated 25 May 2022
Notarial Commission Appointment No. 0314-23
Vista Corporate Center, Upper Ground Floor
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Raul Juan N. Esteban**, Filipino, of legal age and a resident of _____ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **AllDay Marts, Inc.** and have been its independent director since August 5, 2021.
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Philippine Survey and Research Center	Managing Director	1989-Present
Vistamalls, Inc.	Independent Director	2014-Present
VistaREIT, Inc.	Independent Director	2022-Present

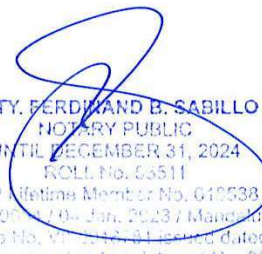
3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of **AllDay Marts, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **AllDay Marts, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 19 2023 at MANDALUYONG CITY.


RAUL JUAN N. ESTEBAN
Affiant

MANDALUYONG CITY SUBSCRIBED AND SWORN to before me this MAY 19 2023 at _____, affiant personally appeared before me and exhibited to me his valid ID _____

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Series of 2023.


ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ROLL No. 63511
ISP Lifetime Member No. 616538
PTR No. 5110541 / 04-Jan-2023 / Mandaluyong City
MCLE Compliance No. 61-10123-01 issued dated 25 May 2022
Notarial Commission Appointment No. 0314-23
Vista Corporate Center, Upper Ground Floor
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of stockholders of ALLDAY MARTS, INC. (the "**Company**" or "**ALLDY**") for the year 2023 will be held online on **3 July 2023, Monday at 10:00 a.m.** with the proceedings livestreamed and voting conducted in absentia through the Company's secure voting online facility which may be accessed through the Company's website for the 2023 AGM: <https://corporate.allday.com.ph/asm2023>.

The order of business thereat as follows:

- I. Call to order
- II. Certification of service of notice and presence of quorum
- III. Approval of the minutes of the last Annual Meeting of Stockholders held on July 4, 2022
- IV. Presentation of the President's Report, Management Report and Audited Financial Statements as of and for the year ended December 31, 2022
- V. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
- VI. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023. The nominees for directors and independent directors are the following:

Manuel B. Villar Jr.
Camille A. Villar
Frances Rosalie T. Coloma
Manuel Paolo A. Villar
Benjamarie Therese N. Serrano
Jessie D. Cabaluna (Independent Director)
Raul Juan N. Esteban (Independent Director)
- VII. Appointment of External Auditors
- VIII. Other Matters
- IX. Adjournment

Minutes of the 2022 Annual Meeting of Stockholders is available at the website of the Company, <https://corporate.allday.com.ph>.

The Board of Directors has fixed **30 May 2023** as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders' Meeting.

In light of the current circumstances, and to ensure the safety and welfare of the Company's stockholders, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication and voting only in absentia or by appointing the Chairman of the meeting as their proxy.

Stockholders who intend to participate in the meeting via remote communication and to exercise their vote in absentia must notify the Corporate Secretary by registering *in absentia* on or before **23 June 2023**. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who intend to appoint a proxy should submit duly accomplished proxy forms on or before **23 June 2023** at the Office of the Corporate Secretary at **Upper Ground Floor, Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City** and/or by email to omar_carino@risclawoffices.com.

The procedures for participating in the meeting through remote communication and for casting of votes in absentia are set forth in the Information Statement.


ARBIN OMAR P. CARIÑO
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Certification of service of notice and presence of quorum

The Corporate Secretary, Atty. Arbin Omar P. Cariño, will certify that copies of the Notice of Meeting were duly published in the business section of two (2) newspapers of general circulation, and will certify the number of shares represented in the meeting, for the purpose of determining the existence of quorum to validly transact business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up a designated web address which may be accessed by the stockholders to participate and vote in absentia on the agenda items presented for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

- (i) Stockholders may attend the meeting remotely through <https://corporate.allday.com.ph/asm2023> (the "Website"). Stockholders may send their questions or comments prior to the meeting by e-mail at ir@allday.ph. The Website shall include a mechanism by which questions may be posted live during the meeting. The Company will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Company's Investor Relations Office within a reasonable period after the meeting.
- (ii) Each of the Agenda items which will be presented for resolution will be shown on the screen during the live streaming as the same is taken up at the meeting.
- (iii) Stockholders must notify the Company of their intention to participate in the meeting by remote communication to be included in determining quorum, together with the stockholders who voted in absentia and by proxy.
- (iv) Voting shall only be allowed for stockholders registered in the Company's Electronic Voting in Absentia System provided in the Company's website for the 2023 Annual Meeting of Stockholders or through the Chairman of the meeting as proxy.
- (v) All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock represented at the meeting.
- (vi) Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
- (vii) The Company's stock transfer agent and Corporate Secretary will tabulate and validate all votes received.

2. Approval of the minutes of the last Annual Meeting of Stockholders held on 4 July 2022

The minutes of the last Annual Meeting of Stockholders held on 4 July 2022 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

A copy of such minutes has been uploaded on the Company's website.

3. Presentation of the President's Report, Management Report and Audited Financial Statements as of and for the year ended 31 December 2022

The audited financial statements ("AFS") of the Company as of and for the year ended 31 December 2022 (as audited by Punongbayan & Araullo), a copy of which is incorporated in the Definitive Information Statement for this meeting, will be presented for approval by the stockholders. The President and CEO of the Company, Ms. Frances Rosalie T. Coloma, will deliver a report to the stockholders on the Company's performance for the year 2022 (which will include highlights from the AFS) and the outlook for 2023.

The Board and Management of the Company believe it is in keeping with the Company's thrust to at all times observe best corporate governance practices, that the results of operations and financial condition of the Company be presented and explained to the shareholders. Any comment from the shareholders, and their approval or disapproval of these reports, will provide guidance to the Board and Management in their running of the business and affairs of the Company.

4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting

Ratification by the stockholders will be sought for all the acts and resolutions of the Board of Directors and all the acts of Management taken or adopted from the date of the last annual stockholders' meeting until the date of this meeting. A brief summary of these resolutions and actions is set forth in the Definitive Information Statement for this meeting. Copies of the minutes of the meetings of the Board of Directors are available for inspection by any shareholder at the offices of the Company during business hours.

The Board and Management of the Company believe it is in keeping with the Company's thrust to at all times observe best corporate governance practices, that ratification of their acts and resolutions be requested from the shareholders in this annual meeting. Such ratification will be a confirmation that the shareholders approve the manner that the Board and Management run the business and affairs of the Company.

5. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023

The Corporate Secretary will present the names of the persons who have been duly nominated for election as directors of the Company in accordance with the By-Laws and Revised Manual on Corporate Governance of the Company and applicable laws and regulations. The voting procedure is set forth in the Definitive Information Statement for this meeting.

6. Appointment of External Auditors

The Audit Committee is endorsing to the stockholders the re-appointment of Punongbayan & Araullo ("P&A") as external auditor of the Company for the fiscal year 2023.

PROXY

[NOTE: Stockholders who would like to be represented thereat by a proxy may choose to execute and send a proxy form to the Office of the Corporate Secretary, Atty. Arbin Omar P. Cariño at Upper Ground Floor, Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City on or before 23 June 2023. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to omar_carino@rlsclawoffices.com.]

The undersigned stockholder of ALLDAY MARTS, INC. (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote _____ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on 3 July 2023 at 10:00 a.m. and at any adjournment thereof for the purpose of acting on the following matters:

- | | |
|---|--|
| 1. Approval of the Minutes of the Annual Stockholders Meeting of the Company held on 4 July 2022
☐ Yes ☐ No ☐ Abstain | 5. Appointment of Punongbayan & Araullo ("P&A") as external auditor
☐ Yes ☐ No ☐ Abstain |
| 2. Approval of the Audited Financial Statements for the period ended 31 December 2022
☐ Yes ☐ No ☐ Abstain | |
| 3. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2022 until date of the meeting
☐ Yes ☐ No ☐ Abstain | |
| 4. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023 | _____
Printed name of Stockholder |

Name	No. of votes	_____
Manuel B. Villar Jr.	_____	Signature of Stockholder /
Camille A. Villar	_____	Authorized representative
Frances Rosalie T. Coloma	_____	
Manuel Paolo A. Villar	_____	
Benjamin Therese N. Serrano	_____	
Jessie D. Cabaluna	_____	_____
Raul Juan N. Esteban	_____	Date

This proxy should be received by the Corporate Secretary on or before 23 June 2023, the deadline for submission of proxies.

This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. (As amended on 7 July 2021 by at least a majority of the Board of Directors and by the Stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation)

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

Notarization of this proxy is not required.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **ALLDAY MARTS, INC.**
3. **Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CS201629673**
5. BIR Tax Identification Code **009-491-731-000**
6. **LGF Building B, Evia Lifestyle Center, Daanghari Road,**
Almanza Dos, Las Piñas City
Address of principal office **1750**
Postal Code
7. Registrant's telephone number, including area code **(+632) 8830-1900 / (+632) 8830-1901**
8. Date, time and place of the meeting of security holders
3 July 2023, 10:00 a.m. (via Remote Communication)
9. Approximate date on which the Information Statement is first to be sent or given to security holders
8 June 2023
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 or Amount of Debt Outstanding |
|---------------------------------------|---|
| Common stock (As of 3/31/2023) | 22,857,145,000 shares |
11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ☒ No ☐
- Name of Stock Exchange: **Philippine Stock Exchange**
Class of securities listed: **Common Stocks**

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

PART I

INFORMATION STATEMENT

GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date: July 3, 2023
Time: 10:00 a.m.
Place: Las Piñas City (via Remote Communication)
Link: <https://corporate.allday.com.ph/asm2023>

The corporate mailing address of the principal office of the Registrant is LGF Building B, Evia Lifestyle Center, Daanghari Road, Almanza Dos, Las Piñas City, Philippines.

This Information Statement may be accessed by the Company's stockholders beginning June 8, 2023 at the Company's website, <https://corporate.allday.com.ph>.

Dissenters' Right of Appraisal

Under Section 80, Title X, of the Revised Corporation Code of the Philippines ("Corporation Code"), any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Revised Corporation Code:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
- (3) In case of merger or consolidation; and
- (4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

None of the matters that are proposed to be taken up during the meeting gives a dissenter a right of appraisal.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of 31 March 2023

Common: 22,857,145,000

(b) Record Date: 30 May 2023

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article V, Section 4 and Article VI Section 1 of the Registrant's By-Laws, all stockholders of the corporation shall have the right to participate and vote during meetings of the stockholders, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder and filed with the corporate secretary within five business days before the scheduled meeting.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 23 of the Revised Corporation Code provides, in part, that: "...in stock corporations, stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit...."

Equity Ownership of Foreign and Local Shareholders

Foreign and local security ownership as of March 31, 2023:

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	21,560,399,911	94.33%	1,296,745,089	5.67%	22,857,145,000
Total	21,560,399,911		1,296,745,089		22,857,145,000

Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of March 31, 2023:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership¹
Common Shares	AllValue Holdings Corp. LGF Bldg B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	15,309,286,000	66.98%
Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Filipino	6,245,280,911	27.32%
Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Non-Filipino	1,296,745,089	5.67%

Security ownership of certain management as of March 31, 2023:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr.	15,309,286,000 – Indirect	Filipino	66.98%
Common Shares	Manuel B. Villar Jr.	1,000,000 – Direct	Filipino	0.00%
Common Shares	Camille A. Villar	1,000,000 – Direct	Filipino	0.00%
Common Shares	Frances Rosalie T. Coloma	1,000,000 – Direct	Filipino	0.00%
Common Shares	Manuel Paolo A. Villar	1,000,000 – Direct	Filipino	0.00%
Common Shares	Benjamarie Therese N. Serrano	1,000,000 – Direct	Filipino	0.00%
Common Shares	Jessie D. Cabaluna	1,000 – Direct	Filipino	0.00%
Common Shares	Raul Juan N. Esteban	1,000 – Direct	Filipino	0.00%
TOTAL		15,314,288,000		67.00%

Except as indicated in the above table, none of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Based on the total issued and outstanding capital stocks as of March 31, 2023 of 22,857,145,000 common shares.

¹ Mr. Manuel B. Villar, Jr. and his spouse are the controlling shareholders of AllValue Holdings Corp. The right to vote the shares held by AllValue Holdings Corp. in this annual meeting is expected to be, exercised by Mr. Villar.

² PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. Except as indicated above, as of Record Date, the Company is not aware of any investor beneficially owning shares lodged with the PCD which comprise more than five percent (5%) of the Company's total outstanding capital stock.

Voting Trust Holders of 5.0% or More

As of March 31, 2023, there is no party holding any voting trust for 5% or more of total shares outstanding.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of directors that elected or appointed them.

Background Information

The following are the names, ages and citizenship of the incumbent directors/independent directors and officers of the Registrant:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Manuel B. Villar Jr.	73	Chairman	Filipino
Camille A. Villar	38	Vice Chairman	Filipino
Frances Rosalie T. Coloma	60	Director, President & Chief Executive Officer	Filipino
Manuel Paolo A. Villar	46	Director	Filipino
Benjamarie Therese N. Serrano	60	Director	Filipino

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Jessie D. Cabaluna	66	Independent Director	Filipino
Raul Juan N. Esteban	61	Independent Director	Filipino
Jacqueline B. Cano	52	Chief Operating Officer	Filipino
Maria Cristina O. Barao	42	Treasurer, Chief Financial Officer and Compliance Officer	Filipino
Emerito M. Purisima Jr.	40	Investor Relations Officer	Filipino
Arbin Omar P. Cariño	42	Corporate Secretary	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

Manuel B. Villar, Jr. *Chairman of the Board.* Mr. Villar, 73, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vistamalls, Inc. (formerly Starmalls, Inc.), AllHome Corp., AllValue Holdings Corp. and Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.). He is a member of the following organizations: Makati Business Club, Manila Golf Club, Management Association of the Philippines, Financial Executive Institute of the Philippines (FINEX), Philippine Institute of Certified Public Accountants, and the Villar Social Institute for Poverty Alleviation and Governance (SIPAG).

Camille A. Villar. *Vice Chairman.* Ms. Villar, 38, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management in 2006. She took Management in Business Administration, Global Executive MBA Program in Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain in 2014. She joined the Corporate Communications Group of Brittany from 2010 to 2013 and was Managing Director of Vista Land Commercial from 2008 to 2010. She is a Director of Vistamalls, Inc. (formerly Starmalls, Inc.) and Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.). She is also the Concurrent President of All Value Holdings Corp., and the Vice Chairman of AllHome Corp. Ms. Villar is currently a Congresswoman, representing Las Pinas City.

Frances Rosalie T. Coloma. *Director, President and Chief Executive Officer.* Ms. Coloma, 60, graduated cum laude from the University of the Philippines with the degree of Bachelor of Science in Business Administration and Accountancy in 1984. She is a Certified Public Accountant. She was previously the Finance Manager of Alcatel Philippines, Inc. (2002 to 2003) and Intel Philippines, Inc. (2003 to 2005), Country Controller of Ericsson Telecommunications Philippines, Inc. (2005 to 2009), Deal Finance Manager of Accenture Delivery Center, Philippines (2009 to 2010), and Assistant General Manager of Maersk Global Services, Philippines (2010). Ms. Coloma was also the Chief Financial Officer and Chief Information Officer of Golden Bria Holdings, Inc. (now Golden MV Holdings, Inc.) from 2016 to 2019. She was also the Chief Financial Officer of Vistamalls, Inc. (formerly Starmalls, Inc.) from 2012 to 2016 and of AllHome Corp. from 2019 to 2021. She is currently the Treasurer and a Director of AllHome Corp. and Director of Golden MV Holdings, Inc. (formerly Golden Bria Holdings, Inc.).

Manuel Paolo A. Villar. *Director.* Mr. Villar, 46, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was an Analyst for McKinsey & Co. in the United States from 1999 to 2001. He joined the Vista Land Group in 2001 as Head of Corporate Planning then became the Chief Financial Officer of the Company in 2008. He was elected President and Chief Executive Officer of the Company in July 2011 and President of Vistamalls, Inc. (formerly Starmalls, Inc.) in June 2019. In addition, he is the CEO and Chairman of St. Augustine Gold and Copper Limited and Chairman of TVI Resources Development Philippines, Inc., Camella Homes, Inc., Communities Philippines, Inc., Crown Asia Properties, Inc., Brittany Corporation, Vista Residences, Inc., VistaREIT, Inc., and Powersource Phils Development Corp. Mr. Villar is also the majority shareholder of Prime Asset Ventures, Inc., and director of Fine Properties, Inc, AllHome Corp., and Premiere Island Power REIT Corporation.

Benjamarie Therese N. Serrano. *Director.* Ms. Serrano, 60, graduated from the University of the Philippines with a degree in Economics in 1983 and from the Asian Institute of Management, with a Master's degree in Business Management in 1990. She is also the President of AllHome Corp. and other subsidiaries of AllValue. Ms. Serrano was the President of Vistamalls, Inc. (formerly Starmalls, Inc.), Inc. from 2017 to 2019.

Jessie D. Cabaluna. *Independent Director.* Ms. Cabaluna, 66, graduated with a degree in Bachelor of Science in Commerce, major in Accounting from University of St. La Salle in 1977. She also completed the Management Development Program from the Asian Institute of Management in 1988, and Advance Management Program from the Harvard Business School in 2012. Ms. Cabaluna also completed Finance for Corporate Directors Program in 2017. She was previously a Partner at SGV & Co. from 1997 to 2017. She is presently an independent director of AllHome Corp.

Raul Juan N. Esteban. *Independent Director.* Mr. Esteban, 61, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc. Mr. Esteban is currently an independent director of Vistamalls, Inc. (formerly Starmalls, Inc.)

Jacqueline B. Cano. *Chief Operating Officer.* Ms. Cano, 52, graduated from the Polytechnic University of the Philippines with a degree in Mass Communication – Broadcast Journalism in 1991. She started in the retail business as a District Manager for Abenson from 1994 to 1997. She also previously served as an Area Manager for Waltermart from 1998 to 2005, and Store General Manager for Pilipinas Makro Inc. from 2005 to 2011. Prior to her current operational lead role for AllDay, Ms. Cano was the Regional Manager of Metro Gaisano from 2011 to 2015.

Maria Cristina O. Barao. *Treasurer, Chief Financial Officer and Compliance Officer.* Ms. Barao, 42, graduated from the Pamantasan ng Lungsod ng Maynila in 2001 with a Bachelor of Science in Accountancy. She was previously the Senior Accountant and Chief Accountant of Camella Homes, Crown Asia Properties Inc., and Brittany Corporation from 2009 to 2018.

Emerito M. Purisima, Jr. *Investor Relations Officer.* Mr. Purisima, 40, graduated from the University of the Philippines Diliman in 2005 with the degree of Bachelor of Science in Business Administration and Accountancy. He is a Certified Public Accountant. He served as Transaction and Advisory Lead for Corporate Finance in Punongbayan & Araullo from 2006 to 2011. He then served as Financial Planning and Analysis Supervisor in Ortigas Land from 2011 to 2014. He joined the Villar Group as a Business Development Officer for Special Projects in 2014 and as Finance Manager of the AllValue Group from 2018 to present.

Arbin Omar P. Cariño. *Corporate Secretary.* Mr. Cariño, 42, graduated from the De La Salle University. He took up Bachelor of Science in Chemistry and Bachelor of Secondary Education major

in Physics and Math. Mr. Cariño earned his law degree from the San Beda College of Law. He is the Corporate Secretary of AllHome Corp.

All the incumbent Directors above have one (1) year term of office and all have been nominated for re-election to the Board of Directors.

The By-Laws of the Registrant conforms with SRC Rule 38, as amended, with regard to the nomination of independent directors of the Registrant. Article I, Sections 2, 3 and 4 of the Registrant's By-Laws provide as follows:

"Section 2. Directors – The members of the Board of Directors must have at least one (1) share of the capital stock of the corporation. They shall serve for a period of one (1) year and until their successors are elected and qualified. The Board of Directors shall have at least two (2) independent directors, or such number constituting at least twenty percent (20%) of such Board of Directors. At each organizational meeting of the Board of Directors following the annual meeting of the stockholders of the corporation, the Board of Directors may elect a Chairman, who shall preside at all meetings of the Board of Directors and stockholders, and a Vice Chairman, who shall preside at meetings of the Board of Directors and stockholders in the absence of the Chairman.

Section 3. Election – The directors shall be elected from among the stockholders during the annual meeting of the stockholders at the principal office of the corporation.

Section 4. Disqualification – In addition to the disqualification of directors under Section 26 of the Revised Corporation Code, no stockholder convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code of the Philippines, committed within five (5) years prior to the date of election, shall qualify as a director. A stockholder shall not be eligible to be elected as a director if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

- (a) If he is an officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board of Directors, by at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation; or
- (b) If he is an officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity, engaged in any line of business of the corporation, when in the judgment of the Board of Directors, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or
- (c) If the Board of Directors, in the exercise of its judgment in good faith, determines, by at least three-fourths (3/4) vote, that he is the nominee of any person set forth in (a) or (b);

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board of Directors may take into account such factors as business and family relationship.

Notwithstanding the foregoing prohibition, a stockholder may still be qualified or eligible for nomination or election to the Board of Directors if:

- (a) The perceived competing business controls the corporation (i.e., competing

business owns at least majority of the corporation), is under common control with the corporation (i.e., the same ultimate beneficial stockholder has control of both corporations), or is controlled by the corporation (i.e., at least majority of the competing business is owned by the corporation); or

- (b) The perceived competing business is a related party to the corporation where the nominee in question is a person identified as a person with significant influence over the corporation and the perceived competing business or the nominee in question is a member of the key management personnel of the corporation and the perceived competing business.

For the proper implementation of this provision, all nominations for the election of directors by the stockholders shall be submitted in writing to the Corporate Governance Committee on or before such date that the Board of Directors may fix."

On the other hand, SRC Rule 38, as amended, provide in part as follows:

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

- A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Registrant's information or proxy statement or such other reports required to be submitted to the Commission.
- B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
- D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
- E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting."

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, namely, Ms. Jessie D. Cabaluna and Mr. Raul Juan N. Esteban were nominated and elected on 4 July 2022.

Under recommendation 5.3 of SEC Memorandum Circular No. 19, Series of 2016, the SEC allows

independent directors the maximum tenure of nine (9) years to sit in the Board of a publicly listed company. The tenure of the independent directors is still within the permissible period under the said SEC recommendation as Ms. Jessie D. Cabaluna and Mr. Raul Juan N. Esteban were elected as independent directors in 2021.

Appraisals and Performance Report for the Board

Attendance of each director if the Corporation in Board meetings held during the year 2022 as follows:

<i>Director's Name</i>	Apr 6	May 16	Jul 4	Aug 15	Nov 14	Attendance Percentage
Manuel B. Villar, Jr.	P	P	P	P	P	100%
Camille A. Villar	P	P	P	P	P	100%
Frances Rosalie T. Coloma	P	P	P	P	P	100%
Manuel Paolo A. Villar	P	P	A	P	P	80%
Benjamin Therese N. Serrano	P	P	P	P	P	100%
Jessie D. Cabaluna	P	P	P	P	P	100%
Raul Juan N. Esteban	P	P	P	P	P	100%

Legend: (A) Absent, (P) Present

The Board has established committees to assist in exercising its authority in monitoring the performance of the Company in accordance with its Corporate Governance Manual and Code of Business Ethics.

Term of Office

Directors elected during the annual meeting of stockholders will hold office for one year until their successors are duly elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

Resignations/Declined Nominations

To date, no Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

Significant Employees

The Registrant has no other significant employee other than its Executive Officers.

Family Relationships

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar and Camille A. Villar. Except for said relationship, none of the aforementioned Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

Certain Relationships and Related Transactions

As of March 31, 2023, the Villar Family Companies held 66.98% of the total issued and outstanding common share capital of the Company.

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with the Villar Family Companies and their respective subsidiaries. The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms at least comparable to those available from unrelated third parties.

The transactions with related parties for the year ended December 31, 2022 are discussed in the Company's 2022 Audited Financial Statements attached in this Information Statement. Please see Notes 2.17, pages 18 to 19 and Note 19, pages 43 to 44 of the Notes to the Financial Statements accompanying the Company's 2022 Audited Financial Statements. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions.

The Company's directors and employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management. None of the Company's directors has entered into self-dealing and related party transactions with or involving the Company in 2022.

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is, or has been, involved in any criminal or bankruptcy proceeding, or is, or has been, subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Compensation of Directors and Executive Officers

Executive Compensation

The executive officers of the Registrant are currently receiving and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Registrant that they manage. The compensation for its executive officers for the year 2021 and 2022 (actual) and 2023 (projected) are as shown below:

Names	Position	Year	Salary	Bonus	Others
Aggregate executive compensation for the following key management officers:					
Frances Rosalie T. Coloma	President and CEO	Actual 2021	₱ 20.0 M	₱ 1.6 M	None
		Actual 2022	₱ 22.0 M	₱ 1.8 M	None
Maria Cristina O. Barao	Treasurer,				

	CFO and Compliance Officer	Projected 2023	₱ 23.8 M	₱ 2.1 M	None
Arbin Omar Cariño	Corporate Secretary				
Jacqueline B. Cano	COO				
Emerito M. Purisima, Jr.	Investor Relations Officer				
Aggregate executive compensation for all other officers and directors, unnamed		Actual 2021	₱ 20.5 M	₱ 1.4 M	None
		Actual 2022	₱ 22.6 M	₱ 1.5 M	None
		Projected 2023	₱ 24.4 M	₱ 1.6 M	None

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus. No other annual compensation was given to above-named officers and directors except for the mentioned annual compensation package.

Standard arrangements

Other than payment of reasonable per diem of ₱50,000.00 per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director during 2022.

Director	Total Remuneration in 2022
Manuel B. Villar Jr.	₱-
Camille A. Villar	-
Frances Rosalie T. Coloma	-
Manuel Paolo A. Villar	-
Benjamarie Therese N. Serrano	-
Jessie D. Cabaluna	350,000
Raul Juan N. Esteban	350,000
Total	₱700,000

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company, during 2022 for any service provided as a director.

Employment contract between the company and executive officers

There are no special employment contracts between the Company and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Independent Public Accountants

The auditing firm of Punongbayan & Araullo ("P&A") is being recommended for election as external auditor for the current year. The Company is compliant with SRC Rule 68, (3), (b), (iv), requiring the rotation of external auditors or engagement partners for a period of five (5) consecutive years as P&A has been the external auditor of the Company since 2020.

Representatives of the said firm are expected to be present at the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. In 2022, the Registrant's auditors did not perform any substantial non-audit services for the Registrant.

Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods.

There are no disagreements with auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee of the Registrant is composed of Ms. Jessie D. Cabaluna, Chairman, and Mr. Manuel Paolo A. Villar and Mr. Raul Juan N. Esteban, members.

Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by P&A.

	<u>2022</u>	<u>2021</u>
	<i>(In ₱ Thousands with VAT)</i>	
Audit and Audit-Related Fees	₱ 1,846.2	₱ 1,300.0
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements		

All Other Fees	-	-
Total	₱ 1,846.2	₱ 1,300.0
<i>P&A does not have any direct or indirect interest in the Company. No other assurance and related services were rendered other than mentioned above.</i>		

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

Authorization or Issuance of Securities Other than for Exchange

Not applicable. The Company has not issued any authorization or issuance of securities other than for Exchange in 2022.

Modification or Exchange of Securities

Not applicable. There has not been any modification or exchange of securities.

Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable. The Company is not subject of any merger or consolidation.

Acquisition or Disposition of Property

On January 8, 2022, the Company's distribution warehouse, selling area, and head office, located in Alabang, Muntinlupa City, was severely damaged by a fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively.

Other than this, the Company has not acquired or disposed any other property in 2022.

Restatement of Accounts

Not applicable. The Company has not restated any accounts.

OTHER MATTERS

Action with Respect to Reports

The following reports will be submitted for approval and reference by the stockholders:

1. Minutes of the last Annual Meeting of Stockholders held on July 4, 2022, covering the following matters: (i) approval of the minutes of the Annual Stockholders' Meeting held on July 21, 2021; (ii) presentation of the President's Report, Management Report and Audited Financial Statements for the year ended 31 December 2021; (iii) ratification of all acts and resolutions of the Board of Directors and Management since the annual stockholders' meeting held in July 21, 2021; (iv) election of the members of Board of Directors, including the Independent Directors of the Company for the ensuing fiscal year; (v) appointment of the external auditor of the Company for the fiscal year 2022; and (vi) other matters.

2. The President's Report; and
3. Audited Financial Statements for the year 2022.

The 2022 Annual Meeting of the Shareholders was held via remote communication and was attended by the shareholders, the Board of Directors, and various officers of the Corporation. The shareholders were allowed to vote on each agenda item presented to them for approval, with the number of votes approving each agenda item indicated in their respective sections in the Minutes. The shareholders were also given the opportunity through electronic mail to ask questions, express opinion, and make suggestions on various issues related to the Corporation. In compliance with Section 49 of the Revised Corporation Code, the Minutes of the Annual Meeting of the Shareholders held on July 4, 2022 and the 2022 Definitive Information Statement contain the following: (a) a description of the voting and tabulation procedures used in the meeting, (b) a description of the opportunity given shareholders to ask questions and a description of the nature of the questions, (c) matters discussed and resolutions reached and the record of the voting results for each agenda item and (d) a list of the directors and shareholders who attended the meeting.

Matters Not Required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Amendment of Charter, Bylaws or Other Documents

There are no amendments of articles of incorporation and by-laws in 2022.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2022 until the date of the meeting, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; resignation/election of members of the Board of Directors; appointment of authorized signatures for various transactions in the normal course of business of the Company as well as opening and closure of various investment and/or deposit accounts.
2. Election of External Auditors

Voting Procedures

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2022, as well as the approval or ratification of the other actions set forth under the heading “Other Proposed Actions” above, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

PART II

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2022 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

Punongbayan & Araullo (P&A) independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2020, 2021 and 2022, included in this report. Nelson Dinio is the current audit partner for the Company.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. P&A will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by P&A.

	<u>2022</u>	<u>2021</u>
	<i>(In ₱ Thousands with VAT)</i>	
Audit and Audit-Related Fees	₱ 1,846.2	₱ 1,300.0
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements		
All Other Fees	-	-
Total	₱ 1,846.2	₱ 1,300.0

P&A does not have any direct or indirect interest in the Company. No other assurance and related services were rendered other than mentioned above.

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent, and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Company has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF FIRST QUARTER END 2023 VS FIRST QUARTER END 2022

Quarter Ended March 31, 2023 compared to quarter ended March 31, 2022

	For the quarter ended March 31,		Horizontal analysis	Vertical analysis	
	2023	2022		2023	2022
	(in millions of ₱)		% Change	% of Total Sales	
Sales	₱2,441.2	₱2,292.6	6.5%	100.0%	100.0%
Cost of merchandise sold	1,932.8	1,825.9	5.9%	79.2%	79.6%
Gross Profit.....	508.5	466.7	8.9%	20.8%	20.4%
Other income	14.7	11.7	26.4%	0.6%	0.5%
Gross Profit with Other income .	523.2	478.4	9.4%	21.4%	20.9%
Other operating expenses.....	400.1	346.6	15.4%	16.4%	15.1%
Operating Profit.....	123.1	131.7	-6.5%	5.0%	5.7%
Finance income (costs)					
Loss from fire damage - net....	-	(170.5)	-100.0%	0.0%	-7.4%
Finance costs.....	(5.1)	(5.3)	-3.0%	-0.2%	-0.2%
Finance income	0.1	0.1	-3.0%	0.0%	0.0%
Profit Before Tax.....	118.1	(43.9)	368.7%	4.8%	-1.9%
Tax expense	29.5	31.6	-6.7%	1.2%	1.4%
Net profit	88.6	(75.6)	217.2%	3.6%	-3.3%

Sales

The company recorded sales of ₱9,759.7 million for the year ended 31 December 2022, an increase of 3.2% from ₱9,456.4 million for the year ended 31 December 2021. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Sales

The company recorded sales of ₱2,441.2 million for the quarter ended 31 March 2023, an increase of 6.5% from ₱2,292.6 million for the quarter ended 31 March 2022. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of Merchandise Sold

For the quarter ended 31 March 2023, cost of merchandise sold was at ₱1,932.8 million, an increase of 5.9% compared to ₱1,825.9 million for the same period in 2022, largely driven by the increase in sales in existing stores and incremental sales from the two new stores added during the period.

Support, Fees, Rentals and Other Income

Support, fees, rentals and other income increased by 26.4% from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.7 million for the quarter ended 31 March 2023 due to increase in vendor support fees.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 12.0% to ₱266.5 million for the quarter ended 31 March 2023 from ₱238.0 million for the same period in 2022 primarily due to the following:

- Decrease in delivery fees from ₱0.9 million for the quarter ended 31 March 2022 to ₱0.5 million for the quarter ended 31 March 2023 on account of decrease in the volume of deliveries for the period.
- Increase in advertising and promotions from ₱3.7 million for the quarter ended 31 March 2022 to ₱4.9 million for the quarter ended 31 March 2023 due to usage of online and digital platforms for marketing purposes.
- Increase in operating supplies from ₱6.5 million for the quarter ended 31 March 2022 to ₱7.9 million for the quarter ended 31 March 2023 due primarily to purchases of supplies in the head office and due to increase in the number of stores.
- Increase in salaries, wages, and other employee benefits from ₱27.4 million for the quarter ended 31 March 2022 to ₱32.5 million for the quarter ended 31 March 2023 due to the additional manpower for new stores.
- Increase in agency fee from ₱53.2 million for the quarter ended 31 March 2022 to ₱60.6 million for the quarter ended 31 March 2023 attributable to the additional manpower from agencies.
- Increase in communication and utilities from ₱62.2 million for the quarter ended 31 March 2022 to ₱70.8 million for the quarter ended 31 March 2023 primarily as a result of increase in number of stores.
- Increase in rentals from ₱66.2 million for the quarter ended 31 March 2022 to ₱71.2 million for the quarter ended 31 March 2023 due to higher sales recorded during the period. Rent is charged as a percentage of sales.
- Decrease in repairs and maintenance from ₱7.0 million for the quarter ended 31 March 2022 to ₱6.6 million for the quarter ended 31 March 2023 due to cost-cutting measures implemented.
- Decrease in merchant fee from ₱9.2 million for the quarter ended 31 March 2022 to ₱9.0 million for the quarter ended 31 March 2023 primarily due to lower debit and credit card sales for the period.

General and administrative expenses

General and administrative expenses increased by 22.9% from ₱108.6 million for the quarter ended 31 March 2022 to ₱133.5 million for the quarter ended 31 March 2023 primarily due to the following:

- Increase in professional fees from ₱0.5 million for the quarter ended 31 March 2022 to ₱1.1 million for the quarter ended 31 March 2023 due to audit fees and consultancy fees for sustainability reporting.
- Increase in taxes and licenses from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.8 million for the quarter ended 31 March 2023 due to increase in number of stores as well as increase in revenues.
- Increase in depreciation and amortization from ₱88.0 million for the quarter ended 31 March

2022 to ₱109.4 million for the quarter ended 31 March 2023 due to the increase in the number of stores and amortization of capitalized interest.

- Decrease in miscellaneous expense from ₱0.3 million for the quarter ended 31 March 2022 to ₱0.1 million for the quarter ended 31 March 2023 due to cost-cutting measures implemented.
- Increase in insurance from ₱2.6 million for the quarter ended 31 March 2022 to ₱3.0 million for the quarter ended 31 March 2023 due primarily to the increase in the number of stores and adjustment in insurance coverages.
- Increase in dues and subscription from ₱3.0 million for the quarter ended 31 March 2022 to ₱3.3 million for the quarter ended 31 March 2023 attributable to the acquisition of new IT systems and increase in the number of stores.
- Increase in travel and transportation from ₱4.2 million for the quarter ended 31 March 2022 to ₱4.4 million for the quarter ended 31 March 2023 due to increasing fuel prices.

Finance Cost

Finance cost decreased by 3.0% from ₱5.3 million for the quarter ended 31 March 2022 to ₱5.1 million for the quarter ended 31 March 2023 due to the decrease in interest expense from lease liability.

Finance Income

Finance income decreased by 3.0% from ₱0.083 million for the quarter ended 31 March 2022 to ₱0.081 million for the quarter ended 31 March 2023. The decrease was primarily attributable to the lower average cash balance during the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022.

Fire Loss

The Company recorded fire losses in 2022 when the Company's store outlet located at Alabang, Muntinlupa City, was severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. Thus, the total losses from fire amounted to ₱170.5 million, not taking into account the insurance claims which were received in the latter part of 2022.

Provision for Income Tax

Provision for income tax decreased by 6.7% from ₱31.6 million for the quarter ended 31 March 2022 to ₱29.5 million for the quarter ended 31 March 2023 due to lower taxable income for the period.

Net Profit

As a result of the foregoing, our net income increased by 217.2% to ₱88.6 million for the quarter ended 31 March 2023 from ₱75.6 million net loss for the quarter ended 31 March 2022.

For the 3-month of 2023, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of 31 March 2023 vs. 31 December 2022

	For the period ended,		Horizontal analysis	Vertical analysis	
	March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
	(in millions of ₱)		% Change	% of Total Assets	
ASSETS					
Current Assets					
Cash.....	₱1,018.9	₱992.2	2.7%	11.1%	10.9%
Receivables.....	122.3	132.0	-7.4%	1.3%	1.4%
Merchandise inventories.....	1,793.8	1,797.9	-0.2%	19.5%	19.7%
Due from related parties	-	-	0.0%	0.0%	0.0%
Prepayments and other current assets	946.1	853.2	10.9%	10.3%	9.3%
Total Current Assets.....	3,881.1	3,775.4	2.8%	42.3%	41.3%
Non-current Assets					
Property and equipment - net	4,220.1	4,243.1	-0.5%	46.0%	46.5%
Intangible assets - net.....	527.1	554.4	-4.9%	5.7%	6.1%
Right-of-use assets - net.....	143.7	147.5	-2.6%	1.6%	1.6%
Other non-current assets	411.5	411.1	0.1%	4.5%	4.5%
Total Non-current Assets	5,302.4	5,356.1	-1.0%	57.7%	58.7%
TOTAL ASSETS.....	9,183.5	9,131.5	0.6%	100.0%	100.0%
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	513.7	592.8	-13.3%	5.6%	6.5%
Loans payable	814.9	1,247.8	-34.7%	8.9%	13.7%
Lease liabilities	8.6	8.6	0.0%	0.1%	0.1%
Due to parent company.....	-	-	0.0%	0.0%	0.0%
Dividends payable	-	-	0.0%	0.0%	0.0%
Income tax payable.....	-	-	0.0%	0.0%	0.0%
Total Current Liabilities	1,337.2	1,849.2	-27.7%	14.6%	20.3%
Non-current Liabilities					
Loans payable	640.6	184.6	247.0%	7.0%	2.0%
Lease liabilities	207.0	209.0	-0.9%	2.3%	2.3%
Deferred tax liabilities - net.....	283.9	262.7	8.1%	3.1%	2.9%
Retirement benefit obligation .	22.0	22.0	0.0%	0.2%	0.2%
Deposits for future stock subscription.....	-	-	0.0%	0.0%	0.0%
Total Non-current Liabilities ...	1,153.6	678.2	70.1%	12.6%	7.4%
Total Liabilities.....	2,490.8	2,527.5	-1.4%	27.1%	27.7%
Equity					
Capital stock.....	2,285.7	2,285.7	0.0%	24.9%	25.0%
Additional paid-in capital.....	3,316.7	3,316.7	0.0%	36.1%	36.3%
Revaluation reserves	6.4	6.4	0.0%	0.1%	0.1%
Retained earnings.....	1,083.9	995.3	8.9%	11.8%	10.9%
Total Equity.....	6,692.6	6,604.1	1.3%	72.9%	72.3%
TOTAL LIABILITIES AND	9,183.5	9,131.5	0.6%	100.0%	100.0%

	For the period ended,		Horizontal analysis	Vertical analysis	
	March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
	(in millions of ₱)		% Change	% of Total Assets	
EQUITY					

Total assets amounting to ₱9,183.5 million as of 31 March 2023 recorded a slight increase of 0.6% from the reported amount of ₱9,131.5 million in 31 December 2022 due to the following:

- Cash increased by 2.7% from ₱992.2 million as of 31 December 2022 to ₱1,018.9 million as of 31 March 2023 due primarily to higher sales for the period.
- Receivables decreased by 7.4% from ₱132.0 million as of 31 December 2022 to ₱122.3 million as of 31 March 2023 due to collections made.
- Merchandise inventories decreased by 0.2% from ₱1,797.9 million as of 31 December 2022 to ₱1,793.8 million as of 31 March 2023 due primarily to inventory optimization.
- Prepayments and other current assets increased by 10.9% from ₱853.2 million as of 31 December 2022 to ₱946.1 million as of 31 March 2023 due primarily to advances to suppliers and input VAT from merchandise inventories and capital expenditures.
- Property and equipment decreased by 0.5% from ₱4,243.1 million as of 31 December 2022 to ₱4,220.1 million as of 31 March 2023 due primarily to depreciation for the period
- Intangible assets decreased by 4.9% from ₱554.4 million as of 31 December 2022 to ₱527.1 million as of 31 March 2023 due to amortization for the period.
- Right-of-use assets decreased by 2.6% from ₱147.5 million as of 31 December 2022 to ₱143.7 million as of 31 March 2023 due primarily to amortization for the period.
- Other non-current assets increased by 0.1% from ₱411.1 million as of 31 December 2022 to ₱411.5 million as of 31 March 2023 due primarily to security deposit paid.

Total liabilities amounting to ₱2,490.8 million as of 31 March 2023 recorded a decrease of 1.4% from the reported amount of ₱2,527.5 million in 31 December 2022. This was due to the following:

- Trade and other payables decreased by 13.3% from ₱592.8 million as of 31 December 2022 to ₱513.7 million as of 31 March 2023 due to payments made for the period.
- Loans payable including non-current portion increased slightly by 1.6% from ₱1,432.4 million as of 31 December 2022 to ₱1,455.5 million as of 31 March 2023 due to loan availments made for loan obligations due during the first quarter of 2023.
- Lease liability including non-current portion decreased slightly by 0.9% from ₱217.6 million as of 31 December 2022 to ₱215.7 million as of 31 March 2023 due to lease payments made.
- Deferred tax liabilities increased by 8.1% from ₱262.7 million as of 31 December 2022 to ₱283.9 million as of 31 March 2023 attributable to additional temporary tax differences recognized for the period.
- Retirement benefit obligation remained unchanged at ₱22.0 million.

Total equity increased by 1.3% from ₱6,604.1 as of 31 December 2022 to ₱6,692.6 million as of 31 March 2023 due to net income recorded for the period.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	3/31/2023	3/31/2022
Sales (₱ millions)	₱ 2,441.2	₱ 2,292.6
Sales Growth (%)	6.5%	7.4%
Gross Profit Margin (%) ⁽¹⁾	20.8%	20.4%
Net Profit or Loss (₱ millions)	88.6	(75.6)
Net Profit Margin (%) ⁽²⁾	3.6%	-3.3%

Notes:

1) Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Sales

2) Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Sales

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Sales increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 due to economies of scale achieved as a result of higher purchases made during the period, improvements in merchandise sourcing, and increased revenue contribution of imported products and private label items.

Net Profit or Loss and Net Profit Margin increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 attributable to the incurrence of loss on damaged assets due to fire in 2022.

Material Changes to the Company's Balance Sheet as of 31 March 2023 compared to 31 December 2022 (increase/decrease of 5% or more)

Receivables decreased by 7.4% from ₱132.0 million as of 31 December 2022 to ₱122.3 million as of 31 March 2023 due to collections made.

Prepayments and other current assets increased by 10.9% from ₱853.2 million as of 31 December 2022 to ₱946.1 million as of 31 March 2023 due primarily to advances to suppliers and input VAT from merchandise inventories and capital expenditures.

Intangible assets decreased by 4.9% from ₱554.4 million as of 31 December 2022 to ₱527.1 million as of 31 March 2023 due to amortization for the period.

Trade and other payables decreased by 13.3% from ₱592.8 million as of 31 December 2022 to ₱513.7 million as of 31 March 2023 due to payments made for the period.

Deferred tax liabilities increased by 8.1% from ₱262.7 million as of 31 December 2022 to ₱283.9 million as of 31 March 2023 attributable to additional temporary tax differences recognized for the period.

Material Changes to the Company's Statement of income for the 3-month of 2023 compared to the 3-month of 2022 (increase/decrease of 5% or more)

The company recorded sales of ₱2,441.2 million for the quarter ended 31 March 2023, an increase of 6.5% from ₱2,292.6 million for the quarter ended 31 March 2022. The increase was

attributable to sales growth from existing stores and revenue contribution of new stores.

For the quarter ended 31 March 2023, cost of merchandise sold was at ₱1,932.8 million, an increase of 5.9% compared to ₱1,825.9 million for the same period in 2022, largely driven by the increase in sales of existing stores and incremental sales from the two new stores added during the period.

Support, fees, rentals and other income increased by 26.4% from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.7 million for the quarter ended 31 March 2023 due to increase in vendor support fees.

Selling, general and administrative expenses increased by 15.4% to ₱400.1 million for the quarter ended 31 March 2023 from ₱346.6 million for the same period in 2022 due to the above-mentioned reasons.

The Company recorded fire losses in 2022 when the Company's store outlet located at Alabang, Muntinlupa City, was severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. Thus, the total losses from fire amounted to ₱170.5 million, not taking into account the insurance claims which were received in the latter part of 2022.

Provision for income tax decreased by 6.7% from ₱31.6 million for the quarter ended 31 March 2022 to ₱29.5 million for the quarter ended 31 March 2023 due to lower taxable income for the period.

As a result of the foregoing, our net income increased by 217.2% to ₱88.6 million for the quarter ended 31 March 2023 from ₱75.6 million net loss for the quarter ended 31 March 2022.

There is no other material change in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 March 2023 and as of 31 March 2022.

For the 3-month of 2023, there was no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way except for those items disclosed in the Interim Unaudited Financial Statements of the Company as of and for the quarter ended March 31, 2023. Neither were there events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company except for those contracted capital expenditures attributable to the store fixtures and equipment being put up for the upcoming new stores.

REVIEW OF YEAR END 2022 VS YEAR END 2021

Year Ended December 31, 2022 compared to year ended December 31, 2021

	For the year ended December 31,		Horizontal analysis	Vertical analysis	
	2022	2021		2022	2021
	(in millions of ₱)		% Change	% of Total Sales	
Sales	₱9,759.7	₱9,456.4	3.2%	100.0%	100.0%
Cost of merchandise sold	7,756.9	7,600.5	2.1%	79.5%	80.4%
Gross Profit.....	2,002.8	1,855.9	7.9%	20.5%	19.6%
Other income.....	51.4	80.3	-36.0%	0.5%	0.8%
Gross Profit with Other income .	2,054.2	1,936.2	6.1%	21.0%	20.5%
Other operating expenses.....	1,553.3	1,421.2	9.3%	15.9%	15.0%
Operating Profit.....	500.9	515.0	-2.7%	5.1%	5.4%
Finance income (costs)					
Loss from fire damage - net....	(71.8)			-0.7%	
Finance costs.....	(27.5)	(70.8)	-61.2%	-0.3%	-0.7%
Finance income	0.3	0.4	-20.5%	0.0%	0.0%
Profit Before Tax.....	401.9	444.6	-9.6%	4.1%	4.7%
Tax expense	100.1	58.1	72.4%	1.0%	0.6%
Net profit	301.8	386.5	-21.9%	3.1%	4.1%

Sales

The company recorded sales of ₱9,759.7 million for the year ended 31 December 2022, an increase of 3.2% from ₱9,456.4 million for the year ended 31 December 2021. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of Merchandise Sold

For the year ended 31 December 2022, cost of merchandise sold was at ₱7,756.9 million, an increase of 2.1% compared to ₱7,600.5 million for the year ended 31 December 2021, largely driven by the increase in sales in existing stores and incremental sales from the new stores added during the period.

Support, Fees, Rentals and Other Income

Support, fees, rentals and other income decreased by 36.0% from ₱80.3 million for the year ended 31 December 2021 to ₱51.4 million for the year ended 31 December 2022, primarily due to the decrease of support fees from suppliers with lesser stores opened during the period.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 5.4% from ₱984.0 million for the year ended 31 December 2021 to ₱1,036.6 million for the year ended 31 December 2022 primarily due to the following:

- Decrease in delivery fees from ₱5.4 million for the year ended 31 December 2021 to ₱2.8 million for the year ended 31 December 2022 on account of decrease in the volume of deliveries for the year.

- Decrease in salaries, wages, and other employee benefits from ₱118.2 million for the year ended 31 December 2021 to ₱103.3 million for the year ended 31 December 2022 due to overtime pay and transportation allowance provided to employees in 2021 in light of the pandemic.
- Increase in operating supplies from ₱29.6 million for the year ended 31 December 2021 to ₱37.1 million for the year ended 31 December 2022 due primarily to purchases of supplies in the head office and due to increase in the number of stores.
- Increase in communication and utilities from ₱243.2 million for the year ended 31 December 2021 to ₱273.3 million for the year ended 31 December 2022 due to the increase in utilities cost and higher store network for the year.
- Increase in repairs and maintenance from ₱37.1 million for the year ended 31 December 2021 to ₱41.6 million for the year ended 31 December 2022 due to the additional disinfection and sanitation protocols implemented as well as to maintenance services done in the stores
- Decrease in merchant fee from ₱48.9 million for the year ended 31 December 2021 to ₱43.9 million for the year ended 31 December 2022 primarily due to lower debit and credit card sales for the period.
- Increase in agency fee from ₱218.5 million for the year ended 31 December 2021 to ₱235.5 million for the year ended 31 December 2022 attributable to the additional manpower of new stores added during the period.
- Increase in rentals from ₱264.6 million for the year ended 31 December 2021 to ₱281.0 million for the year ended 31 December 2022 due to higher sales recorded during the period. Rent is charged as a percentage of sales.
- Decrease in advertising and promotions from ₱18.4 million for the year ended 31 December 2021 to ₱18.1 million for the year ended 31 December 2022 on account of cost-cutting measures implemented and usage of online digital and social media platforms for marketing purposes.

General and administrative expenses

General and administrative expenses increased by 18.2% from ₱437.2 million for the year ended 31 December 2021 to ₱516.6 million for year ended 31 December 2022 primarily due to the following:

- Increase in dues and subscriptions from ₱3.1 million for the year ended 31 December 2021 to ₱25.5 million for the year ended 31 December 2022 attributable to the acquisition of new IT systems during the year and increase in the number of stores.
- Decrease in professional fees from ₱33.4 million for the year ended 31 December 2021 to ₱3.8 million for the year ended 31 December 2022 primarily due to the audit, market research, and other fees incurred in 2021 in relation to the company's initial public offering.
- Decrease in other general and administrative expenses from ₱19.5 million for the year ended 31 December 2021 to ₱4.9 million for the year ended 31 December 2021 attributable to the one-time fees incurred in 2021 in relation to the company's initial public offering.
- Increase in depreciation and amortization from ₱296.9 million for the year ended 31

December 2021 to ₱400.8 million for the year ended 31 December 2022 due to the increase in the number of stores.

- Increase in insurance from ₱10.5 million for the year ended 31 December 2021 to ₱13.2 million for the year ended 31 December 2022 due primarily to the increase in the number of stores and adjustment in insurance coverages.
- Decrease in taxes and licenses from ₱54.6 million for the year ended 31 December 2021 to ₱49.5 million for the year ended 31 December 2022 on account of lower documentary stamp tax paid during the year.
- Decrease in travel and transportation from ₱19.3 million for the year ended December 31, 2021 to ₱19.1 million for the year ended December 31, 2022 due to cost-saving measures being implemented.

Finance Cost

Finance Cost decreased from ₱70.8 million for the year ended 31 December 2021 to ₱27.5 million for the year ended 31 December 2022. The decrease was primarily attributable to the loan settlements made from proceeds of the initial public offering.

Finance Income

Finance income decreased by 20.5% from ₱406.5 thousand for the year ended 31 December 2021 to ₱323.3 thousand for the year ended 31 December 2022 due primarily to the decrease in the interest income on deposits.

Loss from Fire Damage

On January 8, 2022, the Company's distribution warehouse, selling area, and head office, located in Alabang, Muntinlupa City, was severely damaged by a fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. The Company received total insurance claims amounting to ₱98.3 million, which was offset against the losses incurred from the fire incident. Thus, the related net losses from the fire amounted to ₱71.8 million.

Tax Expense

Tax expense increased by 72.4% from ₱58.1 million for the year ended 31 December 2021 to ₱100.1 million for the year ended 31 December 2022. The lower tax expense in 2021 was primarily attributable to the reversal of deferred tax liabilities due to the change in tax rate as an effect of CREATE to align with the 25% corporate income tax rate and the tax effect of the Initial Public Offering expenses charged against equity.

Net Profit

As a result of the foregoing, our net income decreased by 21.9% from ₱386.5 million for the year ended 31 December 2021 to ₱301.8 million for the year ended 31 December 2022.

For the 12-month of 2022, the fire that damaged our store outlet in Alabang has impacted our sales for the year.

There were seasonal fluctuations in the operations as sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of 31 December 2022 vs. 31 December 2021

	For the period ended,		Horizontal analysis	Vertical analysis	
	December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
	(in millions of ₱)		% Change	% of Total Assets	
ASSETS					
Current Assets					
Cash.....	₱992.2	₱927.8	6.9%	10.9%	10.6%
Receivables.....	132.0	130.4	1.2%	1.4%	1.5%
Merchandise inventories.....	1,797.9	1,826.1	-1.5%	19.7%	20.8%
Due from related parties.....	-	-	0.0%	0.0%	0.0%
Prepayments and other current assets.....	853.2	939.6	-9.2%	9.3%	10.7%
Total Current Assets.....	3,775.4	3,823.9	-1.3%	41.3%	43.6%
Non-current Assets					
Property and equipment - net	4,243.1	3,989.8	6.3%	46.5%	45.5%
Intangible assets - net.....	554.4	434.6	27.6%	6.1%	5.0%
Right-of-use assets - net.....	147.5	162.9	-9.4%	1.6%	1.9%
Other non-current assets.....	411.1	365.2	12.6%	4.5%	4.2%
Total Non-current Assets.....	5,356.1	4,952.5	8.2%	58.7%	56.4%
TOTAL ASSETS.....	9,131.5	8,776.4	4.0%	100.0%	100.0%
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables.....	592.8	545.6	8.7%	6.5%	6.2%
Loans payable.....	1,247.8	964.6	29.4%	13.7%	11.0%
Lease liabilities.....	8.6	6.6	31.7%	0.1%	0.1%
Due to parent company.....	-	-	0.0%	0.0%	0.0%
Dividends payable.....	-	-	0.0%	0.0%	0.0%
Income tax payable.....	-	-	0.0%	0.0%	0.0%
Total Current Liabilities.....	1,849.2	1,516.7	21.9%	20.3%	17.3%
Non-current Liabilities					
Loans payable.....	184.6	469.2	-60.7%	2.0%	5.3%
Lease liabilities.....	209.0	217.6	-4.0%	2.3%	2.5%
Deferred tax liabilities - net.....	262.7	182.9	43.6%	2.9%	2.1%
Retirement benefit obligation.....	22.0	20.9	5.5%	0.2%	0.2%
Deposits for future stock subscription.....	-	-	0.0%	0.0%	0.0%
Total Non-current Liabilities.....	678.2	890.6	-23.8%	7.4%	10.1%
Total Liabilities.....	2,527.5	2,407.3	5.0%	27.7%	27.4%
Equity					
Capital stock.....	2,285.7	2,285.7	0.0%	25.0%	26.0%
Additional paid-in capital.....	3,316.7	3,316.7	0.0%	36.3%	37.8%
Revaluation reserves.....	6.4	3,316.7		0.1%	
Retained earnings.....	995.3	766.7	29.8%	10.9%	8.7%
Total Equity.....	6,604.1	6,369.1	3.7%	72.3%	72.6%
TOTAL LIABILITIES AND EQUITY.....	9,131.5	8,776.4	4.0%	100.0%	100.0%

Total assets as of 31 December 2022 were ₱9,131.5 million compared to ₱8,776.4 million as of 31 December 2021, or about 4.0% increase due to the following:

- Cash increased by 6.9% from ₱927.8 million as of 31 December 2021 to ₱992.2 million as of 31 December 2022 as cash used for investing and financing was partially offset by cash generated from operating activities.
- Receivables increased by 1.2% from ₱130.4 million as of 31 December 2021 to ₱132.0 million as of 31 December 2022 due primarily to the increase in third party receivables pertaining to online sales for the period.
- Merchandise inventories decreased by 1.5% from ₱1,826.1 million as of 31 December 2021 to ₱1,797.9 million as of 31 December 2022 due primarily to inventory optimization.
- Prepayments and other current assets decreased by 9.2% from ₱939.6 million as of 31 December 2021 to ₱853.2 million as of 31 December 2022 due primarily to the decrease in carried over input VAT.
- Property and equipment increased by 6.3% from ₱3,989.8 million as of 31 December 2021 to ₱4,243.1 million as of 31 December 2022 due primarily to acquisitions of equipment and furniture and fixtures as well as increase in leasehold improvements for new stores.
- Right-of-use assets decreased by 9.4% from ₱162.9 million as of 31 December 2021 to ₱147.5 million as of 31 December 2022 due to amortization for the period.
- Intangible assets increased by 27.6% from ₱434.6 million as of 31 December 2021 to ₱554.4 million as of 31 December 2022 due to acquisition of additional license software.
- Other non-current assets increased by 12.6% from ₱365.2 million as of 31 December 2021 to ₱411.1 million as of 31 December 2022 due primarily to advances to contractors and lease security deposits of new stores.

Total liabilities as of 31 December 2021 were ₱2,407.3 million compared to ₱2,527.5 million as of 31 December 2022, or a 5.0% increase. This was due to the following:

- Trade and other payables increased by 8.7% from ₱545.6 million as of 31 December 2021 to ₱592.8 million as of 31 December 2022 due primarily to inventory build up for holiday season and initial inventory of two new stores for the last quarter of 2022.
- Loans payable including non-current portion decreased by 0.1% from ₱1,433.8 million as of 31 December 2021 to ₱1,432.4 million as of 31 December 2022 primarily due to loan payments for the period.
- Lease liabilities including non-current portion decreased by 2.9% from ₱224.2 million as of 31 December 2021 to ₱217.6 million as of 31 December 2022 due to lease payments made.
- Retirement benefit obligation increased by 5.5% from ₱20.9 as of 31 December 2021 to ₱22.0 million as of 31 December 2022 due to adjustment of provision for the retirement benefit.
- Deferred tax liabilities increased by 43.6% from ₱182.9 million as of December 31, 2021 to ₱262.7 million as of 31 December 2022 attributable to additional temporary tax differences recognized for the period

Total equity increased by 3.7% from ₱6,369.1 as of 31 December 2021 to ₱6,604.1 million as of 31 December 2022 due to net income recorded for the period and recognition of revaluation reserves for the remeasurement of post-employment defined benefit plan.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2022	12/31/2021
Sales (₱ millions)	₱9,759.7	₱9,456.4
Sales Growth (%)	3.2%	19.2%
Gross Profit Margin (%) ⁽¹⁾	20.5%	19.6%
Net Profit (₱ millions)	301.8	386.5
Net Profit Margin (%) ⁽²⁾	3.1%	4.1%

Notes:

3) Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Sales

4) Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Sales

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Sales increased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin increased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to economies of scale achieved as a result of higher purchases made during the period and increased revenue contribution of imported products and private label items.

Net Profit and Net Profit Margin decreased for the year ended 31 December 2022 compared to year ended 31 December 2021 primarily due to higher tax expense and incurrence of loss on damaged assets due to fire loss.

Material Changes to the Company's Balance Sheet as of 31 December 2022 compared to 31 December 2021 (increase/decrease of 5% or more)

Cash increased by 6.9% from ₱927.8 million as of 31 December 2021 to ₱992.2 million as of 31 December 2022 as cash used for investing and financing was partially offset by cash generated from operating activities.

Prepayments and other current assets decreased by 9.2% from ₱939.6 million as of 31 December 2021 to ₱853.2 million as of 31 December 2022 due primarily to the decrease in carried over input VAT.

Property and equipment increased by 6.3% from ₱3,989.8 million as of 31 December 2021 to ₱4,243.1 million as of 31 December 2022 due primarily to acquisitions of equipment and furniture and fixtures as well as increase in leasehold improvements for new stores.

Right-of-use assets decreased by 9.4% from ₱162.9 million as of 31 December 2021 to ₱147.5 million as of 31 December 2022 due to amortization for the period.

Intangible assets increased by 27.6% from ₱434.6 million as of 31 December 2021 to ₱554.4 million as of 31 December 2022 due to acquisition of additional license software.

Other non-current assets increased by 12.6% from ₱365.2 million as of 31 December 2021 to ₱411.1 million as of 31 December 2022 due primarily to advances to contractors and lease security deposits of new stores.

Trade and other payables increased by 8.7% from ₱545.6 million as of 31 December 2021 to ₱592.8 million as of 31 December 2022 due primarily to inventory build up for holiday season and

initial inventory of two new stores for the last quarter of 2022.

Retirement benefit obligation increased by 5.5% from ₱20.9 as of 31 December 2021 to ₱22.0 million as of 31 December 2022 due to adjustment of provision for the retirement benefit.

Deferred tax liabilities increased by 43.6% from ₱182.9 million as of December 31, 2021 to ₱262.7 million as of 31 December 2022 attributable to additional temporary tax differences recognized for the period.

Material Changes to the Company's Statement of income for the 12-month of 2022 compared to the 12-month of 2021 (increase/decrease of 5% or more)

Support, fees, rentals and other income decreased by 36.0% from ₱80.3 million for the year ended 31 December 2021 to ₱51.4 million for the year ended 31 December 2022, primarily due to the decrease of support fees from suppliers with lesser stores opened during the period.

Selling, general and administrative expenses increased by 9.3% from ₱1,421.2 million for the year ended 31 December 2021 to ₱1,553.3 million for the year ended 31 December 2022 due to the above-mentioned reasons.

Finance Cost decreased by 61.2% from ₱70.8 million for the year ended 31 December 2021 to ₱27.5 million for the year ended 31 December 2022. The decrease was primarily attributable to the loan settlements made from proceeds of the initial public offering.

Finance income decreased by 20.5% from ₱406.5 thousand for the year ended 31 December 2021 to ₱323.3 thousand for the year ended 31 December 2022 due primarily to the decrease in the interest income on deposits.

On January 8, 2022, the Company's distribution warehouse, selling area, and head office, located in Alabang, Muntinlupa City, was severely damaged by a fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. The Company received total insurance claims amounting to ₱98.3 million, which was offset against the losses incurred from the fire incident. Thus, the related net losses from the fire amounted to ₱71.8 million.

Tax expense increased by 72.4% from ₱58.1 million for the year ended 31 December 2021 to ₱100.1 million for the year ended 31 December 2022. The lower tax expense in 2021 was primarily attributable to the reversal of deferred tax liabilities due to the change in tax rate as an effect of CREATE to align with the 25% corporate income tax rate and the tax effect of the Initial Public Offering expenses charged against equity.

Net income decreased by 21.9% from ₱386.5 million for the year ended 31 December 2021 to ₱301.8 million for the year ended 31 December 2022 due to the foregoing movements in the income statement items.

There is no other material change in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2022 and as of 31 December 2021.

For the 12-month of 2022, there was no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way except for those items disclosed in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2022. Neither were there events that will trigger direct or contingent financial obligation that is material to the Company,

including any default or acceleration of an obligation.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company except for those contracted capital expenditures attributable to the store fixtures and equipment being put up for the upcoming new stores.

REVIEW OF YEAR END 2021 VS YEAR END 2020

Year Ended December 31, 2021 compared to year ended December 31, 2020

	For the year ended December 31,		Horizontal analysis	Vertical analysis	
	2021	2020		2021	2020
	(in millions of ₱)		% Change	% of Total Sales	
Sales	₱9,456.4	₱7,931.0	19.2%	100.0%	100.0%
Cost of merchandise sold	7,600.5	6,392.4	18.9%	80.4%	80.6%
Gross Profit.....	1,855.9	1,538.6	20.6%	19.6%	19.4%
Other income	80.3	63.2	26.9%	0.8%	0.8%
Gross Profit with Other income .	1,936.2	1,601.9	20.9%	20.5%	20.2%
Other operating expenses.....	1,421.2	1,209.3	17.5%	15.0%	15.2%
Operating Profit.....	515.0	392.5	31.2%	5.4%	4.9%
Finance income (costs)					
Finance costs.....	(70.8)	(79.2)	-10.5%	-0.7%	-1.0%
Finance income	0.4	0.3	29.5%	0.0%	0.0%
Profit Before Tax.....	444.6	313.7	41.7%	4.7%	4.0%
Tax expense	58.1	94.0	-38.2%	0.6%	1.2%
Net profit	386.5	219.6	76.0%	4.1%	2.8%

Sales

The company recorded sales of ₱9,456.4 million for the year ended 31 December 2021, an increase of 19.2% from ₱7,931.0 million for the year ended 31 December 2020. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of Merchandise Sold

For the year ended 31 December 2021, cost of merchandise sold was at ₱7,600.5 million, an increase of 18.9% compared to ₱6,392.4 million for the year ended 31 December 2020, largely driven by the increase in sales in existing stores and incremental sales from the five new stores added during the period.

Other Income

Other income increased by 26.9% from ₱63.2 million for the year ended 31 December 2020 to ₱80.3 million for the year ended 31 December 2021 due to increase in vendor support fees.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 12.0% from ₱878.4 million for the year ended 31 December 2020 to ₱984.0 million for the for the year ended 31 December 2021 primarily due to the following:

- Increase in salaries, wages, and other employee benefits from ₱65.6 million for the year ended 31 December 2020 to ₱118.2 million for the year ended 31 December 2021 due to additional personnel for new stores opened and increased headcount for Finance, Merchandising and IT personnel. There were also contracted personnel previously recorded under Outside Services that were converted into organic employees.
- Increase in merchant fee from ₱41.7 million for the year ended 31 December 2020 to ₱48.9 million for the year ended 31 December 2021 primarily due to increase in revenues on account of higher store network.
- Increase in rentals from ₱237.1 million for the year ended 31 December 2020 to ₱264.6 million for the year ended 31 December 2021 due to higher sales recorded during the period. Rent are charged as a percentage of sales.
- Increase in communication and utilities from ₱223.2 million for the year ended 31 December 2020 to ₱243.2 million for the year ended 31 December 2021 due to the increase in the number of stores for the year.
- Increase in outside services from ₱204.3 million for the year ended 31 December 2020 to ₱218.5 million for the year ended 31 December 2021 attributable to the additional manpower of new stores added during the period.
- Increase in delivery fees from ₱5.3 million for the year ended 31 December 2020 to ₱5.4 million for the year ended 31 December 2021 on account of increase in the volume of deliveries for the year.
- Decrease in operating supplies from ₱34.4 million for the year ended 31 December 2020 to ₱29.6 million for the year ended 31 December 2021 due to cost-cutting measures implemented and transition to more online and electronic transactions.
- Decrease in repairs and maintenance from ₱43.9 million for the year ended 31 December 2020 to ₱37.1 million for the year ended 31 December 2021 due to cost-cutting measures implemented.
- Decrease in advertising and promotions from ₱22.9 million for the year ended 31 December 2020 to ₱18.4 million for the year ended 31 December 2021 on account of cost-cutting measures implemented and usage of online digital and social media platforms for marketing purposes.

General and administrative expenses

General and administrative expenses increased by 32.1% from ₱330.9 million for the year ended 31 December 2020 to ₱437.2 million for year ended 31 December 2021 primarily due to the following:

- Increase in professional fees from ₱3.3 million for the year ended 31 December 2020

to ₱33.4 million for the year ended 31 December 2021 on account of audit and market research fees incurred in relation to the company's initial public offering.

- Increase in other general and administrative expenses from ₱4.9 million for the year ended 31 December 2020 to ₱19.5 million for the year ended 31 December 2021 attributable to the one-time fees incurred in 2021 in relation to the company's initial public offering.
- Increase in dues and subscriptions from ₱1.0 million for the year ended 31 December 2020 to ₱3.1 million for the year ended 31 December 2021 attributable to the acquisition of new IT systems during the year.
- Increase in depreciation and amortization from ₱235.2 million for the year ended 31 December 2020 to ₱296.9 million for the year ended 31 December 2021 due to the increase in the number of stores.
- Increase in insurance from ₱9.8 million for the year ended 31 December 2020 to ₱10.5 million for the year ended 31 December 2021 due primarily to the increase in the number of stores.
- Decrease in travel and transportation from ₱19.8 million for the year ended December 31, 2020 to ₱19.3 million for the year ended December 31, 2021 attributable to limited headcount to travel during pandemic and work from home arrangement.
- Decrease in taxes and licenses from ₱56.9 million for the year ended 31 December 2020 to ₱54.6 million for the year ended 31 December 2021 attributable to the decrease taxes and licenses for the year.

Finance Cost

Finance Cost decreased from ₱79.2 million for the year ended 31 December 2020 to ₱70.8 million for the year ended 31 December 2021. The decrease was primarily attributable to the capitalization of interest during the period.

Finance Income

Finance income increased by 29.5% from ₱313.9 thousand for the year ended 31 December 2020 to ₱406.5 thousand for the year ended 31 December 2021. The increase was primarily attributable to the higher average cash balance during the year ended 31 December 2021 compared to the year ended 31 December 2020.

Provision for Income Tax

Provision for income tax decreased by 38.2% from ₱94.0 million for the year ended 31 December 2020 to ₱58.1 million for the year ended 31 December 2021. The decrease was primarily attributable to the reversal of deferred tax liabilities due to the change in tax rate as an effect of CREATE to align with the 25% corporate income tax rate.

Net Profit

As a result of the foregoing, our net income increased by 76.0% from ₱219.6 million for the year ended 31 December 2020 to ₱386.5 million for the year ended 31 December 2021.

For the 12-month of 2021, there was seasonal fluctuations in the operations as sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays. Moreover, the high demand for essential items due to government-imposed lockdowns brought upon by the COVID-19 pandemic have resulted to an increase on the net sales or revenues or income from continuing operations.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of 31 December 2021 vs. 31 December 2020

	For the period ended,		Horizontal analysis	Vertical analysis	
	December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
	(in millions of ₱)		% Change	% of Total Assets	
ASSETS					
Current Assets					
Cash.....	₱927.8	₱783.5	18.4%	10.6%	12.1%
Receivables.....	130.4	55.7	134.1%	1.5%	0.9%
Merchandise inventories.....	1,826.1	1,393.4	31.0%	20.8%	21.6%
Due from related parties.....	-	-	0.0%	0.0%	0.0%
Prepayments and other current assets.....	939.6	455.3	106.4%	10.7%	7.1%
Total Current Assets.....	3,823.9	2,687.9	42.3%	43.6%	41.6%
Non-current Assets					
Property and equipment - net	3,989.8	3,391.2	17.7%	45.5%	52.5%
Intangible assets - net.....	434.6	112.4	286.6%	5.0%	1.7%
Right-of-use assets - net.....	162.9	178.3	-8.6%	1.9%	2.8%
Other non-current assets.....	365.2	87.6	316.9%	4.2%	1.4%
Total Non-current Assets.....	4,952.5	3,769.5	31.4%	56.4%	58.4%
TOTAL ASSETS.....	8,776.4	6,457.4	35.9%	100.0%	100.0%
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables.....	545.6	589.6	-7.5%	6.2%	9.1%
Loans payable.....	964.6	1,544.7	-37.6%	11.0%	23.9%
Lease liabilities.....	6.6	4.7	38.7%	0.1%	0.1%
Due to parent company.....	-	-	0.0%	0.0%	0.0%
Dividends payable.....	-	6.3	-100.0%	0.0%	0.1%
Income tax payable.....	-	1.1	-100.0%	0.0%	0.0%
Total Current Liabilities.....	1,516.7	2,146.4	-29.3%	17.3%	33.2%
Non-current Liabilities					
Loans payable.....	469.2	2,225.2	-78.9%	5.3%	34.5%
Lease liabilities.....	217.6	224.2	-2.9%	2.5%	3.5%
Deferred tax liabilities - net.....	182.9	143.0	27.9%	2.1%	2.2%
Retirement benefit obligation	20.9	-	0.0%	0.2%	0.0%
Deposits for future stock subscription.....	-	-	0.0%	0.0%	0.0%
Total Non-current Liabilities ...	890.6	2,592.3	-65.6%	10.1%	40.1%
Total Liabilities.....	2,407.3	4,738.7	-49.2%	27.4%	73.4%
Equity					
Capital stock.....	2,285.7	1,338.5	70.8%	26.0%	20.7%
Additional paid-in capital.....	3,316.7	-	0.0%	37.8%	0.0%
Retained earnings.....	766.7	380.2	101.7%	8.7%	5.9%
Total Equity.....	6,369.1	1,718.7	270.6%	72.6%	26.6%
TOTAL LIABILITIES AND EQUITY.....	8,776.4	6,457.4	35.9%	100.0%	100.0%

For the period ended,		Horizontal analysis	Vertical analysis	
December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
(in millions of ₱)		% Change	% of Total Assets	

Total assets as of 31 December 2021 were ₱8,776.4 million compared to ₱6,457.4 million as of 31 December 2020, or about 35.9% increase due to the following:

- Cash increased by 18.4% from ₱783.5 million as of 31 December 2020 to ₱927.8 million as of 31 December 2021 primarily due to proceeds from initial public offering earmarked for fit-outs and inventory of new stores.
- Receivables increased by 134.1% from ₱55.7 million as of 31 December 2020 to ₱130.4 million as of 31 December 2021 due primarily to the increase in third party receivables pertaining to online sales for the period.
- Merchandise inventories increased by 31.0% from ₱1,393.4 million as of 31 December 2020 to ₱1,826.1 million as of 31 December 2021 due primarily to inventory purchases mostly for newly added stores.
- Prepayments and other current assets increased by 106.4% from ₱455.3 million as of 31 December 2020 to ₱939.6 million as of 31 December 2021 due primarily to input VAT from merchandise inventories and capital expenditures.
- Property and equipment increased by 17.7% from ₱3,391.2 million as of 31 December 2020 to ₱3,989.8 million as of 31 December 2021 due primarily to acquisitions of equipment and furniture and fixtures as well as increase in leasehold improvements for new stores.
- Right-of-use assets decreased by 8.6% from ₱178.3 million as of 31 December 2020 to ₱162.9 million as of 31 December 2021 due to amortization for the period.
- Intangible assets increased by 286.6% from ₱112.4 million as of 31 December 2020 to ₱434.6 million as of 31 December 2021 due to acquisition of additional license software.
- Other non-current assets increased by 316.9% from ₱87.6 million as of 31 December 2020 to ₱365.2 million as of 31 December 2021 due primarily to advances to contractors and lease security deposits of new stores.

Total liabilities as of 31 December 2020 were ₱4,738.7 million compared to ₱2,407.3 million as of 31 December 2021, or a 49.2% decrease. This was due to the following:

- Trade and other payables decreased by 7.5% from ₱589.6 million as of 31 December 2020 to ₱545.6 million as of 31 December 2021 due to payments made for the period.
- Loans payable including non-current portion decreased by 62.0% from ₱3,769.9 million as of 31 December 2020 to ₱1,433.8 million as of 31 December 2021 due to loan settlements made from proceeds of the initial public offering.
- Lease liabilities including non-current portion decreased by 2.1% from ₱228.9 million as of 31 December 2020 to ₱224.2 million as of 31 December 2021 due to payments made for the period.
- Dividends payable decreased by 100.0% from ₱6.3 million as of 31 December 2020 to nil as of 31 December 2021 due to payments made.

- Income tax payable decreased by 100.0% from ₱1.1 million as of 31 December 2020 to nil as of 31 December 2021 due to the new lower corporate income tax rate.
- Retirement benefit obligation increased from nil as of 31 December 2020 to ₱20.9 million as of 31 December 2021 due to recognition of retirement benefit obligation.
- Deferred tax liabilities increased by 27.9% from ₱143.0 million as of December 31, 2020 to ₱182.9 million as of 31 December 2021 attributable to additional temporary tax differences recognized for the period mainly due to change of asset useful life per books compared to shorter useful life per tax depreciation, recognition of retirement benefit obligation, and remeasurement at 25% corporate tax rate compared to 30% from prior year.

Total equity as of 31 December 2021 was ₱6,369.1 million compared to ₱1,718.7 million as of 31 December 2020, or a 270.6% increase due to issuance of additional shares for the period, additional paid in capital recognized from IPO, and the net profit recorded for the period.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2021	12/31/2020
Sales (₱ millions)	₱9,456.4	₱7,931.0
Sales Growth (%)	19.2%	68.4%
Gross Profit Margin (%) ⁽¹⁾	19.6%	19.4%
Net Profit (₱ millions)	386.5	219.6
Net Profit Margin (%) ⁽²⁾	4.1%	2.8%

Notes:

5) Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Sales

6) Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Sales

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Sales increased for the year ended 31 December 2021 compared to year ended 31 December 2020 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin increased for the year ended 31 December 2021 compared to year ended 31 December 2020 due to economies of scale achieved as a result of higher purchases made during the period.

Net Profit and Net Profit Margin increased for the year ended 31 December 2021 compared to year ended 31 December 2020 primarily due to increase in sales, gross profit, and change in corporate income tax rate as an effect of CREATE, from 30% to 25%.

Material Changes to the Company's Balance Sheet as of 31 December 2021 compared to 31 December 2020 (increase/decrease of 5% or more)

Cash increased by 18.4% from ₱783.5 million as of 31 December 2020 to ₱927.8 million as of 31 December 2021 primarily due to proceeds from initial public offering earmarked for fit-outs and inventory of new stores.

Receivables increased by 134.1% from ₱55.7 million as of 31 December 2020 to ₱130.4 million as of 31 December 2021 due primarily to the increase in third party receivables pertaining to online sales for the period.

Merchandise inventories increased by 31.0% from ₱1,393.4 million as of 31 December 2020 to ₱1,826.1 million as of 31 December 2021 due primarily to inventory purchases mostly for newly added stores.

Prepayments and other current assets increased by 106.4% from ₱455.3 million as of 31 December 2020 to ₱939.6 million as of 31 December 2021 due primarily to input VAT from merchandise inventories and capital expenditures.

Property and equipment increased by 17.7% from ₱3,391.2 million as of 31 December 2020 to ₱3,989.8 million as of 31 December 2021 due primarily to acquisitions of equipment and furniture and fixtures as well as increase in leasehold improvements for new stores.

Right-of-use assets decreased by 8.6% from ₱178.3 million as of 31 December 2020 to ₱162.9 million as of 31 December 2021 due to amortization for the period.

Intangible assets increased by 286.6% from ₱112.4 million as of 31 December 2020 to ₱434.6 million as of 31 December 2021 due to acquisition of additional license software.

Other non-current assets increased by 316.9% from ₱87.6 million as of 31 December 2020 to ₱365.2 million as of 31 December 2021 due primarily to advances to contractors and lease security deposits of new stores.

Trade and other payables decreased by 7.5% from ₱589.6 million as of 31 December 2020 to ₱545.6 million as of 31 December 2021 due to payments made for the period.

Loans payable including non-current portion decreased by 62.0% from ₱3,769.9 million as of 31 December 2020 to ₱1,433.8 million as of 31 December 2021 due to loan settlements made from proceeds of the initial public offering.

Dividends payable decreased by 100.0% from ₱6.3 million as of 31 December 2020 to nil as of 31 December 2021 due to payments made.

Income tax payable decreased by 100.0% from ₱1.1 million as of 31 December 2020 to nil as of 31 December 2021 due to the new lower corporate income tax rate.

Retirement benefit obligation increased from nil as of 31 December 2020 to ₱20.9 million as of 31 December 2021 due to recognition of retirement benefit obligation.

Deferred tax liabilities increased by 27.9% from ₱143.0 million as of December 31, 2020 to ₱182.9 million as of 31 December 2021 attributable to additional temporary tax differences recognized for the period mainly due to change of asset useful life per books compared to shorter useful life per tax depreciation, recognition of retirement benefit obligation, and remeasurement at 25% corporate tax rate compared to 30% from prior year.

Total stockholder's equity as of 31 December 2021 was ₱6,370.3 million compared to ₱1,718.7 million as of 31 December 2020, or a 270.7% increase due to issuance of additional shares for the period, additional paid in capital recognized from IPO, and the net profit recorded for the year ended 31 December 2021.

Material Changes to the Company's Statement of income for the 12-month of 2021 compared to the 12-month of 2020 (increase/decrease of 5% or more)

Sales increase by 19.2% to ₱9,456.4 million for the year ended 31 December 2021 from ₱

7,931.0 million for the year ended 31 December 2020. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of merchandise sold increase by 18.9% to ₱7,600.5 million for the year ended 31 December 2021 to ₱6,392.4 million for the year ended 31 December 2020, largely driven by the increase in sales in existing stores and incremental sales from the five new stores added during the period.

Other income increased by 26.9% from ₱63.2 million for the year ended 31 December 2020 to ₱80.3 million for the year ended 31 December 2021 due to increase in vendor support fees.

Selling, general and administrative expenses increased by 17.5% from ₱1,209.3 million for the year ended 31 December 2020 to ₱1,421.2 million for the for the year ended 31 December 2021 primarily due to increase in depreciation and amortization, salaries, wages and other benefits, professional fees, rentals, communication and utilities, agency fees, merchant fees, dues and subscriptions, insurance and other general and administrative expenses.

Finance cost decreased by 10.5% from ₱79.2 million for the for the year ended 31 December 2020 to ₱70.8 million for the for the year ended 31 December 2021. The decrease was primarily attributable to the capitalization of interest during the period.

Finance income increased by 29.5% from ₱313.9 thousand for the year ended 31 December 2020 to ₱406.5 thousand for the year ended 31 December 2021. The increase was primarily attributable to the higher average cash balance during the year ended 31 December 2021 compared to the year ended 31 December 2020.

Provision for income tax decreased by 38.2% from ₱94.0 million for the year ended 31 December 2020 to ₱58.1 million for the year ended 31 December 2021. The decrease was primarily attributable to the reversal of deferred tax liabilities due to the change in tax rate as an effect of CREATE to align with the 25% corporate income tax rate.

Net income increased by 76.0% from ₱219.6 million for the year ended 31 December 2020 to ₱386.5 million for the year ended 31 December 2021 due to the foregoing movements in the income statement items.

There is no other material change in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2021 and as of 31 December 2020.

For the 12-month of 2021, there was no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way except for those items disclosed in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2022. Neither were there events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company except for those contracted capital expenditures attributable to the store fixtures and equipment being put up for the upcoming new stores.

REVIEW OF YEAR END 2020 VS YEAR END 2019

RESULTS OF OPERATIONS

Year Ended 31 December 2020 compared to year ended 31 December 2019

	For the year ended December 31,		Horizontal analysis	Vertical analysis	
	2020	2019		2020	2019
	(in millions of ₱)		% Change	% of Total Sales	
Sales	₱7,931.0	₱4,710.4	68.4%	100.0%	100.0%
Cost of merchandise sold	6,392.4	3,798.6	68.3%	80.6%	80.6%
Gross Profit.....	1,538.6	911.8	68.7%	19.4%	19.4%
Other income	63.2	67.9	-6.8%	0.8%	1.4%
Gross Profit with Other income .	1,601.9	979.7	63.5%	20.2%	20.8%
Other operating expenses.....	1,209.3	798.9	51.4%	15.2%	17.0%
Operating Profit.....	392.5	180.8	117.1%	4.9%	3.8%
Finance income (costs)					
Finance costs.....	(79.2)	(41.6)	90.3%	-1.0%	-0.9%
Finance income	0.3	0.4	-18.5%	0.0%	0.0%
Profit Before Tax.....	313.7	139.6	124.7%	4.0%	3.0%
Tax expense	94.0	41.8	125.0%	1.2%	0.9%
Net profit.....	219.6	97.8	124.6%	2.8%	2.1%

Sales

Our sales increased by 68.4% from ₱4,710.4 million for the year ended 31 December 2019 to ₱7,931.0 million for the year ended 31 December 2020. This increase was primarily due to the opening of seven new stores, and an increase in sales of existing stores.

Cost of Merchandise Sold

For the year ended 31 December 2020, our cost of merchandise sold was ₱6,392.4 million, an increase of 68.3% compared to ₱3,798.6 million for the year ended 31 December 2019, largely driven by the increase in sales in existing stores and incremental sales from the seven new stores added during the year.

Other Income

Other income decreased by 6.8% from ₱67.9 million for the year ended 31 December 2019 to ₱63.2 million for the year ended 31 December 2020 due to the decrease of support fees from suppliers.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 63.8% from ₱536.1 million for the year ended 31 December 2019

to ₱878.4 million for the year ended 31 December 2020 primarily due to the following:

- Increase in agency fee from ₱98.4 million for the year ended 31 December 2019 to ₱204.3 million for the year ended 31 December 2020 attributable to additional manpower on existing and new stores and additional pandemic assistance to store personnel for the year.
- Increase in rentals from ₱155.9 million for the year ended 31 December 2019 to ₱237.1 million for the year ended 31 December 2020 due to the higher sales for the year. Rent are charged as a percentage of sales.
- Increase in communication and utilities from ₱165.8 million for the year ended 31 December 2019 to ₱223.2 million for the year ended 31 December 2020 due to the increase in the number of stores for the year.

General and Administrative Expenses

General and administrative expenses increased by 25.9% from ₱262.8 million for the year ended 31 December 2019 to ₱330.9 million for the year ended 31 December 2020 primarily due to the following:

- Increase in taxes and licenses from ₱28.4 million for the year ended 31 December 2019 to ₱56.9 million for the year ended 31 December 2020 attributable to the increase related taxes and licenses for the year.
- Increase in depreciation and amortization from ₱217.1 million for the year ended 31 December 2019 to ₱235.2 million for the year ended 31 December 2020 due to the increase in the number of stores.
- Increase in travel and transportation from ₱3.5 million for the year ended 31 December 2019 to ₱19.8 million for the year ended 31 December 2020 attributable to additional cost on shuttle services during the ECQ, delivery cost due to personal shopper delivery and online delivery.

Finance Costs

Finance Cost increased by 90.3% from ₱41.6 million for the year ended 31 December 2019 to ₱79.2 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year to finance working capital requirements.

Finance Income

Finance income decreased by 18.5% from ₱0.4 million for the year ended 31 December 2019 to ₱0.3 million for the year ended 31 December 2020. The decrease was primarily attributable to the lower average cash balance during the year ended 31 December 2020 compared to the year ended 31 December 2019.

Provision for Income Tax

Provision for income tax increased by 125.0% from ₱41.8 million for the year ended 31 December 2019 to ₱94.0 million for the year ended 31 December 2020 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 124.6% to ₱219.6 million for the year ended 31 December 2020 from ₱97.8 million for the year ended 31 December 2019.

For the 12-month of 2020, there was seasonal fluctuations in the operations as sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays. Moreover, the high demand for essential items due to government-imposed lockdowns brought upon by the COVID-19 pandemic have resulted to a significant increase on the net sales or revenues or income from continuing operations.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of 31 December 2020 vs. 31 December 2019

	For the period ended,		Horizontal analysis	Vertical analysis	
	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
	(in millions of ₱)		% Change	% of Total Assets	
ASSETS					
Current Assets					
Cash.....	783.5	390.7	100.6%	12.1%	7.5%
Receivables.....	55.7	63.2	-11.8%	0.9%	1.2%
Merchandise inventories.....	1,393.4	1,094.8	27.3%	21.6%	21.1%
Due from related parties.....	-	-	0.0%	0.0%	0.0%
Prepayments and other current assets.....	455.3	332.1	37.1%	7.1%	6.4%
Total Current Assets.....	2,687.9	1,880.7	42.9%	41.6%	36.3%
Non-current Assets					
Property and equipment - net	3,391.2	2,969.0	14.2%	52.5%	57.3%
Intangible assets - net.....	112.4	53.5	110.1%	1.7%	1.0%
Right-of-use assets - net.....	178.3	193.7	-7.9%	2.8%	3.7%
Other non-current assets.....	87.6	87.6	0.0%	1.4%	1.7%
Total Non-current Assets.....	3,769.5	3,303.8	14.1%	58.4%	63.7%
TOTAL ASSETS.....	6,457.4	5,184.5	24.6%	100.0%	100.0%
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables.....	589.6	407.2	44.8%	9.1%	7.9%
Loans payable.....	1,544.7	917.0	68.5%	23.9%	17.7%
Lease liabilities.....	4.7	3.1	51.4%	0.1%	0.1%
Due to parent company.....	-	-	0.0%	0.0%	0.0%
Dividends payable.....	6.3	-	0.0%	0.1%	0.0%
Income tax payable.....	1.1	-	0.0%	0.0%	0.0%
Total Current Liabilities.....	2,146.4	1,327.4	61.7%	33.2%	25.6%
Non-current Liabilities					
Loans payable.....	2,225.2	2,060.2	8.0%	34.5%	39.7%
Lease liabilities.....	224.2	228.9	-2.1%	3.5%	4.4%
Deferred tax liabilities - net.....	143.0	62.8	127.9%	2.2%	1.2%
Retirement benefit obligation.....	-	-	0.0%	0.0%	0.0%
Deposits for future stock subscription.....	-	338.5	-100.0%	0.0%	6.5%
Total Non-current Liabilities.....	2,592.3	2,690.4	-3.6%	40.1%	51.9%
Total Liabilities.....	4,738.7	4,017.7	17.9%	73.4%	77.5%

Equity

	For the period ended,		Horizontal analysis	Vertical analysis	
	December 31, 2020	December 31, 2019		December 31, 2020	December 31, 2019
	(in millions of ₱)		% Change	% of Total Assets	
Capital stock.....	1,338.5	1,000.0	33.9%	20.7%	19.3%
Additional paid-in capital.....	-	-	0.0%	0.0%	0.0%
Retained earnings.....	380.2	166.8	127.9%	5.9%	3.2%
Total Equity.....	1,718.7	1,166.8	47.3%	26.6%	22.5%
TOTAL LIABILITIES AND EQUITY	6,457.4	5,184.5	24.6%	100.0%	100.0%

Total assets as of 31 December 2020 were ₱6,457.4 million compared to ₱5,184.5 million as of 31 December 2019, or a 24.6% increase. This was due to the following:

- Cash increased by 100.6% from ₱390.7 million as of 31 December 2019 to ₱783.5 million as of 31 December 2020 due primarily to higher sales for the period.
- Trade receivables decreased by 11.8% from ₱63.2 million as of 31 December 2019 to ₱55.7 million as of 31 December 2020 due to collections made.
- Merchandise inventories increased by 27.3% from ₱1,094.8 million as of 31 December 2019 to ₱1,393.4 million as of 31 December 2020 due primarily to inventory purchases mostly for newly added stores.
- Prepayments and other current assets increased by 37.1% from ₱332.1 million as of 31 December 2019 to ₱455.3 million as of 31 December 2020 due primarily to carry-over of input VAT from merchandise inventories.
- Property and equipment increased by 14.2% from ₱2,969.0 million as of 31 December 2019 to ₱3,391.2 million as of 31 December 2020 due primarily to acquisitions of equipment and furniture and fixtures as well as increase in leasehold improvements for new stores.
- Right-of-use assets decreased by 7.9% from ₱193.7 million as of 31 December 2019 to ₱178.3 million as of 31 December 2020 due primarily to amortization for the period.
- Intangible assets increased by 110.1% from ₱53.5 million as of 31 December 2019 to ₱112.4 million as of 31 December 2020 due primarily to acquisition of additional software license.

Total Liabilities

Total liabilities as of 31 December 2020 were ₱4,738.7 million compared to ₱4,017.7 million as of 31 December 2019, or a 17.9% increase. This was due to the following:

- Trade and other payables increased by 44.8% from ₱407.2 million as of 31 December 2019 to ₱589.6 million as of 31 December 2020 due primarily to inventory build up for holiday season and initial inventory of four new stores for the last quarter of 2020.
- Loans payable including non-current portion increased by 26.6% from ₱2,977.2 million as of 31 December 2019 to ₱3,769.9 million as of 31 December 2020 due to loan availments for the year to fund store expansion.

- Dividends payable increased from nil as of 31 December 2019 to ₱6.3 million as of 31 December 2020 due to declaration of dividends.
- Income tax payable increased from nil as of 31 December 2019 to ₱1.1 million as of 31 December 2020 due to tax due for the period.
- Deposits for future stock subscription decreased by 100% from ₱338.5 million as of 31 December 2019 to nil as of 31 December 2020 attributable to the issuance of shares of stock.
- Deferred tax liabilities increased by 127.9% from ₱62.8 million as of 31 December 2019 to ₱143.0 million as of 31 December 2020 attributable to additional temporary tax differences recognized for the period mainly due to borrowing costs and tax depreciation and amortization.

Total equity as of 31 December 2020 were ₱1,718.7 million compared to ₱1,166.8 million as of 31 December 2019, or a 47.3% increase due to issuance of additional shares for the period and the net profit recorded for the year ended 31 December 2020.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2020	12/31/2019
Sales (₱ millions)	₱7,931.0	₱4,710.4
Sales Growth (%)	68.4%	54.7%
Gross Profit Margin (%) ⁽¹⁾	19.4%	19.4%
Net Profit (₱ millions)	219.6	97.8
Net Profit Margin (%) ⁽²⁾	2.8%	2.1%

Notes:

1) Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Sales

2) Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Sales

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Sales increased for the year ended 31 December 2020 compared to year ended 31 December 2019 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin was maintained for the year ended 31 December 2020 compared to year ended 31 December 2019.

Net Profit and Net Profit Margin increased for the year ended 31 December 2020 compared to year ended 31 December 2019 due to improved revenues, gross profit, and other income.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2020 and as of 31 December 2019.

For the 12-month of 2020, there was no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way except for those items disclosed in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2022. Neither were there events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of the Company except for those contracted capital expenditures attributable to the store fixtures and equipment being put up for the upcoming new stores.

IV. NATURE AND SCOPE OF BUSINESS

AllDay Marts, Inc. (the “Company”) is the fastest growing supermarket operator in the Philippines and a leading player in the mid-premium supermarket segment. Since its incorporation in December 2016, the Company has grown to 36 physical stores as of December 31, 2022, with an aggregate net selling space of approximately 60,000 sqm across 25 cities and municipalities in the Philippines. Twenty-seven of the stores are located in Mega Manila, six stores are in Luzon (outside Mega Manila) and three stores are in the Visayas region. The Company offers an assortment of imported and locally manufactured products from approximately 4,200 brands consisting of about 40,000 SKUs that fall under three key categories, namely fresh items, food items and non-food items.

The Company’s principal office address is LGF Building B, Evia Lifestyle Center, Daanghari Road, Almanza Dos, Las Piñas City, Philippines, with contact number: (+632) 8830-1900 or (+632) 8830-1901, and its corporate website is www.allday.com.ph.

V. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

The Company’s common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2023			2022			2021			2020		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1 st	0.315	0.225	0.240	0.630	0.425	0.480	n/a	n/a	n/a	n/a	n/a	n/a
2 nd				0.480	0.300	0.325	n/a	n/a	n/a	n/a	n/a	n/a
3 rd				0.370	0.260	0.260	n/a	n/a	n/a	n/a	n/a	n/a
4 th				0.275	0.219	0.225	0.900	0.570	0.610	n/a	n/a	n/a

The market capitalization of ALLDY as of December 31, 2022, based on the closing price of ₱0.225 per share, was approximately ₱5.14 billion.

As of March 31, 2023, ALLDY’s market capitalization stood at ₱5.49 billion based on the ₱0.240 per share closing price.

Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
02 June 2023	0.197	0.199	0.190

Stockholders

There are approximately 23 holders of common equity security of the Company as of March 31, 2023 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Stockholder's Name	Common Shares	Percentage
1	AllValue Holdings Corp.	15,309,286,000	66.98%
2	PCD Nominee Corporation – Filipino	6,245,280,911	27.32%
3	PCD Nominee Corporation – Non Filipino	1,296,745,089	5.67%
4	Manuel Bamba Villar Jr.	1,000,000	0.00%
5	Camille Aguilar Villar	1,000,000	0.00%
6	Manuel Paolo Aguilar Villar	1,000,000	0.00%
7	Frances Rosalie Toribio Coloma	1,000,000	0.00%
8	Benjamarie Therese Noel Serrano	1,000,000	0.00%
9	Myra P. Villanueva	150,000	0.00%
10	Myrna P. Villanueva	150,000	0.00%
11	Milagros P. Villanueva	150,000	0.00%
12	Rogelio Pescos Montanez	125,000	0.00%
13	Agnes Victoria D. Casal	90,000	0.00%
14	Juan Trinidad Lim	65,000	0.00%
15	Marietta V. Cabreza	30,000	0.00%
16	Jennifer T. Ramos	20,000	0.00%
17	Joselito C. Herrera	15,000	0.00%
18	Gabrielle Claudia F. Herrera	13,000	0.00%
19	Nadezhda Iskra F. Herrera	12,000	0.00%
20	Kennedy M. Olvido	10,000	0.00%
	TOTAL	22,857,142,000	
	Other Stockholders	3,000	0.00%
	Total issued and outstanding common shares as of March 31, 2023	22,857,145,000	100.00%

Dividends

₱0.0032 per share Regular Cash Dividend

Declaration date: August 15, 2022

Record date: September 12, 2022

Payment date: October 04, 2022

₱0.4672 per share Regular Cash Dividend

Declaration date: December 04, 2020

Record date: December 22, 2020

Payment date: January 15, 2021

Dividend Policy

The Registrant's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Registrant's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Registrant's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Registrant is allowed under Philippine laws to declare property and stock dividends, subject to certain requirement.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

On June 25, 2021, with the approval by the SEC of the increase in its authorized capital stock from ₱2,000,000,000.00 divided into 20,000,000 common shares with a par value of ₱100.00 per common share to ₱3,000,000,000.00 divided into 30,000,000,000 common shares with a par value of ₱0.10 per share, the Company issued 2,615,000,000 common shares to AllValue Holdings, Corp. at par value equivalent to ₱261,500,000.00. Payment for such shares was made in cash.

There have been no other sales of unregistered securities in the past three years.

Stock Options

None.

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Company's Board has adopted a Revised Manual on Corporate Governance. The Company's Revised Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's Corporate Governance Committee.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business. Each January, the Company will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of the date of this report, there are no known material deviations from the Company's Manual of Corporate Governance. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

**AllDay Marts, Inc.
LGF Building B, EVIA Lifestyle Center,
Daanghari Road, Almanza Dos, Las Piñas City**

Attention: Maria Cristina Barao

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Report is true, complete and correct. This report is signed in the City of Las Piñas on the 5th day of June 2023.

By:



MARIA CRISTINA O. BARAO

Treasurer, Chief Financial Officer and
Compliance Officer

Date: June 5, 2023



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

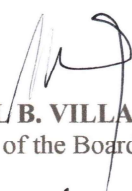
The management of AllDay Marts, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in her report to the stockholders, has expressed her opinion on the fairness of presentation upon completion of such audit.



MANUEL B. VILLAR, JR.
Chairman of the Board



FRANCES ROSALIE T. COLOMA
President and CEO



MARIA CRISTINA O. BARAO
Chief Finance Officer

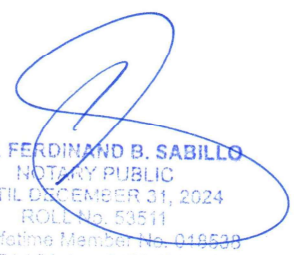
SUBSCRIBED AND SWORN, to before me this APR 28 2023
at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
Manuel B Villar, Jr.	P2529752B	12 JUL 2019 / DFA MANILA
Frances Rosalie T. Coloma	TIN No.225-474-574	
Maria Cristina O. Barao	TIN No.244-148-822	

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

Doc No.
Page No.
Book No.
Series of 2023

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15
V


ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ROLL No. 53511
IBP Lifetime Member No. 018538
PTR No. 5110654 / 04 Jan. 2023 / Mandaluyong City
MCLE Compliance No. VII-0018781 issued dated 25 May 2022
Notarial Commission Appointment No. 0314-23
Vista Corporate Center, Upper Ground Floor
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City



FOR SEC FILING

Financial Statements and
Independent Auditors' Report

AllDay Marts, Inc.

December 31, 2022, 2021 and 2020

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
AllDay Marts, Inc.

(A Subsidiary of AllValue Holdings Corp.)

LGF Evia Lifestyle Center
Daang Hari, Brgy. Almanza Dos
Las Piñas City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AllDay Marts, Inc. (the Company), which comprise the statements of financial position as of December 31, 2022 and 2021, and statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

(a) Revenue Recognition*Description of the Matter*

Revenue is one of the key performance measures used to assess the Company's business performance. Revenue is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Revenue from sale of merchandise is generated through direct sales to customers. For the year ended December 31, 2022, total revenues amounted to P9,759.7 million.

In our view, revenue recognition is significant to our audit because of the inherent risk of material misstatement involved and the materiality of the amount of recorded revenues which impact the Company's profitability.

The Company's disclosures about its revenues and revenue recognition policy are included in Notes 2, 3 and 14.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- updating our understanding of the Company's revenue transactions by reviewing revenue arrangements and revenue transaction processes;
- evaluating appropriateness of the Company's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- involving our information technology (IT) experts in testing the IT general controls and application controls over the automated system from origination to recording of sales;
- testing the design and operating effectiveness of internal controls related to the Company's sale and receipts processes, which include inquiry and observation, and examination of supporting documents, on a sampling basis, of revenue transactions during the year; and, performing detailed analysis of revenue segments and related key ratios such as, but not limited to, current year's components of revenues (e.g., by customer and by location) as a percentage of total revenues and analysis of current and prior year's monthly revenue trend.

(b) Existence, Accuracy and Valuation of Merchandise Inventories*Description of the Matter*

The Company's total merchandise inventories amounting to P1,797.9 million as of December 31, 2022 represent 20% of total assets of the Company. Merchandise inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Management uses estimates in assessing whether merchandise inventories are valued at the lower of cost and net realizable value and appropriate allowance for obsolescence on perishable merchandise inventories. Moreover, the Company's merchandise inventories are considered voluminous and majority of these are kept in the Company's stores and warehouses. Relative to these, we determined that existence and valuation of merchandise inventories are key audit matters.

The Company's disclosures about merchandise inventories and the related inventory valuation policies are included in Notes 2, 3 and 7.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to inventory existence, accuracy and valuation, which was considered to be a significant risk included, among others, the following:

On inventory existence:

- involving our IT experts in testing the IT general controls and application controls over the automated system related to inventory receipts, shipments and adjustments;
- testing the design and operating effectiveness of internal controls related to the Company's inventory count processes;
- conducting physical inventory count observation in selected stores and warehouses, including, among others, touring the facility before and after the inventory count observation to gain an understanding of the location and condition of inventories prior to the count and after the count is concluded; determining that all sample inventory items were counted and no items were counted twice; obtaining relevant cut-off information and copy of count control documents; examining sample inventory items to test count against inventory records; clearing exceptions, if any, with appropriate personnel; and, projecting errors to the population; and,
- performing detailed analysis of inventory-related ratios such as, but not limited to, inventory turnover and current year's components of inventories as a percentage of total inventories.

On inventory accuracy and valuation:

- evaluating appropriateness and consistent application of policy on inventory costing and valuation of merchandise inventories at lower of cost and net realizable value;
- involving our IT experts in testing the IT general controls and application controls over the automated system related to updating and changing of prices;
- performing test of design and implementation of key controls on inventory costing;

- performing test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining supplier invoices and other documents supporting movements affecting the moving average unit cost and reporting unresolved difference, if any, to appropriate personnel; and,
- determining whether inventory is stated at the lower of cost and net realizable value by verifying latest selling price, reviewing estimated cost to sell of sample inventory items and comparing the net realizable value per unit to the unit cost per books and reporting unresolved differences, if any, to appropriate personnel.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 26 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	5	P 992,201,140	P 927,775,974
Receivables	6	132,048,806	130,420,231
Merchandise inventories	7	1,797,940,590	1,826,059,707
Prepayments and other current assets	8	853,206,585	939,646,161
Total Current Assets		3,775,397,121	3,823,902,073
NON-CURRENT ASSETS			
Property and equipment - net	9	4,243,071,508	3,989,782,229
Intangible assets - net	11	554,449,898	434,569,288
Right-of-use assets - net	10	147,532,622	162,927,331
Other non-current assets	8	411,092,221	365,204,332
Total Non-current Assets		5,356,146,249	4,952,483,180
TOTAL ASSETS		P 9,131,543,370	P 8,776,385,253
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	12	P 592,820,558	P 545,578,828
Loans payable	13	1,247,792,200	964,615,385
Lease liabilities	10	8,630,256	6,554,121
Total Current Liabilities		1,849,243,014	1,516,748,334
NON-CURRENT LIABILITIES			
Loans payable	13	184,615,385	469,230,769
Lease liabilities	10	208,966,287	217,596,544
Deferred tax liabilities - net	18	262,652,894	182,884,110
Retirement benefit obligation	17	22,008,221	20,869,333
Total Non-current Liabilities		678,242,787	890,580,756
Total Liabilities		2,527,485,801	2,407,329,090
EQUITY			
Capital stock	20	2,285,714,500	2,285,714,500
Additional paid-in capital		3,316,671,118	3,316,671,118
Revaluation reserves		6,380,329	-
Retained earnings		995,291,622	766,670,545
Total Equity		6,604,057,569	6,369,056,163
TOTAL LIABILITIES AND EQUITY		P 9,131,543,370	P 8,776,385,253

See Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
SALES	14	P 9,759,707,468	P 9,456,401,220	P 7,931,030,211
COST OF MERCHANDISE SOLD	15	<u>7,756,900,602</u>	<u>7,600,499,247</u>	<u>6,392,406,003</u>
GROSS PROFIT		2,002,806,866	1,855,901,973	1,538,624,208
SUPPORT, FEES, RENTALS AND OTHER INCOME	9, 14, 19	<u>51,387,483</u>	<u>80,271,347</u>	<u>63,243,585</u>
GROSS PROFIT INCLUDING OTHER INCOME		<u>2,054,194,349</u>	<u>1,936,173,320</u>	<u>1,601,867,793</u>
OTHER OPERATING EXPENSES	15			
Selling expenses		1,036,641,834	983,988,864	878,388,661
General and administrative expenses		<u>516,641,586</u>	<u>437,182,034</u>	<u>330,938,978</u>
		<u>1,553,283,420</u>	<u>1,421,170,898</u>	<u>1,209,327,639</u>
OPERATING PROFIT		<u>500,910,929</u>	<u>515,002,422</u>	<u>392,540,154</u>
OTHER INCOME (CHARGES)				
Loss from fire damage - net	16	(71,818,442)	-	-
Finance costs	10, 13, 17	(27,506,130)	(70,821,067)	(79,164,156)
Finance income	5, 7	323,252	406,518	313,902
		<u>(99,001,320)</u>	<u>(70,414,549)</u>	<u>(78,850,254)</u>
PROFIT BEFORE TAX		<u>401,909,609</u>	<u>444,587,873</u>	<u>313,689,900</u>
TAX EXPENSE	18			
Current		22,503,661	18,214,309	13,803,997
Deferred		<u>77,642,007</u>	<u>39,887,556</u>	<u>80,239,878</u>
		<u>100,145,668</u>	<u>58,101,865</u>	<u>94,043,875</u>
NET PROFIT		<u>301,763,941</u>	<u>386,486,008</u>	<u>219,646,025</u>
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit plan	17	8,507,106	-	-
Tax expense	18	<u>(2,126,777)</u>	<u>-</u>	<u>-</u>
		<u>6,380,329</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>P 308,144,270</u>	<u>P 386,486,008</u>	<u>P 219,646,025</u>
Basic and Diluted Earnings per Share	21	<u>P 0.01</u>	<u>P 0.02</u>	<u>P 0.02</u>

See Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Capital Stock (see Note 20)	Additional Paid-in Capital (see Note 20)	Revaluation Reserves (see Note 17)	Retained Earnings (see Note 20)	Total Equity
Balance at January 1, 2022	P 2,285,714,500	P 3,316,671,118	P -	P 766,670,545	P 6,369,056,163
Dividends declared	-	-	-	(73,142,864)	(73,142,864)
Total comprehensive income for the year	-	-	6,380,329	301,763,941	308,144,270
Balance at December 31, 2022	P 2,285,714,500	P 3,316,671,118	P 6,380,329	P 995,291,622	P 6,604,057,569
Balance at January 1, 2021	P 1,338,500,000	P -	P -	P 380,184,537	P 1,718,684,537
Issuance of shares during the year	947,214,500	3,316,671,118	-	-	4,263,885,618
Total comprehensive income for the year	-	-	-	386,486,008	386,486,008
Balance at December 31, 2021	P 2,285,714,500	P 3,316,671,118	P -	P 766,670,545	P 6,369,056,163
Balance at January 1, 2020	P 1,000,000,000	P -	P -	P 166,792,186	P 1,166,792,186
Issuance of shares during the year	338,500,000	-	-	-	338,500,000
Dividend declared	-	-	-	(6,253,674)	(6,253,674)
Total comprehensive income for the year	-	-	-	219,646,025	219,646,025
Balance at December 31, 2020	P 1,338,500,000	P -	P -	P 380,184,537	P 1,718,684,537

See Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 401,909,609	P 444,587,873	P 313,689,900
Adjustments for:				
Depreciation and amortization	9, 10, 11	400,830,615	296,866,723	235,206,825
Loss from fire damage	16	71,818,442	-	-
Finance costs	10, 13, 17	27,506,130	70,821,067	79,164,156
Finance income	5	(323,252)	(406,518)	(313,902)
Gain on sale of property and equipment and intangible assets	9, 11, 19	-	(10,000,000)	-
Operating profit before working capital changes		901,741,544	801,869,145	627,746,979
Decrease (increase) in trade receivables		(2,721,910)	(74,717,517)	7,485,792
Increase in merchandise inventories		(29,864,946)	(432,640,399)	(298,646,797)
Decrease (increase) in prepayments and other current assets		74,283,471	(476,036,742)	(123,173,450)
Decrease (increase) in other non-current assets		28,182,435	(43,550,371)	(18,093)
Increase (decrease) in trade and other payables		47,241,730	(29,124,603)	184,907,952
Increase in retirement benefit obligation		9,655,026	20,368,291	-
Cash generated from (used in) operations		1,028,517,350	(233,832,196)	398,302,383
Cash paid for income taxes		(10,347,556)	(27,687,644)	(12,662,048)
Interest received		323,252	406,518	313,902
Net Cash From (Used in) Operating Activities		1,018,493,046	(261,113,322)	385,954,237
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	9	(549,148,965)	(705,501,228)	(453,402,603)
Additions to intangible assets	11	(229,251,336)	(363,931,373)	(76,625,645)
Proceeds from insurance claim on loss from fire damage	16	98,629,601	-	-
Proceeds from disposal of property and equipment and intangible assets	9, 11, 19	-	104,726,354	-
Advances paid to contractors	8	(74,070,324)	(234,046,683)	-
Net Cash Used in Investing Activities	z	(753,841,024)	(1,198,752,930)	(530,028,248)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	13	(1,381,615,385)	(6,586,831,183)	(1,763,205,481)
Proceeds from availment of loans	13	1,380,176,816	4,250,760,278	2,555,882,787
Interest paid for loans payable	13	(98,226,413)	(291,326,049)	(230,864,651)
Dividends paid	20	(73,142,864)	(6,253,674)	-
Interest paid for lease liabilities	10	(20,864,888)	(21,387,266)	(21,748,915)
Repayment of lease liabilities	10	(6,554,122)	(4,726,076)	(3,120,935)
Proceeds from issuance of stocks, net of share issue costs	20	-	4,263,885,618	-
Net Cash From (Used in) Financing Activities		(200,226,856)	1,604,121,648	536,942,805
NET INCREASE IN CASH		64,425,166	144,255,396	392,868,794
CASH AT BEGINNING OF YEAR		927,775,974	783,520,578	390,651,784
CASH AT END OF YEAR		P 992,201,140	P 927,775,974	P 783,520,578

Supplemental Information on Non-cash Investing and Financing Activities:

- (1) In 2022, 2021 and 2020, the Company capitalized borrowing costs amounting to P92.7 million, P227.5 million and P170.9 million based on capitalization rate ranging from 6.50% to 8.08% for specific borrowings in those periods (see Notes 9 and 13).
- (2) The Company has accrued interest expense amounting to P8.2 million, P5.4 million and P20.3 million as of December 31, 2022, 2021 and 2020, respectively (see Note 13). There were no unpaid interest as of December 31, 2022.
- (3) In 2020, the Company approved the declaration of cash dividends amounting P6.3 million which remain unpaid as of December 31, 2020 and subsequently fully settled in 2021 (see Note 19).
- (4) In 2020, the Company issued additional shares of stock amounting to P338.5 million, which was subscribed and fully paid through the conversion of certain liabilities to parent company (see Notes 18 and 19).

See Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

AllDay Marts, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 2016. The Company is primarily engaged in retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging, or otherwise dealing in all kinds of products and services.

The Company's shares were listed in the Philippine Stock Exchange on November 3, 2021 (see Note 20.1).

The Company is a subsidiary of AllValue Holdings Corp. (AllValue or the parent company), which is a subsidiary of Fine Properties Inc. (FPI or the ultimate parent company). AllValue and FPI are incorporated and domiciled in the Philippines. Both companies are presently engaged in the business of a holding company; to buy and hold shares of other companies either by subscribing unissued shares of the capital stock in public or private offerings.

The registered office and principal place of business of the Company is located at LGF Evia Lifestyle Center, Daang Hari, Brgy. Almanza Dos, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

1.2 Continuing Impact of COVID-19 Pandemic on Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on April 27, 2023. The Company's owners and BOD have the power to amend the financial statements after issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company’s financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company’s policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company’s financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*
- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments are not relevant to the Company:
 - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
 - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and deferred income tax liabilities are classified as non-current assets and non-current liabilities, respectively.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the only classification that applies to the Company is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented under Current Assets as Cash, Receivables, Short-term investments under Prepayments and Other Current Assets) and Security deposits under Other Non-current Assets in the statement of financial position.

For purposes of cash flows reporting and presentation, cash includes demand deposits which earn interest based on daily bank deposit rates and are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Income.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For cash and short-term investments, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL [see Note 23.2(a)].

The Company applies the simplified approach in measuring ECL for its receivables which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 23.2(b)].

For security deposits, the Company applies the general approach, which track changes in credit risk at every reporting date [see Note 23.2(c)].

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial assets at amortized cost subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance.

(iii) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(a) *Financial Liabilities*

Financial liabilities, which include trade and other payables (except provisions and tax-related liabilities), loans payable and dividends payable, are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

All interest-related charges, except for capitalized borrowing costs, incurred on a financial liability are recognized as Finance costs under Other Income (Charges) – Net in the statement of comprehensive income.

Loans payable are raised for support of short-term and long-term funding of operations and are recognized initially at the transaction price. Loans payable are subsequently measured at amortized cost. Finance charges, including direct issue costs, are charged to profit or loss, except for capitalized borrowing costs, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(b) *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of merchandise inventories includes all costs directly attributable to acquisition such as the purchase price, including transport and handling costs, and other incidental expenses incurred in bringing the inventories to their present location and condition.

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

At the end of each reporting period, merchandise inventories are assessed for impairment, i.e., the carrying amount is not fully recoverable due to damage, obsolescence or declining selling prices.

2.6 Other Assets

Other assets, which are non-financial assets except for short-term investments and security deposits, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Advances for purchases that will be applied as payment for future purchase of merchandise inventories are classified and presented under Other Current Assets account in the statement of financial position. On the other hand, advances to contractors that will be applied as payment for future acquisition or construction of property and equipment are classified and presented under Other Non-current Assets account in the statement of financial position. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

2.7 Property and Equipment

Property and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Equipment	3 to 15 years
Furniture and fixtures	9 years

Leasehold improvements are amortized over their estimated useful lives of 20 years or the lease term, whichever is shorter.

Fully-depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

Construction in progress (CIP) represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.15). The account is not depreciated until such time that the assets are completed and available-for-use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets pertain to acquired computer software which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized cost is amortized on a straight-line basis over the estimated useful life of five to eight years as the life of this intangible asset is considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.13.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's BOD – its chief operating decision-maker. The Company's BOD is responsible for assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's business line as disclosed in Note 4.

The measurement policies that the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company enters into transactions involving the sale and delivery of merchandise representing fresh items, food items, and non-food items. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(d). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods transfers to the customer. As a matter of accounting policy, when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

- a) *Sale of merchandise* – Revenue is recognized when the control transfers at a point in time with the customer, i.e., generally when the customer purchased the merchandise. For individual customers, payment of the transaction price is due immediately at the point the customer purchases the merchandise. On the other hand, invoices for merchandise purchased by corporate customers are due based on agreed terms and are provided upon receipt of merchandise by the customer. For e-commerce sales, revenue is recognized when control of the goods has transferred to the customer, being at the point of the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.
- b) *Delivery fees* – Delivery fees are charged for the transportation of merchandise from the Company's stores to a certain destination as agreed with the customer. Delivery fees are recognized over time as the services are provided. Payment of delivery fees is due immediately, i.e., upon the customer's purchase of merchandise.
- c) *Miscellaneous* – Miscellaneous income comprise of support received from supplier for store opening and clearance sales. Miscellaneous is recognized at a point in time when support are received from supplier.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes an outflow of cash or a reduction in trade receivables with a corresponding adjustment on the amount of revenues recognized during the reporting period. Also, the Company recognizes a right-of-return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Merchandise Sold. However, there were no contracts containing significant right of return arrangements which remain outstanding during the reporting periods since the Company's policy with customers for most of its sale of merchandise pertain to outright return which are recognized immediately. Relative to this outright return arrangement, the amount of revenues are also immediately adjusted as of the end of the reporting periods.

Under the Company's standard contract terms for sale to customers, only goods found to be shoddy or defective shall be honored for return. The right of return is not a separate performance obligation and is not considered in establishing the transaction price since right of return entitles the customer to exchange the product bought for another product of the same type, quality, condition and price.

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. A liability is recognized for revenue relating to the loyalty points at the time of the initial sales transactions. Revenue from loyalty points are recognized when the points are redeemed by the customer. Revenue from loyalty points that are not expected to be redeemed by the customer is recognized in proportion of the pattern of rights exercised by customers. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(d).

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of any related qualifying assets (see Note 2.15).

2.12 Leases

(a) Company as a Lessee

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease 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 Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.13).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company's lease contracts for certain stores contain variable lease payment terms. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss when incurred.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Company as a Lessor

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.13 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use assets, intangible assets and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less cost to sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less cost to sell, and an impairment loss is recognized immediately in profit or loss.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, a defined contribution plan and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the period. The calculation also takes into account of any changes in the defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Finance costs under Other Income (Charges) – Net in profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (e.g. Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the statement of financial position.

(d) *Bonus Plans*

The Company recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments. The Company recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.15 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income, if any, earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.16 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirements of SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-Listed Entities*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.18 Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount of money received from the stockholders for the purpose of applying the same as payment for future issuance of stocks which may or may not materialize. Based on the requirements of the SEC, the Company recognizes a deposit for future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period:

- (a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- (b) There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- (c) There is stockholders' approval of said proposed increase; and
- (d) The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability. The amount of deposit for future stock subscription will be reclassified to equity account when the Company meets the foregoing elements.

2.19 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Revaluation reserves consist of accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

2.20 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 20).

Diluted EPS is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loans and stock options.

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options (see Note 21).

2.21 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of some of its stores and warehouse due to the provision in its contracts that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Timing of Satisfaction of Performance Obligations

In determining the appropriate method to use in recognizing the Company's revenues from sale of merchandise, management determines that revenue is recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledges delivery of the goods.

Miscellaneous income comprised of support received from supplier for store opening and clearance sales. Miscellaneous income is recognized at a point in time when supports are received from supplier.

On the other hand, revenues from delivery fees are recognized over time when the Company transfers control of the services over time as the performance of contractually agreed tasks are rendered. The management considers the output method under PFRS 15 as the Company recognizes revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the services promised under the contract.

(c) Determination Whether the Loyalty Points Provide Material Rights to Customers

The Company has a loyalty points programme which allows customers to accumulate points that can be redeemed for future purchases at any of the Company's store outlets, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provided a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

As of December 31, 2022 and 2021, liabilities arising from customer loyalty programme amounted to P0.5 million and P4.4 million, respectively (see Note 12).

(d) *Determination of Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value added tax (VAT)].

The transaction price is considered receivable to the extent of products sold with a right to avail customer loyalty points, right of return, discounts and rebates. The transaction price of customer loyalty points is allocated amongst the material right and other performance obligations identified in the contract based on the stand-alone selling prices, which are all observable. The Company measures its revenue net of consideration allocated to the fair value of the point credits.

Management has assessed that the amount involved for the right of return is not material and, in most cases, customers could exchange the returned items with another merchandise in the store within the prescribed period (i.e., within seven days from date of purchase). Discounts and rebates are identifiable to specific goods and are recognized as reduction against the revenue recognized from sale of merchandise.

(e) *Determination of ECL on Receivables*

The Company uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating). The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's receivables are disclosed in Note 23.2(b).

(f) *Distinction Between Operating and Finance Leases as a Lessor*

The Company has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that the Company's lease arrangements are operating leases.

(g) *Capitalization of Borrowing Costs*

The Company determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time needed to bring the asset for its intended use. Failure to make the right judgment will result in the misstatement of assets and net profit.

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 23.2.

(c) *Determination of Net Realizable Value of Merchandise Inventories*

In determining the net realizable value of merchandise inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company's products are subject to inventory obsolescence. Moreover, future realization of the carrying amounts of merchandise inventories as presented in Note 7 is affected by price changes of the products and the costs incurred necessary to make a sale. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's merchandise inventories within the next financial reporting period.

(d) *Estimation of Useful Lives of Property and Equipment, Right-of-Use Assets, and Intangible Assets*

The Company estimates the useful lives of property and equipment, right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these properties 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 2020, the management assessed that an extension of the property and equipment's and intangible assets' remaining useful lives is appropriate to align with the other companies in the same industry. This change in accounting estimate was applied prospectively, beginning January 1, 2020. With the increase in useful lives, the annual depreciation and amortization decreased by P80.1 million in 2020. There was no change in estimated useful lives of these assets in 2022 and 2021. The carrying amounts of property and equipment, right-of-use assets and intangible assets are analyzed in Notes 9, 10 and 11, respectively.

(e) *Evaluation of Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13).

Though management believes that the assumptions used in the estimation of recoverable values are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, no impairment losses are required to be recognized on the Company's non-financial assets as of December 31, 2022 and 2021.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. Management assessed that the deferred tax assets recognized as at December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 18.

(g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense, and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 17.2.

4. SEGMENT REPORTING

The Company has only one reportable segment which is the trading business.

Further, the Company has only one geographical segment as all of its operations are based in the Philippines.

The revenue of the Company consists mainly of sales to external customers through its retail and e-commerce channels.

The Company has no significant customer which contributed to 10% or more to the revenue of the Company.

5. CASH

Cash include the following components as of December 31, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
Cash on hand	P 9,542,000	P 9,355,000
Cash in banks	<u>982,659,140</u>	<u>918,420,974</u>
	<u>P 992,201,140</u>	<u>P 927,775,974</u>

Cash in banks generally earn interest based on daily bank deposit rates and interest income is recognized as the interest accrues taking into account the effective yield. Interest income earned on bank deposits is presented as part of Finance Income under Other Income (Charges) – Net in the statements of comprehensive income.

6. RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Trade receivables	19.1	P 111,598,998	P 114,099,466
Non-trade receivables		19,356,473	12,271,528
Others	17.2	<u>1,093,335</u>	<u>4,049,237</u>
		<u>P 132,048,806</u>	<u>P 130,420,231</u>

Trade receivables are due from various customers, including credit card companies, and have credit terms ranging from 2 days to 30 days.

Non-trade receivables comprise of the Company's receivables arising from delivery fees, rental income and miscellaneous income.

Others pertain to the receivable for the transferred retirement benefit obligation from a related party under common ownership.

The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

All of the Company's receivables have been assessed for impairment using the ECL model. Management believes that no allowance for ECL is required since there has no significant change in the credit quality of the accounts as of December 31, 2022 and 2021 [see Note 23.2(b)].

7. MERCHANDISE INVENTORIES

Merchandise inventories pertain to goods owned by the Company, which include food and non-food items, pharmaceutical products and dry goods, among others, that are traded under the normal course of business and amounted to P1,797.9 million and P1,826.1 million as of December 31, 2022 and 2021, respectively (see Note 15.1).

The Company did not provide any allowance for inventory obsolescence as the merchandise inventories are deemed realizable above cost. Hence, merchandise inventories were all stated at cost, which is lower than net realizable value, as of December 31, 2022 and 2021.

Cost of merchandise inventories charged to operations are presented as Cost of Merchandise Sold in the statements of comprehensive income (see Note 15.1).

In relation to the fire incident in the Alabang store on January 8, 2022, the Company wrote-off certain merchandise inventories amounting to P58.0 million (see Note 16.2). There was no similar event in 2021 and 2020.

8. PREPAYMENTS AND OTHER ASSETS

The composition of this account is shown on below.

	Note	2022	2021
Current:			
Input VAT		P 517,544,987	P 623,163,286
Advances for purchases		229,442,529	223,762,176
Deferred input VAT		57,065,118	42,403,826
Prepayments		24,433,645	24,147,616
Store supplies		19,431,650	17,703,152
Short term investments		3,000,000	-
Creditable withholding tax		<u>2,288,656</u>	<u>8,466,105</u>
		<u>853,206,585</u>	<u>939,646,161</u>
Non-current:			
Advances to contractors		302,326,993	234,046,683
Security deposits	10	72,322,394	68,662,606
Deferred input VAT		<u>36,442,834</u>	<u>62,495,043</u>
		<u>411,092,221</u>	<u>365,204,332</u>
		<u>P1,264,298,806</u>	<u>P 1,304,850,493</u>

Advances for purchases pertains to advances that will be applied for future purchase of merchandise inventories and services.

Deferred input VAT pertains to the input VAT on purchases of services and the unamortized portion of the VAT on capital goods exceeding P1.0 million from purchases prior to 2022.

Prepayments include prepaid expenses for rentals, advertising, communication, insurance, dues and subscription, utilities, marketing and others.

Store supplies pertain to expendable items consumed during Company's operations.

Short term investments refer to the Company's time deposits with original maturities of more than three months to one year and are subject to insignificant risk of changes in value. These investments earn effective interest of 0.55% in 2022. Interest income from time deposits in 2022 is presented as part of Finance Income under Other Income (Charges) – Net in the 2022 statement of comprehensive income. There were no short-term investments in 2021.

Advances to contractors pertains to advances made to various contractors for the construction of several items under property and equipment.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
December 31, 2022					
Cost	P3,381,333,982	P 336,552,451	P1,129,554,556	P 521,640,950	P5,369,081,939
Accumulated depreciation and amortization	(489,297,375)	(140,972,450)	(495,740,606)	-	(1,126,010,431)
Net carrying amount	<u>P2,892,036,607</u>	<u>P 195,580,001</u>	<u>P 633,813,950</u>	<u>P 521,640,950</u>	<u>P4,243,071,508</u>
December 31, 2021					
Cost	P2,810,724,966	P 305,689,520	P1,122,403,501	P 621,916,270	P4,860,734,257
Accumulated depreciation and amortization	(354,178,405)	(107,157,338)	(409,616,285)	-	(870,952,028)
Net carrying amount	<u>P2,456,546,561</u>	<u>P 198,532,182</u>	<u>P 712,787,216</u>	<u>P 621,916,270</u>	<u>P3,989,782,229</u>
January 1, 2021					
Cost	P2,141,146,243	P 240,205,654	P1,061,214,788	P 582,335,386	P4,024,902,071
Accumulated depreciation and amortization	(235,985,143)	(76,094,402)	(321,652,777)	-	(633,732,322)
Net carrying amount	<u>P1,905,161,100</u>	<u>P 164,111,252</u>	<u>P 739,562,011</u>	<u>P 582,335,386</u>	<u>P3,391,169,749</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below and in the succeeding page.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization	P2,456,546,561	P 198,532,182	P 712,787,216	P 621,916,270	P3,989,782,229
Additions	277,206,092	7,242,465	22,455,533	334,914,349	641,818,439
Transfer from CIP	385,841,524	30,232,609	19,115,536	(435,189,669)	-
Write-off relating to fire loss	(81,182,512)	(4,756,829)	(26,524,639)	-	(112,463,980)
Depreciation and amortization charges for the year	(146,375,058)	(35,670,426)	(94,019,696)	-	(276,065,180)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P2,892,036,607</u>	<u>P 195,580,001</u>	<u>P 633,813,950</u>	<u>P 521,640,950</u>	<u>P4,243,071,508</u>

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P1,905,161,100	P 164,111,252	P 739,562,011	P 582,335,386	P3,391,169,749
Additions	211,527,249	2,384,294	47,123,020	672,005,119	933,039,682
Transfer from CIP	502,393,105	67,994,384	42,750,908	(613,138,397)	-
Disposal	(42,529,288)	(4,649,028)	(26,852,979)	(19,285,838)	(93,317,133)
Depreciation and amortization charges for the year	(120,005,605)	(31,308,720)	(89,795,744)	-	(241,110,069)
Balance at December 31, 2021, net of accumulated depreciation and amortization	<u>P2,456,546,561</u>	<u>P 198,532,182</u>	<u>P 712,787,216</u>	<u>P 621,916,270</u>	<u>P3,989,782,229</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P1,537,359,500	P 156,580,321	P 746,141,507	P 528,897,929	P2,968,979,257
Additions	84,270,440	6,184,576	4,669,599	529,146,842	624,271,457
Transfer from CIP	374,493,827	25,805,790	75,409,768	(475,709,385)	-
Depreciation and amortization charges for the year	(90,962,667)	(24,459,435)	(86,658,863)	-	(202,080,965)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P1,905,161,100</u>	<u>P 164,111,252</u>	<u>P 739,562,011</u>	<u>P 582,335,386</u>	<u>P3,391,169,749</u>

The gross carrying amounts and accumulated depreciation of furniture and fixtures subject to operating lease at the beginning and end of 2022 and 2021 are shown below.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Cost	P 274,777,339	P 260,022,640	P 208,166,034
Accumulated depreciation and amortization	(80,493,730)	(62,003,635)	(45,548,288)
Net carrying amount	<u>P 194,283,609</u>	<u>P 198,019,005</u>	<u>P 162,617,746</u>

A reconciliation of the carrying amounts of furniture and fixtures subject to operating lease at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning, net of accumulated depreciation and amortization	P 198,019,005	P 162,617,746	P 125,869,758
Additions	22,742,104	51,856,606	48,833,646
Disposal	(7,087,933)	-	-
Depreciation and amortization charges for the year	(19,389,567)	(16,455,347)	(12,085,658)
Ending, net of accumulated depreciation and amortization	<u>P 194,283,609</u>	<u>P 198,019,005</u>	<u>P 162,617,746</u>

The amount of depreciation and amortization is presented as part of General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

In 2022, the Company wrote-off certain property and equipment with net book value of P112.2 million as a result of the fire incident in Alabang store on January 8, 2022 (see Note 16.2). There was no similar event in 2021 and 2020.

In 2021, the Company sold certain property and equipment to a related party under common ownership with carrying amount of P93.3 million and the related gain on sale is presented as part of Support, Fees, Rentals and Other Income in the 2021 statement of comprehensive income (see Note 19.3). There was no similar transaction in 2022 and 2020.

In 2022, 2021 and 2020, borrowing costs amounting to P92.7 million, P227.5 million, and P170.9 million, respectively, based on capitalization rate ranging from 6.50% to 8.08% for specific borrowings in those periods, were capitalized (see Note 13).

There were no items of property and equipment that were used as collateral for any of the Company's loans.

Cost of fully depreciated and amortized assets that are still used in operations amounts to P28.4 million and P28.1 million as of December 31, 2022 and 2021, respectively.

The Company also recognized rental income from its operating leases as a lessor amounting to P31.4 million, P35.7 million and P35.1 million in 2022, 2021 and 2020, respectively and is presented as part of Support, Fees, Rentals and Other Income in the statements of comprehensive income (see Note 14).

10. LEASES

The Company is a lessee under non-cancellable operating leases covering its store outlets and warehouse with lease terms ranging from 10 years to 20 years. With the exception of leases with variable consideration, only one lease contract is reflected on the statements of financial position as a right-of-use asset and a lease liability. This lease contract covers a store outlet with a remaining lease term of 9 years and 8 years as of December 31, 2022 and 2021, respectively.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The leases contain an option to renew the lease which requires mutual agreement of both parties. The Company is prohibited from selling or pledging the underlying leased assets as security. The Company must keep the leased properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts. There are no leases with options to purchase or terminate. The Company has no short-term leases and leases of low-value assets.

The security deposits paid in connection with the leases amounting to P72.3 million and P68.7 million as of December 31, 2022 and 2021, respectively, is presented as Security deposits under Other Non-current Assets in the statements of financial position (see Note 8). Management believes that no allowance for ECL is required for security deposits since there has no significant change in the credit quality of the accounts [see Note 23.2(c)].

10.1 Right-of-use Assets

The carrying amount of the Company's right-of-use assets from store outlets and the movements at beginning and end of 2022 and 2021 are shown below.

	<u>2022</u>	<u>2021</u>
Cost	<u>P 209,111,455</u>	<u>P 209,111,455</u>
Accumulated amortization:		
Balance at beginning of year	<u>46,184,124</u>	<u>30,789,416</u>
Amortization for the year	<u>15,394,709</u>	<u>15,394,708</u>
Balance at end of year	<u>61,578,833</u>	<u>46,184,124</u>
Carrying amount	<u>P 147,532,622</u>	<u>P 162,927,331</u>

The amount of depreciation is presented as part of General and Administrative Expenses in the 2022 and 2021 statements of comprehensive income (see Note 15.2).

10.2 Lease Liabilities

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

	<u>2022</u>	<u>2021</u>
Current	<u>P 8,630,256</u>	<u>P 6,554,121</u>
Non-current	<u>208,966,287</u>	<u>217,596,544</u>
	<u>P 217,596,543</u>	<u>P 224,150,665</u>

The reconciliation of the carrying amounts of the lease liabilities are as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		<u>P 224,150,665</u>	<u>P 228,876,741</u>
Accretion of interest	10.4	<u>20,864,887</u>	<u>21,387,266</u>
Repayment	10.4	<u>(27,419,009)</u>	<u>(26,113,342)</u>
Balance at end of year		<u>P 217,596,543</u>	<u>P 224,150,665</u>

As of December 31, 2022 and 2021, the Company has no commitments for leases entered into but which had not commenced nor termination options to its lease contracts.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as at December 31 are as follows:

	<u>Within one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>5 to 6 years</u>	<u>6 to 10 years</u>	<u>More than ten years</u>	<u>Total</u>
December 31, 2022									
Lease payments	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 34,994,376	P 36,744,095	P 147,149,076	P -	P 342,975,872
Finance charges	(20,159,704)	(19,247,146)	(18,099,906)	(16,687,638)	(14,976,650)	(12,929,549)	(23,278,736)	-	(125,379,329)
Net present values	<u>P 8,630,256</u>	<u>P 10,982,312</u>	<u>P 13,641,024</u>	<u>P 16,640,339</u>	<u>P 20,017,726</u>	<u>P 23,814,546</u>	<u>P 123,870,340</u>	<u>P -</u>	<u>P 217,596,543</u>
December 31, 2021									
Lease payments	P 27,419,009	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 34,994,376	P 183,893,170	P -	P 370,394,880
Finance charges	(20,864,888)	(20,159,703)	(19,247,146)	(18,099,906)	(16,687,638)	(14,976,650)	(36,208,284)	-	(146,244,215)
Net present values	<u>P 6,554,121</u>	<u>P 8,630,257</u>	<u>P 10,982,312</u>	<u>P 13,641,024</u>	<u>P 16,640,339</u>	<u>P 20,017,726</u>	<u>P 147,684,886</u>	<u>P -</u>	<u>P 224,150,665</u>

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 6 years	6 to 10 years	More than ten years	Total
<u>December 31, 2020</u>									
Lease payments	P 26,113,342	P 27,419,009	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 193,366,016	P 25,521,530	P 396,508,222
Finance charges	(21,387,266)	(20,864,888)	(20,159,703)	(19,247,146)	(18,099,906)	(16,687,638)	(50,401,595)	(783,339)	(167,631,481)
Net present values	P 4,726,076	P 6,554,121	P 8,630,257	P 10,982,312	P 13,641,024	P 16,640,339	P 142,964,421	P 24,738,191	P 228,876,741

10.3 Lease Payments Not Recognized as Liabilities

The Company also entered into lease agreements that contain variable payments linked to sales generated from certain stores (see Note 19.2). The expenses relating to these leases amounting to P281.0 million, P264.6 million and P237.1 million for 2022, 2021 and 2020 are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Note 15.2).

If the sales of the Company had changed by an average of +/-1.0%, the variable rent expense would have changed by +/- P2.4 million, +/- P2.4 million and +/- P2.0 million in 2022, 2021 and 2020, respectively.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P27.4 million, P26.1 million and P24.9 million in 2022, 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P20.9 million, P21.4 million and P21.7 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 16.1).

11. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2022 and 2021 are shown below.

	2022	2021	2020
Cost	P 732,816,801	P 503,565,463	P 141,322,325
Accumulated amortization	(178,366,903)	(68,996,175)	(28,913,243)
	<u>P 554,449,898</u>	<u>P 434,569,288</u>	<u>P 112,409,082</u>

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2022, 2021 and 2020 is shown below.

	2022	2021	2020
Balance at beginning of year, net of accumulated amortization	P 434,569,288	P 112,409,082	P 53,514,589
Additions	229,251,336	363,931,373	76,625,645
Amortization charges for the year	(109,370,726)	(40,361,946)	(17,731,152)
Disposal	-	(1,409,221)	-
Balance at end of year, net of accumulated amortization	<u>P 554,449,898</u>	<u>P 434,569,288</u>	<u>P 112,409,082</u>

In 2021, the Company sold certain intangible assets with net book value of P1.4 million for P 104.7 million. The related gain arising from this transaction is presented under Support, Fees, Rentals and Other income in the 2021 statement of comprehensive income (see Note 19.3). There was no similar transaction in 2022 and 2020.

The amount of amortization is presented as part of General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

Intangible assets are subject to impairment whenever there is an indication of impairment. No impairment losses were recognized in 2022, 2021 and 2020 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

There were no contractual commitments entered into in 2022, 2021 and 2020.

12. TRADE AND OTHER PAYABLES

The composition of this account is shown below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Trade payables		P 575,689,665	P 499,063,652
Accrued expenses	13	10,104,032	23,544,305
Withholding taxes and other			
government payables		6,488,430	18,589,344
Customer loyalty rewards liability		<u>538,431</u>	<u>4,381,527</u>
		<u>P 592,820,558</u>	<u>P 545,578,828</u>

Trade payables arise from the Company's purchases of merchandise inventories and other direct costs. These are noninterest-bearing and have credit terms ranging from seven to 30 days.

Accrued expenses are liabilities arising from unpaid interest, agency service fee, utilities, professional fees and other expenses.

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company recognized a deferred revenue for the unredeemed points.

13. LOANS PAYABLE

The account consists of:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Current:			
Short-term loans	13.1	P1,063,176,816	P 780,000,000
Current portion of long-term loans	13.2	<u>184,615,384</u>	<u>184,615,385</u>
		1,247,792,200	964,615,385
Non-current:			
Long-term loans	13.2	<u>184,615,385</u>	<u>469,230,769</u>
		<u>P1,432,407,585</u>	<u>P1,433,846,154</u>

Presented below is the reconciliation of the Company's loans payable.

	<u>Short-term Loans</u>	<u>Long-term Loans</u>	<u>Total</u>
Balance as of January 1, 2022	P 880,000,000	P 553,846,154	P1,433,846,154
Additional borrowings	612,176,816	-	612,176,816
Reavilment of loans	768,000,000	-	768,000,000
Repayments of borrowings	(1,197,000,000)	(184,615,385)	(1,381,615,385)
Balance at December 31, 2022	<u>P1,063,176,816</u>	<u>P 369,230,769</u>	<u>P1,432,407,585</u>
Balance as of January 1, 2021	P1,150,878,598	P2,619,038,461	P3,769,917,059
Additional borrowings	981,886,277	292,500,000	1,274,386,277
Reavilment of loans	2,976,374,001	-	2,976,374,001
Repayments of borrowings	(4,329,138,876)	(2,257,692,307)	(6,586,831,183)
Balance at December 31, 2021	<u>P 780,000,000</u>	<u>P 653,846,154</u>	<u>P1,433,846,154</u>
Balance as of January 1, 2020	P 609,308,984	P2,367,930,769	P2,977,239,753
Additional borrowings	750,000,000	735,000,000	1,485,000,000
Reavilment of loans	1,070,882,787	-	1,070,882,787
Repayments of borrowings	(1,279,313,173)	(483,892,308)	(1,763,205,481)
Balance at December 31, 2020	<u>P1,150,878,598</u>	<u>P2,619,038,461</u>	<u>P3,769,917,059</u>

The total interest expense incurred on these loans amounted to P5.6 million, P48.9 million and P57.4 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs under Other Income (Charges) – Net in the statements of comprehensive income.

In 2022, 2021 and 2020, borrowing costs amounting to P92.7 million, P227.5 million and P170.9 million, respectively, based on capitalization rate ranging from 6.50% to 8.08% for specific borrowing in those years, were capitalized as part of Property and Equipment (see Note 9).

The unpaid interest amounted to P8.2 million and P5.4 million as of December 31, 2022 and 2021 and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 12).

13.1 Short-term Loans

In 2022, 2021 and 2020, the Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 5.00% to 8.08% and with terms of 90 to 180 days. These loans are usually being rolled-over upon maturity and are secured by cross suretyship of the Company's ultimate parent company (see Note 19.4). There are no loan covenants on the Company's short-term loans.

13.2 Long-term Loans

In 2021 and 2020, the Company obtained three to seven-year corporate loans, inclusive of two-year grace period, from various local banks for the Company's store construction and expansion with fixed interest rate ranging from 6.50% to 8.08% both in 2021 and 2020. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 19.4). There was no similar transaction in 2022. Certain loans of the Company with local banks are subject to covenants and all have been complied with as of December 31, 2022 and 2021 (see Note 25).

14. REVENUES

The Company's sales revenues arise from transactions with individual and corporate customers in the Philippines totalling to P9,759.7 million, P9,456.4 million and P7,931.0 million in 2022, 2021 and 2020, respectively.

The disaggregation on revenue recognition whether point in time or over time is shown below.

	<u>Point in time</u>	<u>Over time</u>	<u>Total</u>
<u>2022</u>			
Sales	P9,759,707,468	P -	P9,759,707,468
Delivery fees	-	18,196,443	18,196,443
Miscellaneous	<u>1,840,982</u>	<u>-</u>	<u>1,840,982</u>
	<u>P 9,761,548,450</u>	<u>P 18,196,443</u>	<u>P9,779,744,893</u>
<u>2021</u>			
Sales	P9,456,401,220	P -	P9,456,401,220
Delivery fees	-	24,253,245	24,253,245
Miscellaneous	<u>20,330,321</u>	<u>-</u>	<u>20,330,321</u>
	<u>P 9,476,731,541</u>	<u>P 24,253,245</u>	<u>P9,500,984,786</u>
<u>2020</u>			
Sales	P7,931,030,211	P -	P7,931,030,211
Delivery fees	-	24,100,677	24,100,677
Miscellaneous	<u>4,086,755</u>	<u>-</u>	<u>4,086,755</u>
	<u>P7,935,116,966</u>	<u>P 24,100,677</u>	<u>P7,959,217,643</u>

The Company also recognized rental income from its operating leases as lessor amounting to P31.4 million, P35.7 million and P35.1 million in 2022, 2021 and 2020, respectively (see Note 9).

Rentals, delivery fees and miscellaneous income are presented as Support, Fees, Rentals and Other Income in the statements of comprehensive income.

15. COSTS AND EXPENSES

15.1 *Cost of Merchandise Sold*

The details of cost of merchandise sold are shown on below.

	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Merchandise inventories				
at beginning of year	7	P 1,826,059,707	P1,393,419,308	P1,094,772,511
Purchases during the year		<u>7,728,781,485</u>	<u>8,033,139,646</u>	<u>6,691,052,800</u>
Cost of goods available for sale		9,554,841,192	9,426,558,954	7,785,825,311
Merchandise inventories at end of year	7	(<u>1,797,940,590</u>)	(<u>1,826,059,707</u>)	(<u>1,393,419,308</u>)
		<u>P7,756,900,602</u>	<u>P7,600,499,247</u>	<u>P6,392,406,003</u>

15.2 *Other Operating Expenses*

The details of selling, general and administrative expenses by nature are shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Depreciation and amortization	9, 10.1, 11	P 400,830,615	P 296,866,723	P 235,206,825
Rentals	10.3, 19.2	281,009,936	264,590,255	237,124,009
Communication and utilities		273,315,491	243,157,862	223,236,780
Agency fee		235,515,977	218,544,070	204,339,630
Salaries, wages and other employee benefits	17.1	103,342,971	118,231,818	65,569,204
Taxes and licenses		49,466,086	54,562,120	56,942,725
Merchant fee		43,863,989	48,900,892	41,700,421
Repairs and maintenance		41,597,351	37,129,493	43,852,948
Operating supplies		37,093,513	29,631,387	34,379,893
Dues and subscriptions		25,452,247	3,088,807	1,031,323
Travel and transportation		19,055,098	19,289,715	19,815,867
Advertising and promotions		18,087,797	18,373,817	22,878,840
Insurance		13,172,778	10,465,898	9,770,403
Professional fees	20.2	3,756,216	33,425,945	3,311,776
Delivery fees		2,814,809	5,429,270	5,306,936
Others	20.2	<u>4,908,546</u>	<u>19,482,826</u>	<u>4,860,059</u>
		<u>P1,553,283,420</u>	<u>P1,421,170,898</u>	<u>P1,209,327,639</u>

These expenses are classified as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Selling	P1,036,641,834	P 983,988,864	P 878,388,661
General and administrative	<u>516,641,586</u>	<u>437,182,034</u>	<u>330,938,978</u>
	<u>P1,553,283,420</u>	<u>P1,421,170,898</u>	<u>P 1,209,327,639</u>

16. OTHER INCOME (CHARGES) – Net

16.1 Finance Income (Costs)

Finance income (costs) include the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Finance costs:</i>				
Interest expense from:				
Lease liabilities	10.2	P 20,864,888	P 21,387,266	P 21,748,915
Retirement benefit obligation	17.2	1,084,303	501,042	-
Loans payable	13	<u>5,556,939</u>	<u>48,932,759</u>	<u>57,415,241</u>
		<u>P 27,506,130</u>	<u>P 70,821,067</u>	<u>P 79,164,156</u>
<i>Finance income:</i>				
Interest income from banks	5, 7	<u>P 323,252</u>	<u>P 406,518</u>	<u>P 313,902</u>

16.2 Losses from Fire Damage – Net

On January 8, 2022, the Company's distribution warehouse, selling area, and head office, located in Alabang, Muntinlupa City, was severely damaged by a fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to P58.0 million and P112.2 million, respectively (see Notes 7 and 9). The Company received total insurance claims amounting to P98.3 million, which was offset against the losses incurred from the fire incident. The related net loss which amounted to P71.8 million is presented as Loss from fire damage under Other Income (Charges) – Net in the 2022 statement of comprehensive income. There was no similar event in 2021 and 2020.

17. EMPLOYEE BENEFITS

17.1 Salaries, Wages and Employee Benefits

Details of salaries and employee benefits, which is presented as part of Selling, General and Administrative Expenses in the statements of comprehensive income are presented below.

	Notes	2022	2021	2020
Salaries and wages		P 68,260,044	P 83,239,149	P 49,927,131
Post-employment benefits	17.2	7,468,356	16,319,054	-
Other employee benefits		27,614,571	18,673,615	15,642,073
	15.2	P 103,342,971	P 118,231,818	P 65,569,204

17.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, non-contributory, post-employment defined benefit plan covering all qualified employees.

The normal retirement age of the Company's employees is at 60 with a minimum of five years of credited service. The compulsory retirement age is at 65 with a minimum of five years of credited service. The normal retirement benefit is equal to 100% of the monthly salary multiplied by every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

The actuarial valuation was made in 2022 and 2021 by a professionally qualified actuary. The retirement benefit obligation amounted to P22.0 million and P20.9 million as of December 31, 2022 and 2021, respectively and is presented as Retirement Benefit Obligation in the statements of financial position.

The movements in the present value of the retirement benefit obligation recognized in the 2022 and 2021 statements of financial position are as follows:

	2022	2021
Balance at beginning of year	P 20,869,333	P -
Current service cost	7,468,356	16,319,054
Interest cost	1,084,303	501,042
Actuarial loss (gain) due to:		
Experience adjustments	794,292	-
Changes in financial assumptions	(9,301,398)	-
Net acquired obligation due to employee transfers	1,093,335	4,049,237
Balance at end of year	P 22,008,221	P 20,869,333

In 2022 and 2021, the Company recognized a receivable for the transferred retirement benefit obligation related to the transfer of employees to the Company from a related party under common ownership amounting to P1.1 million and P4.0 million, respectively, which remained outstanding as of December 31, 2022 and 2021. The outstanding receivable is presented as Others under Receivables in the 2022 and 2021 statements of financial position (see Notes 6 and 19).

The component of amounts recognized in profit or loss and in other comprehensive income in respect of the retirement benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss:</i>		
Current service cost	P 7,468,356	P 16,319,054
Interest cost	<u>1,084,303</u>	<u>501,042</u>
	<u>P 8,552,659</u>	<u>P 16,820,096</u>
<i>Reported in other comprehensive income:</i>		
Actuarial loss (gain) arising from:		
Experience adjustments	P 794,292	P -
Changes in financial assumptions	<u>(9,301,398)</u>	<u>-</u>
	<u>(P 8,507,106)</u>	<u>P -</u>

The current service cost is presented as part of Salaries, wages and other employee benefits under Selling Expenses in the 2022 and 2021 statements of comprehensive income (see Note 15.2). Meanwhile, interest cost is included under Finance costs under Other Income (Charges) – Net in the 2022 and 2021 statement of comprehensive income (see Note 16.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Discount rate	7.37%	5.20%
Expected rate of salary increases	7.75%	7.75%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 11 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Interest Rate Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan as of the years ended December 31, 2022 and 2021, are discussed below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2022 and 2021:

	<u>Impact on Post-Employment Benefit Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2022</u>			
Discount rate	+/- 1.0%	(P 3,137,211)	P 3,803,637
Salary growth rate	+/- 1.0%	3,844,349	(3,223,016)
<u>December 31, 2021</u>			
Discount rate	+/- 1.0%	(P 3,295,763)	P 4,057,061
Salary growth rate	+/- 1.0%	4,001,192	(3,317,320)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded by P22.0 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire..

The Company has yet to determine when to establish a retirement fund and how much to contribute.

The maturity profile of the undiscounted expected benefit payments as of December 31 from the plan follows:

	<u>2022</u>	<u>2021</u>
Within five years	P 1,544,248	P 1,220,335
More than five years to 10 years	16,087,530	12,593,455
More than 10 years to 15 years	19,029,136	9,469,039
More than 15 years to 20 years	95,947,929	70,963,894
More than 20 years	<u>346,619,367</u>	<u>239,406,134</u>
	<u>P 479,228,210</u>	<u>P 333,652,857</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.9 years.

18. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, were lower by P1.2 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P23.8 million and such was recognized in the profit or loss section of the 2021 statement of comprehensive income.

The components of tax expense as reported in profit or loss follow:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2022 and			
2021, and 30% in 2020	P 33,324,271	P -	P 13,803,997
Application of excess MCIT	(10,820,610)	-	-
MCIT at 1%	-	19,370,253	-
Effect of the change			
in income tax rate	-	(1,155,944)	-
	<u>22,503,661</u>	<u>18,214,309</u>	<u>13,803,997</u>
Deferred tax expense			
arising from:			
Origination and reversal of			
temporary differences	77,642,007	63,720,315	80,239,878
Effect of change			
in income tax rate	-	(23,832,759)	-
	<u>77,642,007</u>	<u>39,887,556</u>	<u>80,239,878</u>
	<u>P 100,145,668</u>	<u>P 58,101,865</u>	<u>P 94,043,875</u>
<i>Reported in other comprehensive income –</i>			
Deferred tax expense			
arising from:			
Origination and reversal of			
temporary differences	P 2,126,777	P -	P -

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in profit or loss as presented as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25% in 2022 and 2021, and 30% in 2020	P 100,477,402	P 111,146,968	P 94,106,970
Adjustment for income subjected to lower tax rate	(80,813)	(101,630)	(94,171)
Effect of the change in income tax rate	-	(24,988,703)	-
Tax effects of:			
Non-taxable income	(273,334)	-	-
Non-deductible expenses	22,413	20,326	31,076
IPO expenses charged against APIC	-	(27,975,096)	-
 Tax expense	 <u>P 100,145,668</u>	 <u>P 58,101,865</u>	 <u>P 94,043,875</u>

The net deferred tax liabilities pertain to the following as of December 31:

	<u>Statements of Financial Position</u>		<u>Statements of Comprehensive Income</u>			<u>Other Comprehensive Income</u>		
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred tax assets:								
Leases - PFRS 16	P 17,515,981	P 15,305,834	(P 2,210,147)	(P 139,423)	(P 3,682,132)	P -	P -	P -
MCIT	8,549,643	19,370,253	10,820,610	(19,370,253)	-	-	-	-
Retirement benefit obligation	5,502,055	4,205,025	(1,297,030)	(4,205,025)	-	(2,126,777)	-	-
Rewards liability	134,608	1,095,382	960,774	(36,513)	(148,399)	-	-	-
Net operating loss carry-over	-	678,984	678,984	(678,984)	-	-	-	-
	<u>31,702,287</u>	<u>40,655,478</u>	<u>8,953,191</u>	<u>(24,430,198)</u>	<u>(3,830,531)</u>	<u>(2,126,777)</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:								
Borrowing costs	(169,330,662)	(152,736,692)	16,593,970	31,252,356	46,332,911	-	-	-
Tax depreciation and amortization	(125,024,519)	(70,802,896)	54,221,623	33,063,398	37,737,498	-	-	-
	<u>(294,355,181)</u>	<u>(223,539,588)</u>	<u>70,815,593</u>	<u>64,317,754</u>	<u>84,070,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities - net	(P 262,652,894)	(P 182,884,110)				(P 2,126,777)	P -	P -
Net deferred tax expense			<u>P 79,768,784</u>	<u>P 39,887,556</u>	<u>P 80,239,878</u>			

In 2020, the Company is not yet subject to the MCIT, which is computed at 2% of gross income, as defined under tax regulations, as the Company was only registered with the Bureau of Internal Revenue (BIR) on January 4, 2017.

Starting 2021, the Company is subject to the MCIT, which is computed at 1% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Company reported MCIT in 2021 and RCIT in 2022 and 2020.

In 2021, the Company incurred NOLCO amounting to P2.7 million which can be claimed as a deduction from the gross taxable income until 2026. Pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act (Bayanihan II)* and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss which is until 2026. In 2022, the NOLCO was applied against the gross taxable income.

The MCIT of P19.3 million in 2021 is valid and deductible from future RCIT until 2024. In 2022, the excess MCIT amounting to P10.8 million was claimed as deduction against RCIT.

The Company claimed itemized deductions for 2022, 2021 and 2020 in computing for its income tax due.

19. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties as of and for the years ended December 31, 2022, 2021 and 2020 are discussed below.

	Notes	Amount of Transactions			Outstanding Balances Receivables (Payables)	
		2022	2021	2020	2022	2021
Parent Company:						
Dividends	20	P 48,989,715	P -	P -	P -	P -
Deposit for future stock subscription	20		-	(338,500,000)	-	-
Related Parties Under Common Ownership:						
Rentals	10.3, 19.2	281,009,936	264,590,255	237,124,009	-	-
Sale of merchandise	19.1	61,461,748	156,977,701	57,790,781	18,819,945	26,872,205
Sale of property and equipment and intangible assets	9, 11, 19.3	-	104,726,354	-	-	-
Transferred retirement benefit obligation	6, 17.2	1,093,335	4,049,237	-	1,093,335	4,409,237
Key Management Personnel – Compensation	19.5	13,755,619	11,869,200	11,304,000	-	-

In 2022, 2021 and 2020, the Company's outstanding receivables with related parties were subjected to impairment using ECL assessment. Based on management assessment, no impairment needs to be recognized. The outstanding balances of related party transactions are noninterest-bearing, unsecured and payable in cash on demand and upon due date.

The details of the Company's related party transactions and balances are as follows:

19.1 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Revenues in the statements of comprehensive income (see Note 14). The outstanding receivables from these transactions are presented as part of Trade Receivables in the statements of financial position (see Note 6).

19.2 Lease Agreements

The Company entered into lease agreements with related parties under common ownership that contain variable payments linked to sales generated from certain stores. The expenses relating to these leases amounting are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Notes 10.3 and 15.2).

19.3 Sale of Property and Equipment and Intangible Assets

In 2021, the Company sold certain property and equipment and intangible assets to a related party under common ownership amounting to P93.3 million and P1.4 million, respectively, with a total selling price of P104.7 million and the related gain on sale of property and equipment and intangible assets amounting to P10.0 million is presented as part of Support, Fees, Rentals and Other Income in the 2021 statement of comprehensive income (see Notes 9 and 11). There is no outstanding receivable arising from these transactions. There was no similar transaction in 2022 and 2020.

19.4 Guarantees of Loans

The Company obtained short-term loans with interests ranging from 5.00% to 8.08% in 2022 and 2021 and 6.50% to 8.08% in 2020 for additional working capital requirements and store construction and expansion. The loans are secured by cross suretyship of its ultimate parent company (see Note 13.2).

19.5 Key Management Personnel Compensation

The total compensation of key management personnel, which include all managers and executives, is shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term benefits	P 13,755,619	P 5,731,239	P 11,304,000
Post-employment benefits	<u>-</u>	<u>6,137,961</u>	<u>-</u>
	<u>P 13,755,619</u>	<u>P 11,869,200</u>	<u>P 11,304,000</u>

20. EQUITY

20.1 Capital Stock

Details of this account are shown below.

	<u>Shares</u>			<u>Amount</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Common shares						
Authorized						
Balance at beginning of the year	30,000,000,000	20,000,000	10,000,000	P 3,000,000,000	P 2,000,000,000	P 1,000,000,000
Increase during the year	-	10,000,000,000	10,000,000	-	1,000,000,000	1,000,000,000
Change in par value	-	19,980,000,000	-	-	-	-
Balance at end of year	<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>20,000,000</u>	<u>P 3,000,000,000</u>	<u>P 3,000,000,000</u>	<u>P 2,000,000,000</u>
Issued and outstanding:						
Balance at beginning of the year	22,857,145,000	13,385,000	10,000,000	P 2,285,714,500	P 1,338,500,000	P 1,000,000,000
Issuance during the year	-	9,472,145,000	3,385,000	-	947,214,500	338,500,000
Change in par value	-	13,371,615,000	-	-	-	-
Balance at end of year	<u>22,857,145,000</u>	<u>22,857,145,000</u>	<u>13,385,000</u>	<u>P 2,285,714,500</u>	<u>P 2,285,714,500</u>	<u>P 1,338,500,000</u>

On September 24, 2020, the Company's BOD and stockholders approved the increase in the authorized capital stock from P1,000.0 million divided into 10.0 million common shares with a par value P100.0 per share to P2,000.0 million divided into 20.0 million common shares with a par value of P100.0 per share. The shares of stock were subscribed through the conversion of certain due to parent company to equity amounting to P338.5 million. On December 21, 2020, the increase in authorized capital stock and the related debt to equity conversion was approved by the SEC.

On February 5, 2021, the Company's BOD and stockholders approved the increase in the authorized capital stock from P2,000.0 million divided into 20.0 million common shares with a par value of P100.0 per share to P3,000.0 million divided into 30,000.0 million common shares with a par value of P0.10 per share. On June 25, 2021, the increase in authorized capital stock was approved by the SEC. Out of the increase in the authorized capital stock of the Company, 2,615.0 million shares with an aggregate subscription price of P261.5 million has been fully paid in cash. The payment of subscriptions thru cash was approved by the Company's BOD and stockholders on the same date as above.

On November 3, 2021, the Company, by way of an Initial Public Offering (IPO), sold 6,857.1 million with an Overallotment Option of up to 685.7 million of its common stock (Offer Share) at an offer price of P0.60 per Offer Share, and generated gross proceeds of P4,114.3 million from such IPO.

As of December 31, 2020, the Company has six stockholders owning 100 or more shares each of the Company's capital stock.

As of December 31, 2022 and 2021, the Company's number of shares registered totalled 22,857,145,000 with par value of P0.10 per share and closed at a price of P0.23 in 2022. The total number of stockholders is 21 and 15 as of December 31, 2022 and 2021, respectively, with the shares held in the name of PCD Nominee Corporation belonging to 123 participants. The public float lodged with PCD Nominee Corporation is counted only as one stockholder.

20.2 Additional Paid-in Capital

Additional paid-in capital consists of P3,316.7 million proceeds from IPO in 2021, net of P111.9 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 20.1).

The residual IPO-related expenses totalling to P45.8 million is allocated to Professional fees and Others amounting to P30.6 million and P15.2 million, respectively, and is presented under General and Administrative Expenses in the 2021 statement of comprehensive income (see Note 15.2).

20.3 Dividends Declaration

On December 4, 2020, the Company's BOD approved the declaration of cash dividends amounting to P6.3 million and payable to stockholders of record on December 22, 2020, which remain unpaid as of December 31, 2020 and subsequently fully settled in 2021. The outstanding liability from this transaction as of December 31, 2020 is presented as Dividends Payable in the 2020 statement of financial position.

On August 15, 2022, the Company's BOD approved the declaration of cash dividends amounting to P73.1 million (equivalent to P0.0032 per share) and payable to stockholders of record on September 12, 2022. The dividend was fully paid in 2022. There was no dividend declaration in 2021.

21. EARNINGS PER SHARE

EPS were computed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net profit	P 301,763,941	P 386,486,008	P 219,646,025
Divided by weighted average number of outstanding common shares	<u>22,857,145,000</u>	<u>15,835,357,500</u>	<u>10,000,000,000</u>
Basic and diluted EPS	<u>P 0.01</u>	<u>P 0.02</u>	<u>P 0.02</u>

The Company has no potential dilutive common shares as of December 31, 2022, 2021 and 2020.

22. PROVISIONS, COMMITMENTS AND CONTINGENCIES

22.1 Unused Line of Credit

The Company has unused line of credit amounting to P230.8 million and P46.2 million as of December 31, 2022 and 2021, respectively.

22.2 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of December 31, 2022 and 2021, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

23.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2022, 2021, and 2020, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to interest based on daily bank deposits rates. However, due to its short duration, management believes that the interest rate sensitivity and its effect on the net result for the year and equity are not significant (see Note 5).

On the other hand, the Company's short-term and long-term bank loans are subject to fixed rates ranging from 5.00% to 8.08% per annum, 6.50% to 8.08% per annum and 6.50% per annum for 2022, 2021 and 2020 (see Note 13). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2022, 2021 and 2020.

23.2 Credit Risk

Credit risk is the risk that counterparty will fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	5	P 995,201,140	P 927,775,974
Receivables	6	132,048,806	130,420,231
Short-term investments	7	3,000,000	-
Security deposits	8, 10	<u>72,322,394</u>	<u>68,662,606</u>
		<u>P1,202,572,340</u>	<u>P1,126,858,811</u>

None of the financial assets are secured by collateral or other credit enhancements, except for cash and short-term investments as described below. Additional information on the financial assets follows:

(a) Cash and Short-term Investments

The credit risk for cash and short-term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. This includes demand deposits and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Receivables*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of three years before December 31, 2022 and 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the Philippine inflation and gross domestic product in 2022 and 2021, respectively was the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit-impaired or when the customer is not able to settle the receivables within the normal credit terms of 2 to 90 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, no loss allowance for trade receivables was determined based on past due amounts as of December 31, 2022 and 2021.

(c) *Security Deposits*

The Company is not exposed to any significant credit risk exposure, since the counterparties are reputable lessors with sound liquid position.

23.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2022 and 2021, the Company's financial liabilities, excluding lease liabilities (see Note 10.2), have contractual maturities which are summarized below.

		Current		Non-current	
	Notes	Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
<i>December 31, 2022</i>					
Trade and other payables	12	P 582,793,698	P -	P -	P -
Loans payable	13	<u>1,175,794,462</u>	<u>100,673,077</u>	<u>191,865,385</u>	<u>-</u>
		<u>P 1,758,588,160</u>	<u>P 100,673,077</u>	<u>P 191,865,385</u>	<u>P -</u>
<i>December 31, 2021</i>					
Trade and other payables	12	P 526,511,764	P -	P -	P -
Loans payable	13	<u>830,119,551</u>	<u>218,359,625</u>	<u>499,346,153</u>	<u>-</u>
		<u>P 1,356,631,315</u>	<u>P 218,359,625</u>	<u>P 499,346,153</u>	<u>P -</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

24. CATEGORIES, FAIR VALUE AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Carrying Amounts and Fair Values by Category

The Company has no financial instruments carried at fair values.

For the Company's financial assets and liabilities carried at amortized cost as at December 31, 2022 and 2021, management considers that the carrying values of these financial instruments approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those maturities of more than one year is not material, hence, no further comparison between the carrying amounts and fair values is presented.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

24.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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); and,

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates its fair value.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on instrument where the significant inputs required to determine the fair values of such instruments are not based on observable market data.

There have been no significant transfers among Levels 1 and 3 in the reporting periods.

With the exception of Cash and Short-term investments, which are classified under Level 1 of the fair value hierarchy, all of the Company's financial assets and liabilities presented in the statements of financial position are classified under Level 3 of the fair value hierarchy as of December 31, 2022 and 2021.

24.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. There is no potential offsetting as of December 31, 2022 and 2021.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern entity. Essentially, the Company, in coordination with its parent company, monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest-bearing loans	P 1,432,407,585	P 1,433,846,154	P 3,769,917,059
Total equity	<u>6,604,057,569</u>	<u>6,369,056,163</u>	<u>1,718,684,537</u>
Debt-to-equity ratio	<u>0.22: 1.00</u>	<u>0.23 : 1.00</u>	<u>2.19 : 1.00</u>

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of 2.50:1.00, and a minimum debt-service coverage ratio of at least 1.00. The Company has properly complied with its loans' covenants as of December 31, 2022 and 2021 (see Note 13.2).

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under its existing Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

The Company is registered with the BIR as a VAT taxpayer. This is in relation to its sales of merchandise. The Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of merchandise:		
VATable sales	P 6,845,679,444	P 821,481,533
Zero-rated sales	2,044,402,403	-
Exempt sales	<u>863,806,476</u>	<u>-</u>
	<u>P 9,753,888,323</u>	<u>P 821,481,533</u>

The Company's VAT zero-rated sales were determined pursuant to Section 108B, *Transactions Subject to Zero Percent* of the 1997 National Internal Revenue Code.

The Company's exempt sales were determined pursuant to Section 109(W), *Sale or Lease of Goods and Services to Senior Citizens and Persons with Disability, as Provided under R.A. No. 9994 (Expanded Senior Citizens Act of 2020)* and *R.A. No. 10754 (An Act Expanding the Benefits and Privileges of Persons with Disability)*, of the 1997 National Internal Revenue Code.

The tax bases are included as part of Sales and Support, Fees, Rentals and Other Revenues in the 2022 statement of comprehensive income. The tax bases for Other Income are based on the Company's gross receipts for the year, hence, may not be the same as the amounts of revenues reported in the 2022 statement of comprehensive income.

(b) *Input VAT*

The movements in input VAT in 2022 are shown below.

Balance at beginning of year	P 623,163,286
Domestic purchases of goods	618,942,059
Domestic purchases of services	57,662,704
Purchases of capital goods	27,867,553
Amortization of capital goods subject to amortization	11,390,918
Applied against output VAT	(<u>821,481,533</u>)
Balance at end of year	<u>P 517,544,987</u>

The outstanding input VAT as of December 31, 2022 is presented as Input VAT under Prepayments and Other Current Assets in the 2022 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any customs duties and tariff fees paid in 2022 since it did not engage in any importation activities during the year.

(d) *Excise Tax*

The Company did not have any transactions in 2022 which are subject to excise tax.

(e) *Documentary Stamp Tax*

In 2022, the Company paid documentary stamp tax amounting to P3.9 million arising from interest-bearing loans availed and new lease contracts entered during the year.

(f) *Taxes and Licenses*

The details of taxes and licenses in 2022 is broken down as follows:

Business permits and licenses	P 45,531,223
Documentary stamp tax	<u>3,934,863</u>
	<u>P 49,466,086</u>

The taxes and licenses amounting to P49.5 million is presented under General and Administrative Expenses in the 2022 statement of comprehensive income.

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P 71,983,579
Compensation and employee benefits	6,476,254
Final	<u>2,173,421</u>
	<u>P 80,633,254</u>

The outstanding balance of expanded withholding tax, withholding tax on compensation and final withholding tax amounting to P5.2 million is recorded as part of Withholding taxes payable and other government payables under Trade and Other Payables in the 2022 statement of financial position.

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2022, the Company does not have any final deficiency tax assessment from the BIR nor it does have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

Punongbayan & Araullo

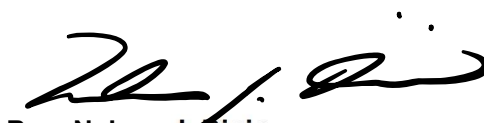
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
AllDay Marts, Inc.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
LGF Evia Lifestyle Center
Daang Hari, Brgy. Almanza Dos
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllDay Marts, Inc. (the Company) for the year ended December 31, 2022 on which we have rendered our report dated April 27, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
List of Supplementary Information
December 31, 2022

Schedule	Content	Page No.
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	2
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	3
Others Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	4
	Map Showing the Relationship Between the Company and its Related Entities	5

ALLDAY MARTS INC.
(A Subsidiary of AllValue Holdings Corp.)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2022
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of the Period	Additions		Deductions		Ending Balance		Balance at End of the Period
		Amounts Granted	Amounts Collected	Amounts Written-off	Amounts Assigned	Current	Not Current	
<i>Trade receivable from related parties</i>								
Fine Properties, Inc.	P 80,800	P 1,662,458	P 803,150	P -	P -	-	P -	P 940,108
Vista Land & Lifescapes, Inc.	-	854,552	427,276	-	-	-	-	427,276
AllValue Holdings Corp.	16,111	88,206	16,111	-	-	-	-	88,206
Golden MV Holdings	158,351	160,832	158,351	-	-	-	-	160,832
AllHome Corp.	-	722,350	722,350	-	-	-	-	-
Family Shoppers Unlimited Inc.	82,681	63,736	82,681	-	-	-	-	63,736
AllDay Retail Concepts, Inc.	4,748,841	5,040,751	6,774,450	-	-	-	-	3,015,142
CM Sar Management, Inc.	19,833,890	49,887,859	58,578,108	-	-	-	-	11,143,641
The Village Server, Inc.	262,409	197,156	262,409	-	-	-	-	197,156
Masterpiece Asia Properties Inc	1,362,603	678,184	1,362,603	-	-	-	-	678,184
Vista Residences Inc.	68,810	36,342	68,810	-	-	-	-	36,342
Brittany Corporation	96,732	9,424	96,732	-	-	-	-	9,424
Metroexpress Connect, Inc.	157,170	76,532	157,170	-	-	-	-	76,532
GetAll Corp.	3,807	1,983,366	3,807	-	-	-	-	1,983,366
	-	-	-	-	-	-	-	-
TOTAL	P 26,872,205	P 61,461,748	P 69,514,008	P -	P -	-	P -	P 18,819,945

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
Schedule D - Long-Term Debt
December 31, 2022
(Amounts in Philippine Pesos)

<i>Title of issue and type of obligation</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>
Term Loans	P 184,615,384	P 184,615,385

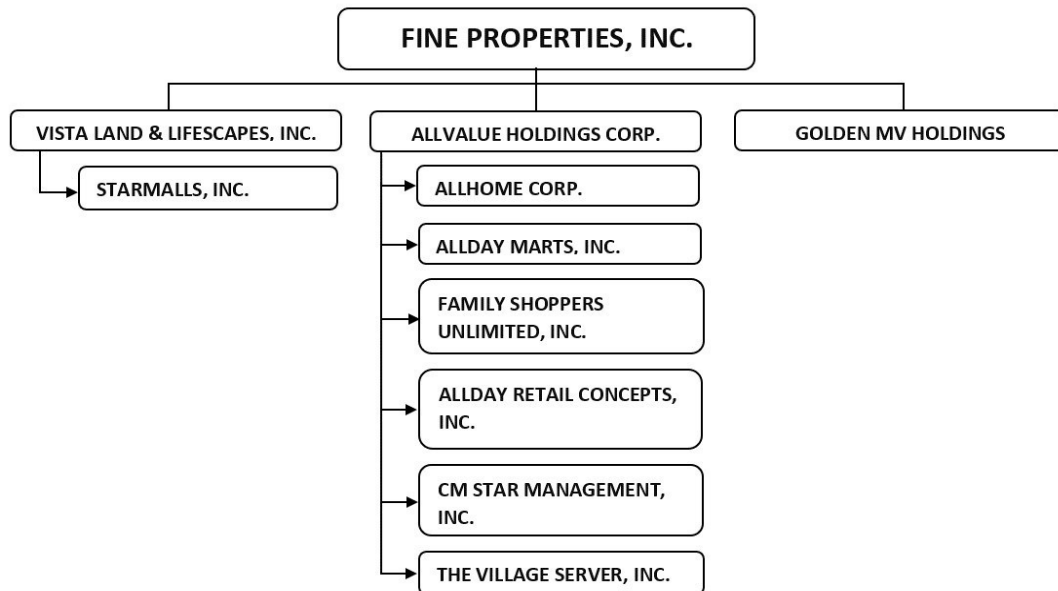
ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares at P0.10 par value	30,000,000,000	22,857,145,000	-	15,309,286	5,002,000	22,836,833,714

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
LGF Evia Lifestyle Center, Daang Hari
Brgy. Almanza Dos, Las Piñas City
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings		
at Beginning of the Year	P	766,670,545
Prior Year's Outstanding Reconciling Items, net of tax		
Add: Unrealized income		
Deferred tax asset – gross	(	<u>40,655,478</u>)
Unappropriated Retained Earnings Available for		
Available for Dividend Declaration		
at Beginning of Year (As Adjusted)		726,015,067
Net profit per audited financial statements	P	301,763,941
Add: Non-actual losses		
Deferred tax expense related to reversal of		
deferred tax assets during the year	<u>5,633,954</u>	307,397,895
Cash dividends declared during the year	(	<u>73,142,864</u>)
Unappropriated Retained Earnings Available for		
Dividend Declaration at End of the Year	P	<u>960,270,098</u>

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP
ULTIMATE PARENT COMPANY AND PARENT COMPANY



Report of Independent Auditors on Components of Financial Soundness Indicators

The Board of Directors and Stockholders
AllDay Marts, Inc.
(A Subsidiary of AllValue Holdings Corp.)
LGF Evia Lifestyle Center
Daang Hari, Brgy. Almanza Dos
Las Piñas City

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllDay Marts, Inc. (the Company) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 27, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as of December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO


By: Nelson J. Binio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 9566632, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-032-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 27, 2023

December 31, 2022 and 2021

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities	2.04	Total Current Assets divided by Total Current Liabilities	2.52
	Total Current Assets P 3,775,397,121		Total Current Assets P 3,823,902,073	
	Divide by: Total Current Liabilities 1,849,243,014		Divide by: Total Current Liabilities 1,516,748,334	
	Current ratio 2.04		Current ratio 2.52	
Acid test ratio	Quick assets (Total Current Assets less Merchandise Inventories and Other Current Assets) divided by Total Current Liabilities	0.61	Quick assets (Total Current Assets less Merchandise Inventories and Other Current Assets) divided by Total Current Liabilities	0.70
	Total Current Assets P 3,775,397,121		Total Current Assets P 3,823,902,073	
	Less: Merchandise Inventories (1,797,940,590)		Less: Merchandise Inventories (1,826,059,707)	
	Other Current Assets (853,206,585)		Other Current Assets (939,646,161)	
	Quick Assets 1,124,249,946		Quick Assets 1,058,196,205	
	Divide by: Total Current Liabilities 1,849,243,014		Divide by: Total Current Liabilities 1,516,748,334	
	Acid test ratio 0.61		Acid test ratio 0.70	
Solvency ratio	Total Assets divided by Total Liabilities	3.61	Total Assets divided by Total Liabilities	3.65
	Total Assets P 9,131,543,370		Total Assets P 8,776,385,253	
	Divide by: Total Liabilities 2,527,485,801		Divide by: Total Liabilities 2,407,329,090	
	Solvency ratio 3.61		Solvency ratio 3.65	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.38	Total Liabilities divided by Total Equity	0.38
	Total Liabilities P 2,527,485,801		Total Liabilities P 2,407,329,090	
	Divide by: Total Equity 6,604,057,569		Divide by: Total Equity 6,369,056,163	
	Debt-to-equity ratio 0.38		Debt-to-equity ratio 0.38	
Assets-to-equity ratio	Total Assets divided by Total Equity	1.38	Total Assets divided by Total Equity	1.38
	Total Assets P 9,131,543,370		Total Assets P 8,776,385,253	
	Divide by: Total Equity 6,604,057,569		Divide by: Total Equity 6,369,056,163	
	Assets-to-equity ratio 1.38		Assets-to-equity ratio 1.38	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense	3.57	Earnings before interest and taxes (EBIT) divided by Interest expense	7.28
	EBIT P 429,415,739		EBIT P 515,408,940	
	Divide by: Interest expense* 120,175,604		Divide by: Interest expense* 298,359,521	
	Interest rate coverage ratio 3.57		Interest rate coverage ratio 7.28	
Return on equity	Net Profit divided by Total Equity	0.05	Net Profit divided by Total Equity	0.06
	Net Profit P 301,763,941		Net Profit P 386,486,008	
	Divide by: Total Equity 6,604,057,569		Divide by: Total Equity 6,369,056,163	
	Return on equity 0.05		Return on equity 0.06	
Return on assets	Net Profit divided by Total Assets	0.03	Net Profit divided by Total Assets	0.04
	Net Profit P 301,763,941		Net Profit P 386,486,008	
	Divide by: Total Assets 9,131,543,370		Divide by: Total Assets 8,776,385,253	
	Return on assets 0.03		Return on assets 0.04	
Net profit margin	Net Profit divided by Total Revenue	0.03	Net Profit divided by Total Revenue	0.04
	Net Profit P 301,763,941		Net Profit P 386,486,008	
	Divide by: Total Revenue 9,759,707,468		Divide by: Total Revenue 9,456,401,220	
	Net profit margin 0.03		Net profit margin 0.04	

* Interest expense includes capitalized borrowing costs

COVER SHEET

C	S	2	0	1	6	2	9	6	7	3
S.E.C. Registration Number										

A	L	L	D	A	Y		M	A	R	T	S	,		I	N	C	.										

(Company's Full Name)

L	G	F		E	V	I	A		L	I	F	E	S	T	Y	L	E		C	E	N	T	E	R	,				
D	A	A	N	G		H	A	R	I	,		B	R	G	Y	.		A	L	M	A	N	Z	A		D	O	S	,
L	A	S		P	I	Ñ	A	S		C	I	T	Y																

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

Maria Cristina O. Barao

Contact Person

8830-1900

Company Telephone Number

1	2	3	1
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Month Day
Calendar Year

17-Q

FORM TYPE

--	--	--	--

Month Day
Annual Meeting

--

Secondary License Type, If
Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles
Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings	

Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

LCU

Cashier

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, 2023**
2. SEC Identification number: **CS-201629673**
3. BIR Tax Identification No: **009-491-731**
4. Exact name of issuer as specified in its charter **AllDay Marts, Inc**
5. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **LGF EVIA Lifestyle Center, Daanghari, Almanza Dos, Las Piñas City** **1750**
Address of issuer's principal office Postal Code
8. **(632) 8830-1900**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
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 stock (as of 03/31/2023 net of nil treasury shares)	22,857,145,000

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 Stock

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and SRC Rule 17 thereunder, and Section 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes ☒ No ☐

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

Yes ☒ No ☐

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PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Statements of Financial Position as of March 31, 2023 and December 31, 2022
- Statements of Comprehensive Income for the three months ended March 31, 2023 and 2022
- Statement of Changes in Equity for the three months ended March 31, 2023 and 2022
- Statements of Cash Flows for the three months ended March 31, 2023 and 2022
- Notes to Financial Statements

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

- 3-month of 2023 vs. 3-month of 2022
- Top Five (5) Key Performance Indicators
- Material Changes (5% or more)- Statement of Financial Position
- Material Changes (5% or more)- Statement of Comprehensive Income
- Commitments and Contingencies

PART II-OTHER INFORMATION

Item 3. 3-months of 2023 Developments

Item 4. Other Notes to 3-months of 2023 Operating and Financial Results



AllDay Marts, Inc.
Statements of Financial Position
As of March 31, 2023 and December 31, 2022
(Amounts in Philippine Peso)

	Note	Unaudited Mar 31, 2023	Audited Dec 31, 2022
ASSETS			
Current Assets			
Cash	5	₱ 1,018,921,791	₱ 992,201,140
Receivables	6	122,302,234	132,048,806
Merchandise inventories	7	1,793,766,894	1,797,940,590
Prepayments and other current assets	8	946,127,238	853,206,585
Total Current Assets		3,881,118,156	3,775,397,121
Non-current Assets			
Property and equipment - net	9	4,220,106,295	4,243,071,508
Intangible assets - net	11	527,107,217	554,449,898
Right-of-use assets - net	10	143,683,945	147,532,622
Other non-current assets	8	411,463,174	411,092,221
Total Non-current Assets		5,302,360,631	5,356,146,249
TOTAL ASSETS		9,183,478,787	9,131,543,370
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	513,725,493	592,820,558
Loans payable	13	814,868,392	1,247,792,200
Lease liabilities	10	8,630,256	8,630,256
Dividends payable		-	-
Income tax payable		-	-
Total Current Liabilities		1,337,224,141	1,849,243,014
Non-current Liabilities			
Loans payable	13	640,642,727	184,615,385
Lease liabilities	10	207,028,085	208,966,287
Deferred tax liabilities - net	18	283,946,384	262,652,894
Retirement benefit obligation	17	22,008,221	22,008,221
Total Non-current Liabilities		1,153,625,417	678,242,787
Total liabilities		2,490,849,558	2,527,485,801
Equity			
Capital stock	20	2,285,714,500	2,285,714,500
Additional paid-in capital		3,316,671,118	3,316,671,118
Revaluation reserves		6,380,329	6,380,330
Retained earnings		1,083,863,282	995,291,622
Total Equity		6,692,629,229	6,604,057,569
TOTAL LIABILITIES AND EQUITY		9,183,478,787	9,131,543,370

See accompanying Notes to Financial Statements.



AllDay Marts, Inc.
Statements of Comprehensive Income
For the three months ended March 31, 2023 and 2022
(Amounts in Philippine Peso)

	Note	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
SALES	14	₱ 2,441,225,946	₱2,441,225,946	₱ 2,292,625,110	₱ 2,292,625,110
COST OF MERCHANDISE SOLD	15	1,932,757,709	1,932,757,709	1,825,920,539	1,825,920,539
GROSS PROFIT		508,468,236	508,468,236	466,704,571	466,704,571
SUPPORT FEES, RENTALS AND OTHER INCOME	9, 14, 19	14,729,143	14,729,143	11,653,374	11,653,374
GROSS PROFIT INCLUDING OTHER INCOME		523,197,379	523,197,379	478,357,945	478,357,945
OTHER OPERATING EXPENSES	15	400,070,243	400,070,243	346,640,694	346,640,694
OPERATING PROFIT		123,127,137	123,127,137	131,717,250	131,717,250
FINANCE INCOME (COSTS)					
Finance costs	10, 13, 17	(5,112,400)	(5,112,400)	(5,270,705)	(5,270,705)
Finance income	5, 7	80,813	80,813	83,347	83,347
		(5,031,587)	(5,031,587)	(5,187,358)	(5,187,358)
PROFIT BEFORE EXTRAORDINARY ITEM		118,095,550	118,095,550	126,529,892	126,529,892
LOSSES FROM FIRE DAMAGE	16	—	—	(170,474,079)	(170,474,079)
PROFIT BEFORE TAX		118,095,550	118,095,550	(43,944,187)	(43,944,187)
TAX EXPENSE (INCOME)	18				
Current		8,230,396	8,230,396	4,783,579	4,783,579
Deferred		21,293,491	21,293,491	26,848,894	26,848,894
		29,523,887	29,523,887	31,632,473	31,632,473
NET PROFIT (LOSS)		88,571,662	88,571,662	(75,576,660)	(75,576,660)
OTHER COMPREHENSIVE INCOME		—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)		₱ 88,571,662	₱ 88,571,662	₱ (75,576,660)	₱ (75,576,660)
Basic and Diluted earnings (loss) per share	20	₱ 0.00	₱ 0.00	₱ (0.00)	₱ (0.00)

See accompanying Notes to Financial Statements.



AllDay Marts, Inc.
 Statements of Changes in Equity
 For the three months ended March 31, 2023 and 2022
(Amounts in Philippine Peso)

		Unaudited	Unaudited
	Note	Mar 31, 2023	Mar 31, 2022
CAPITAL STOCK	20	₱ 2,285,714,500	₱ 2,285,714,500
ADDITIONAL PAID-IN CAPITAL	20	3,316,671,118	3,316,671,118
REVALUATION RESERVES		6,380,329	
RETAINED EARNINGS			
Balance at beginning of period		995,291,622	766,670,545
Dividends Declared		-	-
Net profit (loss) for the period		88,571,662	(75,576,662)
Balance at end of period		1,083,863,284	691,093,883
TOTAL EQUITY		₱ 6,692,629,231	₱ 6,293,479,501



AllDay Marts, Inc.
Statements of Cash Flows
For the three months ended March 31, 2023 and 2022
(Amounts in Philippine Peso)

	Notes	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		₱118,095,550	₱118,095,550	₱ 43,944,187	₱ 43,944,187
Adjustments for:					
Losses due to fire	16	-	-	170,474,079	170,474,079
Depreciation and amortization	9, 10, 11	109,402,946	109,402,946	88,022,603	88,022,603
Finance costs	10, 13, 17	5,112,400	5,112,400	-	-
Finance income	5	(80,813)	(80,813)	(83,347)	(83,347)
Operating profit before working capital changes		232,530,083	232,530,083	302,357,522	302,357,522
Decrease/(Increase) in:					
Receivables		9,746,572	9,746,572	2,419,590	2,419,590
Merchandise inventories		4,173,696	4,173,696	201,151,864	201,151,864
Prepayments and other current assets		(92,920,653)	(92,920,653)	(100,600,344)	(100,600,344)
Other non-current assets		(370,953)	(370,953)	(46,296,153)	(46,296,153)
Increase/(Decrease) in:					
Trade and other payables		(45,742,637)	(45,742,637)	(28,481,669)	(28,481,669)
Retirement benefit obligation		-	-	-	-
Cash generated from operations		107,416,108	107,416,108	330,550,810	330,550,810
Cash paid for income taxes		-	-	-	-
Interest received		80,813	80,813	83,347	83,347
Net cash from Operating activities		107,496,921	107,496,921	330,634,157	330,634,157
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	9	(11,210,331)	(11,210,331)	(165,485,802)	(165,485,802)
Increases in advances to contractors	8	-	-	(105,430,022)	(105,430,022)
Additions to intangible assets		-	-	-	-
Proceeds from disposal of property and equipment and intangible assets		-	-	-	-
Net cash used in Investing activities		(11,210,331)	(11,210,331)	(270,915,824)	(270,915,824)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from availment of loans	13	682,434,196	682,434,196	426,000,000	426,000,000
Repayment of loans	13	(659,330,661)	(659,330,661)	(426,153,846)	(426,153,846)
Proceeds from issuance of shares of stock		-	-	-	-
Interest paid for loans payable	13	(22,831,835)	(22,831,835)	(22,141,380)	(22,141,380)
Interest paid for lease liabilities		-	-	-	-
Payment of dividends		-	-	-	-
Repayment of lease liabilities		-	-	-	-
Net cash (used in) from financing activities		271,699	271,699	(22,295,226)	(22,295,226)
NET INCREASE IN CASH		96,558,289	96,558,289	37,423,107	37,423,107
CASH AT BEGINNING OF PERIOD		922,363,501	922,363,501	927,775,974	927,775,974
CASH AT END OF PERIOD		₱1,018,921,791	₱1,018,921,791	₱965,199,081	₱965,199,081

See accompanying Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 and 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

AllDay Marts, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 2016. The Company is primarily engaged in retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging, or otherwise dealing in all kinds of products and services.

The Company's shares were listed in the Philippine Stock Exchange on November 3, 2021 (see Note 20.1).

The Company is a subsidiary of AllValue Holdings Corp. (AllValue or the parent company), which is a subsidiary of Fine Properties Inc. (FPI or the ultimate parent company). AllValue and FPI are incorporated and domiciled in the Philippines. Both companies are presently engaged in the business of a holding company; to buy and hold shares of other companies either by subscribing unissued shares of the capital stock in public or private offerings.

The registered office and principal place of business of the Company is located at LGF Evia Lifestyle Center, Daang Hari, Brgy. Almanza Dos, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

1.2 Continuing Impact of COVID-19 Pandemic on Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended March 31, 2023 (including the comparative financial statements as of December 31, 2022) were authorized for issue by the Company's Board of Directors (BOD) on May 22, 2023. The Company's owners and BOD have the power to amend the financial statements after issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expense in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company’s financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company’s policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company’s financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact are relevant to the Company’s financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Company*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

- (i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*
- (ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments are not relevant to the Company:
 - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
 - PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and deferred income tax liabilities are classified as non-current assets and non-current liabilities, respectively.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Disclosure and Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the only classification that applies to the Company is financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost are presented under Current Assets as Cash, Receivables, Short-term investments under Prepayments and Other Current Assets) and Security deposits under Other Non-current Assets in the statement of financial position.

For purposes of cash flows reporting and presentation, cash includes demand deposits which earn interest based on daily bank deposit rates and are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Finance Income.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For cash and short-term investments, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL [see Note 23.2(a)].

The Company applies the simplified approach in measuring ECL for its receivables which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows,

considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 23.2(b)].

For security deposits, the Company applies the general approach, which track changes in credit risk at every reporting date [see Note 23.2(c)].

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial assets at amortized cost subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance.

(iii) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(a) *Financial Liabilities*

Financial liabilities, which include trade and other payables (except provisions and tax-related liabilities), loans payable and dividends payable, are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

All interest-related charges, except for capitalized borrowing costs, incurred on a financial liability are recognized as Finance costs under Other Income (Charges) – Net in the statement of comprehensive income.

Loans payable are raised for support of short-term and long-term funding of operations and are recognized initially at the transaction price. Loans payable are subsequently measured at amortized cost. Finance charges, including direct issue costs, are charged to profit or loss, except for capitalized borrowing costs, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(b) *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of merchandise inventories includes all costs directly attributable to acquisition such as the purchase price, including transport and handling costs, and other incidental expenses incurred in bringing the inventories to their present location and condition.

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

At the end of each reporting period, merchandise inventories are assessed for impairment, i.e., the carrying amount is not fully recoverable due to damage, obsolescence or declining selling prices.

2.6 Other Assets

Other assets, which are non-financial assets except for short-term investments and security deposits, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Advances for purchases that will be applied as payment for future purchase of merchandise inventories are classified and presented under Other Current Assets account in the statement of financial position. On the other hand, advances to contractors that will be applied as payment for future acquisition or construction of property and equipment are classified and presented under Other Non-current Assets account in the statement of financial position. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

2.7 Property and Equipment

Property and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Equipment	3 to 15 years
Furniture and fixtures	9 years

Leasehold improvements are amortized over their estimated useful lives of 20 years or the lease term, whichever is shorter.

Fully-depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

Construction in progress (CIP) represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.15). The account is not depreciated until such time that the assets are completed and available-for-use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets pertain to acquired computer software which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized cost is amortized on a straight-line basis over the estimated useful life of five to eight years as the life of this intangible asset is considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.13.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's BOD – its chief operating decision-maker. The Company's BOD is responsible for assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Company's business line as disclosed in Note 4.

The measurement policies that the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

To determine whether to recognize revenue, the Company follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The Company enters into transactions involving the sale and delivery of merchandise representing fresh items, food items, and non-food items. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(d). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods transfers to the customer. As a matter of accounting policy, when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

- a) *Sale of merchandise* – Revenue is recognized when the control transfers at a point in time with the customer, i.e., generally when the customer purchased the merchandise. For individual customers, payment of the transaction price is due immediately at the point the customer purchases the merchandise. On the other hand, invoices for merchandise purchased by corporate customers are due based on agreed terms and are provided upon receipt of merchandise by the customer. For e-commerce sales, revenue is recognized when control of the goods has transferred to the customer, being at the point of the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.
- b) *Delivery fees* – Delivery fees are charged for the transportation of merchandise from the Company's stores to a certain destination as agreed with the customer. Delivery fees are recognized over time as the services are provided. Payment of delivery fees is due immediately, i.e., upon the customer's purchase of merchandise.
- c) *Miscellaneous* – Miscellaneous income comprise of support received from supplier for store opening and clearance sales. Miscellaneous is recognized at a point in time when support are received from supplier.

As applicable, if the Company is required to refund the related purchase price for returned goods, it recognizes an outflow of cash or a reduction in trade receivables with a corresponding adjustment on the amount of revenues recognized during the reporting period. Also, the Company recognizes a right-of-return asset on the goods to be recovered from the customers with a corresponding adjustment to Cost of Merchandise Sold. However, there were no contracts containing significant right of return arrangements which remain outstanding during the reporting periods since the Company's policy with customers for most of its sale of merchandise pertain to outright return which are recognized immediately. Relative to this outright return arrangement, the amount of revenues are also immediately adjusted as of the end of the reporting periods.

Under the Company's standard contract terms for sale to customers, only goods found to be shoddy or defective shall be honored for return. The right of return is not a separate performance obligation and is not considered in establishing the transaction price since right of return entitles the customer to exchange the product bought for another product of the same type, quality, condition and price.

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. A liability is recognized for revenue relating to the loyalty points at the time of the initial sales transactions. Revenue from loyalty points are recognized when the points are redeemed by the customer. Revenue from loyalty points that are not expected to be redeemed by the customer is recognized in proportion of the pattern of rights exercised by customers. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(d).

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of any related qualifying assets (see Note 2.15).

2.12 Leases

(a) Company as a Lessee

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease 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 Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.13).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company's lease contracts for certain stores contain variable lease payment terms. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss when incurred.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property and equipment and other liabilities, respectively.

(b) Company as a Lessor

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.13 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use assets, intangible assets and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less cost to sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less cost to sell, and an impairment loss is recognized immediately in profit or loss.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, a defined contribution plan and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the period. The calculation also takes into account of any changes in the defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Finance costs under Other Income (Charges) – Net in profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (e.g. Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the statement of financial position.

(d) *Bonus Plans*

The Company recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments. The Company recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.15 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income, if any, earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.16 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.17 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Based on the requirements of SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly-Listed Entities*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.18 Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount of money received from the stockholders for the purpose of applying the same as payment for future issuance of stocks which may or may not materialize. Based on the requirements of the SEC, the Company recognizes a deposit for future stock subscription as part of equity if all of the following criteria are met as at the end of the reporting period:

- (a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- (b) There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- (c) There is stockholders' approval of said proposed increase; and
- (d) The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any of the foregoing criteria is not met at the end of the reporting period, the deposit for future stock subscription is recognized as a liability. The amount of deposit for future stock subscription will be reclassified to equity account when the Company meets the foregoing elements.

2.19 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Revaluation reserves consist of accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

2.20 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 20).

Diluted EPS is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loans and stock options.

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options (see Note 21).

2.21 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of some of its stores and warehouse due to the provision in its contracts that requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Determination of Timing of Satisfaction of Performance Obligations

In determining the appropriate method to use in recognizing the Company's revenues from sale of merchandise, management determines that revenue is recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledges delivery of the goods.

Miscellaneous income comprised of support received from supplier for store opening and clearance sales. Miscellaneous income is recognized at a point in time when supports are received from supplier.

On the other hand, revenues from delivery fees are recognized over time when the Company transfers control of the services over time as the performance of contractually agreed tasks are rendered. The management considers the output method under PFRS 15 as the Company recognizes revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the services promised under the contract.

(c) Determination Whether the Loyalty Points Provide Material Rights to Customers

The Company has a loyalty points programme which allows customers to accumulate points that can be redeemed for future purchases at any of the Company's store outlets, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provided a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

As of March 31, 2023 and 2022, liabilities arising from customer loyalty programme amounted to P0.5 million and P4.4 million, respectively (see Note 12).

(d) *Determination of Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value added tax (VAT)].

The transaction price is considered receivable to the extent of products sold with a right to avail customer loyalty points, right of return, discounts and rebates. The transaction price of customer loyalty points is allocated amongst the material right and other performance obligations identified in the contract based on the stand-alone selling prices, which are all observable. The Company measures its revenue net of consideration allocated to the fair value of the point credits.

Management has assessed that the amount involved for the right of return is not material and, in most cases, customers could exchange the returned items with another merchandise in the store within the prescribed period (i.e., within seven days from date of purchase). Discounts and rebates are identifiable to specific goods and are recognized as reduction against the revenue recognized from sale of merchandise.

(e) *Determination of ECL on Receivables*

The Company uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating). The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's receivables are disclosed in Note 23.2(b).

(f) *Distinction Between Operating and Finance Leases as a Lessor*

The Company has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that the Company's lease arrangements are operating leases.

(g) *Capitalization of Borrowing Costs*

The Company determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time needed to bring the asset for its intended use. Failure to make the right judgment will result in the misstatement of assets and net profit.

(h) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 23.2.

(c) *Determination of Net Realizable Value of Merchandise Inventories*

In determining the net realizable value of merchandise inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Company's products are subject to inventory obsolescence. Moreover, future realization of the carrying amounts of merchandise inventories as presented in Note 7 is affected by price changes of the products and the costs incurred necessary to make a sale. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's merchandise inventories within the next financial reporting period.

(d) *Estimation of Useful Lives of Property and Equipment, Right-of-Use Assets, and Intangible Assets*

The Company estimates the useful lives of property and equipment, right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these properties 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 2020, the management assessed that an extension of the property and equipment's and intangible assets' remaining useful lives is appropriate to align with the other companies in the same industry. This change in accounting estimate was applied prospectively, beginning January 1, 2020. With the increase in useful lives, the annual depreciation and amortization decreased by P80.1 million in 2020. There was no change in estimated useful lives of these assets in 2022 and 2022. The carrying amounts of property and equipment, right-of-use assets and intangible assets are analyzed in Notes 9, 10 and 11, respectively.

(e) *Evaluation of Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13).

Though management believes that the assumptions used in the estimation of recoverable values are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, no impairment losses are required to be recognized on the Company's non-financial assets as of March 31, 2023 and 2022.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. Management assessed that the deferred tax assets recognized as at March 31, 2023 and 2022 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 18.

(g) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses, and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense, and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 17.2.

4. SEGMENT REPORTING

The Company has only one reportable segment which is the trading business.

Further, the Company has only one geographical segment as all of its operations are based in the Philippines.

The revenue of the Company consists mainly of sales to external customers through its retail and e-commerce channels.

The Company has no significant customer which contributed to 10% or more to the revenue of the Company.

5. CASH

Cash include the following components as of March 31, 2023, and 2022:

	<u>March 31, 2023</u>	<u>2022</u>
Cash on hand	P 9,052,000	P 9,052,000
Cash in banks	<u>1,009,869,791</u>	<u>983,149,140</u>
	P 1,018,921,791	P 992,201,140

Cash in banks generally earn interest based on daily bank deposit rates and interest income is recognized as the interest accrues taking into account the effective yield. Interest income earned on bank deposits is presented as part of Finance Income under Other Income (Charges) – Net in the statements of comprehensive income.

6. RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>March 31, 2023</u>	<u>2022</u>
Trade receivables	19.1	P 100,850,748	P 111,598,998
Non-trade receivables	17.2	20,358,151	19,356,473
Others		<u>1,093,335</u>	<u>1,093,335</u>
		P 122,302,234	P 132,048,806

Trade receivables are due from various customers, including credit card companies, and have credit terms ranging from 2 days to 30 days.

Non-trade receivables comprise of the Company's receivables arising from delivery fees, rental income and miscellaneous income.

Others pertain to the receivable for the transferred retirement benefit obligation from a related party under common ownership.

The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

All of the Company's receivables have been assessed for impairment using the ECL model. Management believes that no allowance for ECL is required since there has no significant change in the credit quality of the accounts as of March 31, 2023 and 2022 [see Note 23.2(b)].

7. MERCHANDISE INVENTORIES

Merchandise inventories pertain to goods owned by the Company, which include food and non-food items, pharmaceutical products and dry goods, among others, that are traded under the normal course of business and amounted to P1,793.8 million and P1,797.9 million as of March 31, 2023 and 2022, respectively (see Note 15.1).

The Company did not provide any allowance for inventory obsolescence as the merchandise inventories are deemed realizable above cost. Hence, merchandise inventories were all stated at cost, which is lower than net realizable value, as of March 31, 2023 and 2022.

Cost of merchandise inventories charged to operations are presented as Cost of Merchandise Sold in the statements of comprehensive income (see Note 15.1).

In relation to the fire incident in the Alabang store on January 8, 2022, the Company wrote-off certain merchandise inventories amounting to P58.0 million (see Note 16.2). There was no similar event in 2021 and 2020.

8. PREPAYMENTS AND OTHER ASSETS

The composition of this account is shown on below.

	<u>Notes</u>	<u>March 31, 2023</u>	<u>2022</u>
Current			
Input VAT	P	543,642,180	P 517,544,987
Advances for purchases		240,641,181	229,442,529
Deferred input VAT - current		114,978,583	57,065,118
Prepayments		24,433,645	24,433,645
Store supplies		19,431,650	19,431,650
Short term investments		3,000,000	3,000,000
Creditable withholding tax		-	2,288,656
		946,127,238	853,206,585
Non-current			
Advances to contractors		302,326,992	302,326,993
Security deposit		73,074,459	72,322,394
Deferred input VAT		36,061,723	36,442,834
		411,463,174	411,092,221
	P	1,357,590,412	P 1,264,298,806

Advances for purchases pertains to advances that will be applied for future purchase of merchandise inventories and services.

Deferred input VAT pertains to the input VAT on purchases of services and the unamortized portion of the VAT on capital goods exceeding P1.0 million from purchases prior to 2022.

Prepayments include prepaid expenses for rentals, advertising, communication, insurance, dues and subscription, utilities, marketing and others.

Store supplies pertain to expendable items consumed during Company's operations.

Short term investments refer to the Company's time deposits with original maturities of more than three months to one year and are subject to insignificant risk of changes in value. These investments earn effective interest of 0.55% in 2022. Interest income from time deposits in March 31, 2023 is presented as part of Finance Income under Other Income (Charges) – Net in the 2023 statement of comprehensive income. There were no short-term investments in 2021.

Advances to contractors pertains to advances made to various contractors for the construction of several items under property and equipment.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of March 31, 2023 and 2022 are shown below.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
March 31, 2023					
Cost	P3,381,333,982	P 336,595,005	P 1,140,722,333	P 565,676,994	P 5,424,328,31
Accumulated depreciation and amortization	(<u>539,229,468</u>)	(<u>147,991,121</u>)	(<u>517,001,430</u>)	-	(<u>1,204,222,019</u>)
Net carrying amount	<u>P 2,842,104,514</u>	<u>P 188,603,884</u>	<u>P 623,720,903</u>	<u>P 565,676,994</u>	<u>P 4,220,106,295</u>
December 31, 2022					
Cost	P3,381,333,982	P 336,552,451	P1,129,554,556	P 521,640,950	P5,369,081,939
Accumulated depreciation and amortization	(<u>489,297,375</u>)	(<u>140,972,450</u>)	(<u>495,740,606</u>)	-	(<u>1,126,010,431</u>)
Net carrying amount	<u>P2,892,036,607</u>	<u>P 195,580,001</u>	<u>P 633,813,950</u>	<u>P 521,640,950</u>	<u>P4,243,071,508</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of March 31, 2023 and 2022 is shown below and in the succeeding page.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation and amortization	P2,892,036,607	P195,580,001	P 633,813,950	P 521,640,950	P 4,243,071,508
Additions	-	42,554	11,167,777	44,036,044	55,246,375
Transfer from CIP	-	-	-	-	-
Depreciation and amortization charges for the year	(<u>49,932,093</u>)	(<u>7,018,671</u>)	(<u>21,260,824</u>)	-	(<u>78,211,588</u>)
Balance at March 31, 2023, net of accumulated depreciation and amortization	<u>P2,842,104,514</u>	<u>P188,603,884</u>	<u>P 623,720,903</u>	<u>P 565,676,994</u>	<u>P4,220,106,295</u>

Balance at January 1, 2022, net of accumulated depreciation and amortization	P2,456,546,561	P 198,532,182	P 712,787,216	P 621,916,270	P3,989,782,229
Additions	277,206,092	7,242,465	22,455,533	334,914,349	641,818,439
Transfer from CIP	385,841,524	30,232,609	19,115,536	(435,189,669)	-
Write-off relating to fire loss	(81,182,512)	(4,756,829)	(26,524,639)	-	(112,463,980)
Depreciation and amortization charges for the year	(146,375,058)	(35,670,426)	(94,019,696)	-	(276,065,180)
Balance at December 31, 2022, net of accumulated depreciation and amortization	<u>P2,892,036,607</u>	<u>P 195,580,001</u>	<u>P 633,813,950</u>	<u>P 521,640,950</u>	<u>P4,243,071,508</u>

The gross carrying amounts and accumulated depreciation of furniture and fixtures subject to operating lease at the beginning and end of March 31, 2023 and 2022 are shown below.

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Cost	P 274,777,339	P 274,777,339
Accumulated depreciation and amortization	(84,546,908)	(80,493,730)
Net carrying amount	<u>P 190,230,431</u>	<u>P 194,283,609</u>

A reconciliation of the carrying amounts of furniture and fixtures subject to operating lease at the beginning and end of March 31, 2023 and 2022 is shown below.

	<u>March 31, 2023</u>	<u>2022</u>
Beginning, net of accumulated depreciation and amortization	P 194,283,609	P 198,019,005
Additions	-	22,742,104
Disposal	-	(7,087,933)
Depreciation and amortization charges for the year	(4,053,178)	(19,389,567)
Ending, net of accumulated depreciation and amortization	<u>P 190,230,431</u>	<u>P 194,283,609</u>

The amount of depreciation and amortization is presented as part of General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

In 2022, the Company wrote-off certain property and equipment with net book value of P112.2 million as a result of the fire incident in Alabang store on January 8, 2022 (see Note 16.2). There was no similar event in 2021 and 2020.

In 2021, the Company sold certain property and equipment to a related party under common ownership with carrying amount of P93.3 million and the related gain on sale is presented as part of Support, Fees, Rentals and Other Income in the 2021 statement of comprehensive income (see Note 19.3). There was no similar transaction in 2022 and 2020.

In 2022, 2021 and 2020, borrowing costs amounting to P92.7 million, P227.5 million, and P170.9 million, respectively, based on capitalization rate ranging from 6.50% to 8.08% for specific borrowings in those periods, were capitalized (see Note 13).

There were no items of property and equipment that were used as collateral for any of the Company's loans.

Cost of fully depreciated and amortized assets that are still used in operations amounts to P28.4 million and P28.1 million as of March 31, 2023 and 2022, respectively.

The Company also recognized rental income from its operating leases as a lessor amounting to P31.4 million, P35.7 million and P35.1 million in 2022, 2021 and 2020, respectively and is presented as part of Support, Fees, Rentals and Other Income in the statements of comprehensive income (see Note 14).

10. LEASES

The Company is a lessee under non-cancellable operating leases covering its store outlets and warehouse with lease terms ranging from 10 years to 20 years. With the exception of leases with variable consideration, only one lease contract is reflected on the statements of financial position as a right-of-use asset and a lease liability. This lease contract covers a store outlet with a remaining lease term of 9 years and 8 years as of March 31, 2023 and 2022, respectively.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The leases contain an option to renew the lease which requires mutual agreement of both parties. The Company is prohibited from selling or pledging the underlying leased assets as security. The Company must keep the leased properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts. There are no leases with options to purchase or terminate. The Company has no short-term leases and leases of low-value assets.

The security deposits paid in connection with the leases amounting to P72.3 million and P68.7 million as of March 31, 2023 and 2022, respectively, is presented as Security deposits under Other Non-current Assets in the statements of financial position (see Note 8). Management believes that no allowance for ECL is required for security deposits since there has no significant change in the credit quality of the accounts [see Note 23.2(c)].

10.1 Right-of-use Assets

The carrying amount of the Company's right-of-use assets from store outlets and the movements at beginning and end of 2022 and 2022 are shown below.

	<u>March 31, 2023</u>	<u>2022</u>
Cost	P 209,111,455	P 209,111,455
Accumulated amortization		
Balance at beginning of year	61,578,833	46,184,124
Amortization for the year	<u>3,848,677</u>	<u>15,394,709</u>
Balance at end of year	<u>65,427,510</u>	<u>61,578,833</u>
Carrying amount	P 143,683,945	P 147,532,622

The amount of depreciation is presented as part of General and Administrative Expenses in the March 31, 2023 and 2022 statements of comprehensive income (see Note 15.2).

10.2 Lease Liabilities

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

	<u>March 31, 2023</u>	<u>2022</u>
Current	P 8,630,256	P 8,630,256
Non-current	<u>207,028,085</u>	<u>208,966,287</u>
	<u>P 215,658,341</u>	<u>P 217,596,543</u>

The reconciliation of the carrying amounts of the lease liabilities are as follows:

	<u>Note</u>	<u>March 31, 2023</u>	<u>2022</u>
Balance at beginning of year		P 217,596,543	P 224,150,665
Accretion of interest	10.4	5,112,400	20,864,887
Repayment	10.4	(7,050,602)	(27,419,009)
Balance at end of year		<u>P 215,658,341</u>	<u>P 217,596,543</u>

As of March 31, 2023 and 2022, the Company has no commitments for leases entered into but which had not commenced nor termination options to its lease contracts.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as at March 31, 2023 are as follows:

	<u>Within one year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>5 to 6 years</u>	<u>6 to 10 years</u>	<u>More than ten years</u>	<u>Total</u>
<u>March 31, 2023</u>									
Lease payments	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 34,994,376	P 36,744,095	P 147,149,076	P -	P 342,975,872
Finance charges	(20,159,704)	(19,247,146)	(18,099,906)	(16,687,638)	(14,976,650)	(12,929,549)	(23,278,736)	-	(125,379,329)
Net present values	P 8,630,256	P 10,982,312	P 13,641,024	P 16,640,339	P 20,017,726	P 23,814,546	P 123,870,340	P -	P 217,596,543
<u>December 31, 2022</u>									
Lease payments	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 34,994,376	P 36,744,095	P 147,149,076	P -	P 342,975,872
Finance charges	(20,159,704)	(19,247,146)	(18,099,906)	(16,687,638)	(14,976,650)	(12,929,549)	(23,278,736)	-	(125,379,329)
Net present values	P 8,630,256	P 10,982,312	P 13,641,024	P 16,640,339	P 20,017,726	P 23,814,546	P 123,870,340	P -	P 217,596,543

10.3 Lease Payments Not Recognized as Liabilities

The Company also entered into lease agreements that contain variable payments linked to sales generated from certain stores (see Note 19.2). The expenses relating to these leases amounting to P71.2 million and P66.2 million for March 31, 2023 and March 31, 2022 are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Note 15.2).

If the sales of the Company had changed by an average of +/-1.0%, the variable rent expense would have changed by +/- P2.4 million, +/- P2.4 million and +/- P2.0 million in 2023 and 2022.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P7.0 million and P6.7 in March 31, 2023 and March 31, 2022, respectively. Interest expense in relation to lease liabilities amounted to P5.2 million and P5.1 million in March 31, 2023 and

March 31, 2022 respectively, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 16.1).

11. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of March 31, 2023 and 2022 are shown below.

	<u>March 31, 2023</u>	<u>2022</u>
Cost	P 732,816,801	P 732,816,801
Accumulated amortization	(205,709,582)	(178,366,903)
	<u>P 527,107,219</u>	<u>P 554,449,898</u>

A reconciliation of the carrying amounts of intangible assets at the beginning and end of March 31, 2023, and 2021 is shown below.

	<u>March 31, 2023</u>	<u>2022</u>
Balance at beginning of year, net of accumulated amortization	P 554,440,898	P 434,569,288
Additions	-	229,251,336
Amortization charges for the year	(27,342,681)	(109,370,726)
Disposal	-	-
Balance at end of year, net of accumulated amortization	<u>P 527,107,219</u>	<u>P 554,449,898</u>

In 2021, the Company sold certain intangible assets with net book value of P1.4 million for P 104.7 million. The related gain arising from this transaction is presented under Support, Fees, Rentals and Other income in the 2021 statement of comprehensive income (see Note 19.3). There was no similar transaction in 2022 and 2020.

The amount of amortization is presented as part of General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

Intangible assets are subject to impairment whenever there is an indication of impairment. No impairment losses were recognized in 2022, 2021 and 2020 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

There were no contractual commitments entered into in 2022, 2021 and 2020.

12. TRADE AND OTHER PAYABLES

The composition of this account is shown below.

	<u>Note</u>	<u>March 31, 2023</u>	<u>2022</u>
Trade payables		P 483,392,398	P 575,689,665
Accrued expenses	13	17,690,039	10,104,032
Withholding taxes and other government payables		7,312,449	6,488,430
Income Tax Payable		4,792,176	
Customer loyalty rewards liability		<u>538,431</u>	<u>538,431</u>
		<u>P 513,725,493</u>	<u>P 592,820,558</u>

Trade payables arise from the Company's purchases of merchandise inventories and other direct costs. These are noninterest-bearing and have credit terms ranging from seven to 30 days.

Accrued expenses are liabilities arising from unpaid interest, agency service fee, utilities, professional fees and other expenses.

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company recognized a deferred revenue for the unredeemed points.

13. LOANS PAYABLE

The account consists of:

	<u>Note</u>	<u>March 31, 2023</u>	<u>2022</u>
Current:			
Short-term loans	13.1	P 632,434,196	P 1,063,176,816
Current portion of long-term loans	13.2	<u>184,615,384</u>	<u>184,615,384</u>
		817,049,581	1,247,792,200
Non-current:			
Long-term loans	13.2	<u>638,461,538</u>	<u>184,615,385</u>
		<u>P 1,455,511,119</u>	<u>P 1,432,407,585</u>

Presented below is the reconciliation of the Company's loans payable.

	<u>Short-term Loans</u>	<u>Long-term Loans</u>	<u>Total</u>
Balance as of January 1, 2023	P1,063,176,816	P 369,230,769	P1,432,407,585
Additional borrowings	-	-	-
Reavilment of loans	182,434,196	500,000,000	682,434,196
Repayments of borrowings	(613,176,815)	(46,153,846)	(659,330,662)
Balance at March 31, 2023	<u>P 632,434,196</u>	<u>P 823,076,923</u>	<u>P1,455,511,119</u>
Balance as of January 1, 2022	P 880,000,000	P 553,846,154	P1,433,846,154
Additional borrowings	612,176,816	-	612,176,816
Reavilment of loans	768,000,000	-	768,000,000
Repayments of borrowings	(1,197,000,000)	(184,615,385)	(1,381,615,385)
Balance at December 31, 2022	<u>P1,063,176,816</u>	<u>P 369,230,769</u>	<u>P1,432,407,585</u>

The total interest expense incurred on these loans amounted to P5.6 million, P48.9 million and P57.4 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs under Other Income (Charges) – Net in the statements of comprehensive income.

In 2022, 2021 and 2020, borrowing costs amounting to P92.7 million, P227.5 million and P170.9 million, respectively, based on capitalization rate ranging from 6.50% to 8.08% for specific borrowing in those years, were capitalized as part of Property and Equipment (see Note 9).

The unpaid interest amounted to P8.2 million and P5.4 million as of March 31, 2023 and 2022 and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 12).

13.1 Short-term Loans

In 2022, 2021 and 2020, the Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 5.00% to 8.08% and with terms of 90 to 180 days. These loans are usually being rolled-over upon maturity and are secured by cross suretyship of the Company's ultimate parent company (see Note 19.4). There are no loan covenants on the Company's short-term loans.

13.2 Long-term Loans

In 2021 and 2020, the Company obtained three to seven-year corporate loans, inclusive of two-year grace period, from various local banks for the Company's store construction and expansion with fixed interest rate ranging from 6.50% to 8.08% both in 2021 and 2020. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 19.4). There was no similar transaction in 2022. Certain loans of the Company with local banks are subject to covenants and all have been complied with as of March 31, 2023 and 2022 (see Note 25).

14. REVENUES

The Company's sales revenues arise from transactions with individual and corporate customers in the Philippines totalling to P2,441.2 million and P2,292.6 million in March 31, 2023 and March 31, 2022, respectively.

The disaggregation on revenue recognition whether point in time or over time is shown below.

	<u>Point in time</u>	<u>Over time</u>	<u>Total</u>
March 31, 2023			
Sales	P 2,441,225,946	P -	P2,441,225,946
Delivery fees	-	4,870,858	4,870,858
Miscellaneous	<u>334,309</u>	<u>-</u>	<u>334,309</u>
	<u>P 2,441,560,255</u>	<u>P 4,870,858</u>	<u>P2,446,431,113</u>
March 31, 2022			
Sales	P 2,292,625,110	P -	P 2,292,625,110
Delivery fees	-	4,626,130	4,626,130
Miscellaneous	<u>232,270</u>	<u>-</u>	<u>232,270</u>
	<u>P 2,292,857,380</u>	<u>P 4,626,130</u>	<u>P2,297,483,510</u>

The Company also recognized rental income from its operating leases as lessor amounting to P 9.5 million and P6.8 million in March 31, 2023 and March 31, 2022, respectively (see Note 9).

Rentals, delivery fees and miscellaneous income are presented as Support, Fees, Rentals and Other Income in the statements of comprehensive income.

15. COSTS AND EXPENSES

15.1 Cost of Merchandise Sold

The details of cost of merchandise sold are shown on below.

	<u>Note</u>	<u>March 31, 2022</u>	<u>March 31, 2022</u>
Merchandise inventories			
at beginning of year	7	P 1,797,940,590	P 1,826,059,707
Purchases during the year		<u>1,928,584,013</u>	<u>1,706,784,613</u>
Cost of goods available			
for sale		3,726,524,603	3,532,844,319
Merchandise inventories			
at end of year	7	(<u>1,793,766,894</u>)	(<u>1,706,923,780</u>)
		<u>P 1,932,757,709</u>	<u>P 1,825,920,539</u>

15.2 Other Operating Expenses

The details of selling, general and administrative expenses by nature are shown below.

	<u>Notes</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Depreciation and amortization	9, 10.1 ,11	P 109,402,946	P 88,022,603
Rentals	10.3, 19.2	71,219,598	66,219,598
Communication and utilities		70,817,256	62,220,556
Agency fee		60,647,539	53,188,225
Salaries, wages and other employee benefits	17.1	32,507,885	27,382,823
Taxes and licenses		14,769,923	11,741,336
Merchant fee		9,042,173	9,190,970
Repairs and maintenance		6,561,421	6,964,546
Professional fees	20.2	1,050,271	505,874
Operating supplies		7,852,804	6,533,939
Travel and transportation		4,444,318	4,173,761
Advertising and promotions		4,872,032	3,716,346
Insurance		3,007,458	2,608,294
Delivery fees	20.2	497,153	886,252
Dues and subscriptions		3,254,736	2,994,839
Miscellaneous		122,729	290,733
		P 400,070,242	P 346,640,695

These expenses are classified as follows:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Selling	P 266,528,166	P 238,025,297
General and administrative	133,542,076	108,615,398
	P 400,070,243	P 346,640,694

16. OTHER INCOME (CHARGES) – Net

16.1 Finance Income (Costs)

Finance income (costs) include the following:

	<u>Notes</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
<i>Finance costs:</i>			
Interest expense from:			
Lease liabilities	10.2	P 5,112,400	P 5,270,705
<i>Finance income:</i>			
Interest income from banks	5, 7	P 80,813	P 83,347

16.2 Losses from Fire Damage – Net

On January 8, 2022, the Company's distribution warehouse, selling area, and head office, located in Alabang, Muntinlupa City, was severely damaged by a fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to P58.0 million and P112.2 million, respectively (see Notes 7 and 9). The Company received total insurance claims amounting to P98.3 million, which was offset against the losses incurred from the fire incident. The related net loss which amounted to P71.8 million is presented as Loss from fire damage under Other Income (Charges) – Net in the 2022 statement of comprehensive income. There was no similar event in 2021 and 2020.

17. EMPLOYEE BENEFITS

17.1 Salaries, Wages and Employee Benefits

Details of salaries and employee benefits, which is presented as part of Selling, General and Administrative Expenses in the statements of comprehensive income are presented below.

	<u>Notes</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Salaries and wages		P 24,427,024	P 20,848,133
Post-employment benefits	17.2	-	-
Other employee benefits		<u>8,080,862</u>	<u>6,534,689</u>
		<u>P 32,507,885</u>	<u>P 27,382,823</u>

17.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, non-contributory, post-employment defined benefit plan covering all qualified employees.

The normal retirement age of the Company's employees is at 60 with a minimum of five years of credited service. The compulsory retirement age is at 65 with a minimum of five years of credited service. The normal retirement benefit is equal to 100% of the monthly salary multiplied by every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

The actuarial valuation was made in 2022 and 2021 by a professionally qualified actuary. The retirement benefit obligation amounted to P22.0 million and P20.9 million as of December 31, 2022 and 2021, respectively and is presented as Retirement Benefit Obligation in the statements of financial position.

The movements in the present value of the retirement benefit obligation recognized in the 2022 and 2021 statements of financial position are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 20,869,333	P -
Current service cost	7,468,356	16,319,054
Interest cost	1,084,303	501,042
Actuarial loss (gain) due to:		
Experience adjustments	794,292	-
Changes in financial assumptions	(9,301,398)	-
Net acquired obligation due to employee transfers	<u>1,093,335</u>	<u>4,049,237</u>
Balance at end of year	<u>P 22,008,221</u>	<u>P 20,869,333</u>

In 2022 and 2022, the Company recognized a receivable for the transferred retirement benefit obligation related to the transfer of employees to the Company from a related party under common ownership amounting to P1.1 million and P4.0 million, respectively, which remained outstanding as of December 31, 2022 and 2021. The outstanding receivable is presented as Others under Receivables in the 2022 and 2022 statements of financial position (see Notes 6 and 19).

The component of amounts recognized in profit or loss and in other comprehensive income in respect of the retirement benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
<i>Reported in profit or loss:</i>		
Current service cost	P 7,468,356	P 16,319,054
Interest cost	<u>1,084,303</u>	<u>501,042</u>
	<u>P 8,552,659</u>	<u>P 16,820,096</u>
<i>Reported in other comprehensive income:</i>		
Actuarial loss (gain) arising from:		
Experience adjustments	P 794,292	P -
Changes in financial assumptions	<u>(9,301,398)</u>	<u>-</u>
	<u>(P 8,507,106)</u>	<u>P -</u>

The current service cost is presented as part of Salaries, wages and other employee benefits under Selling Expenses in the 2022 and 2022 statements of comprehensive income (see Note 15.2). Meanwhile, interest cost is included under Finance costs under Other Income (Charges) – Net in the 2022 and 2022 statement of comprehensive income (see Note 16.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the years ended March 31, 2023 and 2022:

	<u>2022</u>	<u>2021</u>
Discount rate	7.37%	5.20%
Expected rate of salary increases	7.75%	7.75%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 11 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Interest Rate Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan as of the years ended December 31, 2022 and 2021, are discussed below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2022 and 2021:

	Impact on Post-Employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2022</u>			
Discount rate	+/- 1.0%	(P 3,137,211)	P 3,803,637
Salary growth rate	+/- 1.0%	3,844,349	(3,223,016)
<u>December 31, 2021</u>			
Discount rate	+/- 1.0%	(P 3,295,763)	P 4,057,061
Salary growth rate	+/- 1.0%	4,001,192	(3,317,320)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded by P22.0 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire..

The Company has yet to determine when to establish a retirement fund and how much to contribute.

The maturity profile of the undiscounted expected benefit payments as of December 31 from the plan follows:

	<u>2022</u>	<u>2021</u>
Within five years	P 1,544,248	P 1,220,335
More than five years to 10 years	16,087,530	12,593,455
More than 10 years to 15 years	19,029,136	9,469,039
More than 15 years to 20 years	95,947,929	70,963,894
More than 20 years	<u>346,619,367</u>	<u>239,406,134</u>
	<u>P 479,228,210</u>	<u>P 333,652,857</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.9 years.

18. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be

effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, were lower by P1.2 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P23.8 million and such was recognized in the profit or loss section of the 2021 statement of comprehensive income.

The components of tax expense as reported in profit or loss follow:

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
<i>Reported in profit or loss:</i>		
Current tax expense:		
RCIT at 25% in 2022 and 2021, and 30% in 2020	P 8,230,396	P -
Application of excess MCIT	-	-
MCIT at 1%	-	4,783,579
Effect of the change in income tax rate	-	-
	<u>8,230,396</u>	<u>4,783,579</u>
Deferred tax expense arising from:		
Origination and reversal of temporary differences	21,293,491	26,848,894
Effect of change in income tax rate	-	-
	<u>21,293,491</u>	<u>26,848,894</u>
	<u>P 29,523,887</u>	<u>P 31,632,473</u>
<i>Reported in other comprehensive income –</i>		
Deferred tax expense arising from:		
Origination and reversal of temporary differences	<u>P -</u>	<u>P -</u>

In 2020, the Company is not yet subject to the MCIT, which is computed at 2% of gross income, as defined under tax regulations, as the Company was only registered with the Bureau of Internal Revenue (BIR) on January 4, 2017.

Starting 2021, the Company is subject to the MCIT, which is computed at 1% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Company reported MCIT in 2021 and RCIT in 2022 and 2020.

In 2021, the Company incurred NOLCO amounting to P2.7 million which can be claimed as a deduction from the gross taxable income until 2026. Pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act (Bayanihan II)* and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss which is until 2026. In 2022, the NOLCO was applied against the gross taxable income.

The MCIT of P19.3 million in 2021 is valid and deductible from future RCIT until 2024. In 2022, the excess MCIT amounting to P10.8 million was claimed as deduction against RCIT.

The Company claimed itemized deductions for 2022, 2021 and 2020 in computing for its income tax due.

19. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties as of and for the years ended March 31, 2023, 2021 and 2020 are discussed below.

	Notes	Amount of Transactions		Outstanding Balances		
				Receivables (Payables)		
		2023	2022	2023	2022	
Parent Company:						
Dividends	20	P	P-	P	-	-
Deposit for future stock subscription	20	-	-	-	-	-
Related Parties Under Common Ownership:						
Rentals	10.3, 19.2	71,219,598	66,539,353	-	-	-
Sale of merchandise	19.1	9,203,105	7,500,860	-	-	-
Sale of property and equipment and intangible assets	9, 11, 19.3	-	-	-	-	-
Transferred retirement benefit obligation	6, 17.2	-	-	-	-	-
Key Management Personnel –						
Compensation	19.5	3,438,905	3,115,700	-	-	-

In 2022, 2021 and 2020, the Company's outstanding receivables with related parties were subjected to impairment using ECL assessment. Based on management assessment, no impairment needs to be recognized. The outstanding balances of related party transactions are noninterest-bearing, unsecured and payable in cash on demand and upon due date.

The details of the Company's related party transactions and balances are as follows:

19.1 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Revenues in the statements of comprehensive income (see Note 14). The outstanding receivables from these transactions are presented as part of Trade Receivables in the statements of financial position (see Note 6).

19.2 Lease Agreements

The Company entered into lease agreements with related parties under common ownership that contain variable payments linked to sales generated from certain stores. The expenses relating to these leases amounting are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Notes 10.3 and 15.2).

19.3 Sale of Property and Equipment and Intangible Assets

In 2021, the Company sold certain property and equipment and intangible assets to a related party under common ownership amounting to P93.3 million and P1.4 million, respectively, with a total selling price of P104.7 million and the related gain on sale of property and equipment and intangible assets amounting to P10.0 million is presented as part of Support, Fees, Rentals and Other Income in the 2021 statement of comprehensive income (see Notes 9 and 11). There is no outstanding receivable arising from these transactions. There was no similar transaction in 2022 and 2020.

19.4 Guarantees of Loans

The Company obtained short-term loans with interests ranging from 5.00% to 8.08% in 2022 and 2022 and 6.50% to 8.08% in 2020 for additional working capital requirements and store construction and expansion. The loans are secured by cross suretyship of its ultimate parent company (see Note 13.2).

19.5 Key Management Personnel Compensation

The total compensation of key management personnel, which include all managers and executives, is shown below.

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Short-term benefits	<u>P 3,438,905</u>	<u>P3,115,700</u>

20. EQUITY

20.1 Capital Stock

Details of this account are shown below.

	Shares		Amount	
	2023	2022	2023	2022
Common shares				
Authorized				
Balance at beginning of the year	30,000,000,000	30,000,000,000	P 3,000,000,000	P 3,000,000,000
Increase during the year	-	-	-	-
Change in par value	-	-	-	-
Balance at end of year	<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>P 3,000,000,000</u>	<u>P 3,000,000,000</u>
Issued and outstanding:				
Balance at beginning of the year	22,857,145,000	22,857,145,000	P 2,285,714,500	P 2,285,714,500
Issuance during the year	-	-	-	-
Change in par value	-	-	-	-
Balance at end of year	<u>22,857,145,000</u>	<u>22,857,145,000</u>	<u>P 2,285,714,500</u>	<u>P 2,285,714,500</u>

On September 24, 2020, the Company's BOD and stockholders approved the increase in the authorized capital stock from P1,000.0 million divided into 10.0 million common shares with a par value P100.0 per share to P2,000.0 million divided into 20.0 million common shares with a par value of P100.0 per share. The shares of stock were subscribed through the conversion of certain due to parent company to equity amounting to P338.5 million. On December 21, 2020, the increase in authorized capital stock and the related debt to equity conversion was approved by the SEC.

On February 5, 2021, the Company's BOD and stockholders approved the increase in the authorized capital stock from P2,000.0 million divided into 20.0 million common shares with a par value of P100.0 per share to P3,000.0 million divided into 30,000.0 million common shares with a par value of P0.10 per share. On June 25, 2021, the increase in authorized capital stock was approved by the SEC. Out of the increase in the authorized capital stock of the Company, 2,615.0 million shares with an aggregate subscription price of P261.5 million has been fully paid in cash. The payment of subscriptions thru cash was approved by the Company's BOD and stockholders on the same date as above.

On November 3, 2021, the Company, by way of an Initial Public Offering (IPO), sold 6,857.1 million with an Overallotment Option of up to 685.7 million of its common stock (Offer Share) at an offer price of P0.60 per Offer Share, and generated gross proceeds of P4,114.3 million from such IPO.

As of December 31, 2020, the Company has six stockholders owning 100 or more shares each of the Company's capital stock.

As of March 31, 2023 and 2022, the Company's number of shares registered totalled 22,857,145,000 with par value of P0.10 per share and closed at a price of P0.23 in 2022. The total number of stockholders is 21 and 15 as of March 31, 2023 and 2022, respectively, with the shares held in the name of PCD Nominee Corporation belonging to 123 participants. The public float lodged with PCD Nominee Corporation is counted only as one stockholder.

20.2 Additional Paid-in Capital

Additional paid-in capital consists of P3,316.7 million proceeds from IPO in 2021, net of P111.9 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 20.1).

The residual IPO-related expenses totalling to P45.8 million is allocated to Professional fees and Others amounting to P30.6 million and P15.2 million, respectively, and is presented under General and Administrative Expenses in the 2021 statement of comprehensive income (see Note 15.2).

20.3 Dividends Declaration

On December 4, 2020, the Company's BOD approved the declaration of cash dividends amounting to P6.3 million and payable to stockholders of record on December 22, 2020, which remain unpaid as of December 31, 2020 and subsequently fully settled in 2021. The outstanding liability from this transaction as of December 31, 2020 is presented as Dividends Payable in the 2020 statement of financial position.

On August 15, 2022, the Company's BOD approved the declaration of cash dividends amounting to P73.1 million (equivalent to P0.0032 per share) and payable to stockholders of record on September 12, 2022. The dividend was fully paid in 2022. There was no dividend declaration in 2021.

21. EARNINGS PER SHARE

EPS were computed as follows:

	<u>March 31, 2022</u>	<u>2022</u>
Net profit	P 88,571,662	P 301,763,941
Divided by weighted average number of outstanding common shares	<u>22,857,145,000</u>	<u>22,857,145,000</u>
Basic and diluted EPS	<u>P 0.00</u>	<u>P 0.02</u>

The Company has no potential dilutive common shares as of March 31, 2023, 2021 and 2020.

22. PROVISIONS, COMMITMENTS AND CONTINGENCIES

22.1 Unused Line of Credit

The Company has unused line of credit amounting to P230.8 million and P46.2 million as of March 31, 2023 and 2022, respectively.

22.2 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the

financial statements. As of March 31, 2023 and 2022, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

23.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2022, 2021, and 2020, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to interest based on daily bank deposits rates. However, due to its short duration, management believes that the interest rate sensitivity and its effect on the net result for the year and equity are not significant (see Note 5).

On the other hand, the Company's short-term and long-term bank loans are subject to fixed rates ranging from 5.00% to 8.08% per annum, 6.50% to 8.08% per annum and 6.50% per annum for 2022, 2021 and 2020 (see Note 13). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2022, 2021 and 2020.

23.2 Credit Risk

Credit risk is the risk that counterparty will fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	<u>Notes</u>	<u>March 31, 2023</u>	<u>2022</u>
Cash and cash equivalents	5	P 1,021,921,791	P 995,201,140
Receivables	6	122,302,234	132,048,806
Short-term investments	7	3,000,000	3,000,000
Security deposits	8, 10	<u>73,074,459</u>	<u>72,322,394</u>
		<u>P1,220,298,484</u>	<u>P 1,202,572,340</u>

None of the financial assets are secured by collateral or other credit enhancements, except for cash and short-term investments as described below. Additional information on the financial assets follows:

(a) *Cash and Short-term Investments*

The credit risk for cash and short-term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. This includes demand deposits and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Receivables*

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of three years before March 31, 2023 and 2022, and the corresponding historical credit losses experienced within such period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the Philippine inflation and gross domestic product in 2022 and 2022, respectively was the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit-impaired or when the customer is not able to settle the receivables within the normal credit terms of 2 to 90 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, no loss allowance for trade receivables was determined based on past due amounts as of March 31, 2023 and 2022.

(c) *Security Deposits*

The Company is not exposed to any significant credit risk exposure, since the counterparties are reputable lessors with sound liquid position.

23.3 *Liquidity Risk*

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2023 and 2022, the Company's financial liabilities, excluding lease liabilities (see Note 10.2), have contractual maturities which are summarized below.

		Current		Non-current	
	Notes	Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
March 31, 2023					
Trade and other payables	12	P 508,933,316	P -	P -	P -
Loans payable	13	<u>670,222,658</u>	<u>100,673,077</u>	<u>684,615,384</u>	<u>-</u>
		<u>P 1,179,155,974</u>	<u>P 100,673,077</u>	<u>P 684,615,384</u>	<u>P -</u>
December 31, 2022					
Trade and other payables	12	P 582,793,698	P -	P -	P -
Loans payable	13	<u>1,175,794,462</u>	<u>100,673,077</u>	<u>191,865,385</u>	<u>-</u>
		<u>P 1,758,588,160</u>	<u>P 100,673,077</u>	<u>P 191,865,385</u>	<u>P -</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

24. CATEGORIES, FAIR VALUE AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 *Carrying Amounts and Fair Values by Category*

The Company has no financial instruments carried at fair values.

For the Company's financial assets and liabilities carried at amortized cost as at March 31, 2023 and 2022, management considers that the carrying values of these financial instruments approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those maturities of more than one year is not material, hence, no further comparison between the carrying amounts and fair values is presented.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

24.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates its fair value.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on instrument where the significant inputs required to determine the fair values of such instruments are not based on observable market data.

There have been no significant transfers among Levels 1 and 3 in the reporting periods.

With the exception of Cash and Short-term investments, which are classified under Level 1 of the fair value hierarchy, all of the Company's financial assets and liabilities presented in the statements of financial position are classified under Level 3 of the fair value hierarchy as of March 31, 2023 and 2022.

24.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2022 and 2022 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. There is no potential offsetting as of March 31, 2023 and 2022.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern entity. Essentially, the Company, in coordination with its parent company, monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest-bearing loans	P 1,432,407,585	P 1,432,407,585
Total equity	<u>6,604,057,569</u>	<u>6,604,057,569</u>
Debt-to-equity ratio	<u>0.22: 1.00</u>	<u>0.22: 1.00</u>

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of 2.50:1.00, and a minimum debt-service coverage ratio of at least 1.00. The Company has properly complied with its loans' covenants as of March 31, 2023 and 2022 (see Note 13.2).

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under its existing Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

The Company is registered with the BIR as a VAT taxpayer. This is in relation to its sales of merchandise. The Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of merchandise:		
VATable sales	P 1,881,428,461	P 225,771,415
Zero-rated sales	403,890,411	-
Exempt sales	<u>170,636,217</u>	<u>-</u>
	<u>P 2,455,955,089</u>	<u>P 225,771,415</u>

The Company's VAT zero-rated sales were determined pursuant to Section 108B, *Transactions Subject to Zero Percent* of the 1997 National Internal Revenue Code.

The Company's exempt sales were determined pursuant to Section 109(W), *Sale or Lease of Goods and Services to Senior Citizens and Persons with Disability, as Provided under R.A. No. 9994 (Expanded Senior Citizens Act of 2020)* and *R.A. No. 10754 (An Act Expanding the Benefits and Privileges of Persons with Disability)*, of the 1997 National Internal Revenue Code.

The tax bases are included as part of Sales and Support, Fees, Rentals and Other Revenues in the 2022 statement of comprehensive income. The tax bases for Other Income are based on the Company's gross receipts for the year, hence, may not be the same as the amounts of revenues reported in the 2022 statement of comprehensive income.

(b) *Input VAT*

The outstanding input VAT as of March 31, 2023 is presented as Input VAT under Prepayments and Other Current Assets in the 2022 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any customs duties and tariff fees paid in March 31, 2023 since it did not engage in any importation activities during the year.

(d) *Excise Tax*

The Company did not have any transactions in March 31, 2023 which are subject to excise tax.

(e) *Documentary Stamp Tax*

The Company did not have any transactions in March 31, 2023 which are subject to documentary stamp tax.

(f) *Taxes and Licenses*

The details of taxes and licenses in 2023 is broken down as follows:

Business permits and licenses	P 14,769,923
Documentary stamp tax	<u>-</u>
	<u>P 14,769,923</u>

The taxes and licenses amounting to P14.7 million is presented under General and Administrative Expenses in the March 31, 2023 statement of comprehensive income.

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended March 31, 2023 are shown below.

Expanded	P	6,088,487
Compensation and employee benefits		469,238
Final		<u>-</u>
	P	<u>6,557,725</u>

The outstanding balance of expanded withholding tax, withholding tax on compensation and final withholding tax amounting to P6.5 million is recorded as part of Withholding taxes payable and other government payables under Trade and Other Payables in the 2023 statement of financial position.

(h) *Deficiency Tax Assessment and Tax Cases*

As of March 31, 2023, the Company does not have any final deficiency tax assessment from the BIR nor it does have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

ALLDAY MARTS, INC.

Supplemental Schedule of Financial Soundness Indicators

March 31, 2023 and March 31, 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities	2.90	Total Current Assets divided by Total Current Liabilities	2.40
	Total Current Assets P3,881,118,156		Total Current Assets P3,700,370,006	
	Divide by: Total Current Liabilities 1,337,224,141		Divide by: Total Current Liabilities 1,539,050,244	
	Current Ratio 2.90		Current Ratio 2.40	
Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.85	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.71
	Total Current Assets P3,881,118,156		Total Current Assets P3,700,370,006	
	Less: Merchandise Inventories (1,793,766,894)		Less: Merchandise Inventories (1,566,923,780)	
	Other Current Assets (946,127,238)		Other Current Assets (1,040,246,505)	
	Quick Assets 1,141,224,024		Quick Assets 1,093,199,722	
	Divide by: Total Current Liabilities 1,337,224,141		Divide by: Total Current Liabilities 1,539,050,244	
	Acid Test Ratio 0.85		Acid Test Ratio 0.71	
Solvency ratio	Total Assets divided by Total Liabilities	3.69	Total Assets divided by Total Liabilities	3.61
	Total Assets P9,183,478,787		Total Assets P8,702,361,395	
	Divide by: Total Liabilities 2,490,849,558		Divide by: Total Liabilities 2,408,881,892	
	Solvency Ratio 3.69		Solvency Ratio 3.61	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.37	Total Liabilities divided by Total Equity	0.38
	Total Liabilities P2,490,849,558		Total Liabilities P2,408,881,892	
	Divide by: Total Equity 6,692,629,229		Divide by: Total Equity 6,293,479,501	
	Debt-to-Equity Ratio 0.37		Debt-to-Equity Ratio 0.38	
Asset-to-equity ratio	Total Assets divided by Total Equity	1.37	Total Assets divided by Total Equity	1.38
	Total Assets P9,183,478,787		Total Assets P8,702,361,395	
	Divide by: Total Equity 6,692,629,229		Divide by: Total Equity 6,293,479,501	
	Asset-to-equity ratio 1.37		Asset-to-equity ratio 1.38	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest Expense	4.41	Earnings before interest and taxes (EBIT) divided by Interest Expense	(1.41)
	EBIT P123,207,950		EBIT P(38,673,482)	
	Divide by: Interest Expense 27,944,235		Divide by: Interest Expense 27,412,085	
	Interest Coverage Ratio 4.41		Interest Coverage Ratio (1.41)	
Return on equity	Net Profit divided by Total Equity	0.01	Net Profit divided by Total Equity	(0.01)
	Net Profit P88,571,662		Net Profit P(75,576,660)	
	Divide by: Total Equity 6,692,629,229		Divide by: Total Equity 6,293,479,501	
	Return on equity 0.01		Return on equity (0.01)	
Return on assets	Net Profit divided by Total Assets	0.01	Net Profit divided by Total Assets	(0.01)
	Net Profit P88,571,662		Net Profit P(75,576,660)	
	Divide by: Total Assets 9,183,478,787		Divide by: Total Assets 8,702,361,395	
	Return on assets 0.01		Return on assets (0.01)	
Net profit margin	Net profit divided by Total Revenue	0.04	Net profit divided by Total Revenue	(0.03)
	Net Profit P88,571,662		Net Profit P(75,576,660)	
	Divide by: Total Revenue 2,441,225,946		Divide by: Total Revenue 2,292,625,110	
	Net Profit Margin 0.04		Net Profit Margin (0.03)	

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF FIRST QUARTER END 2023 VS FIRST QUARTER END 2022

RESULTS OF OPERATIONS

Quarter Ended March 31, 2023 compared to quarter ended March 31, 2022 Sales

	For the quarter ended March 31		Horizontal analysis	Vertical analysis	
	2023	2022		2023	2022
	(in millions of ₱)		% Change	% of Total Sales	
Sales.....	₱2,441.2	₱2,292.6	6.5%	100.0%	100.0%
Cost of merchandise sold.....	1,932.8	1,825.9	5.9%	79.2%	79.6%
Other income.....	14.7	11.7	26.4%	0.6%	0.5%
Other operating expenses	400.1	346.6	15.4%	16.4%	15.1%
Finance income (costs)					
Finance costs.....	(5.1)	(5.3)	-3.0%	-0.2%	-0.2%
Finance income	0.1	0.1	-3.0%	0.0%	0.0%
Losses from Fire Damage.....	-	(170.5)	-100.0%	0.0%	-7.4%
Tax expense	29.5	31.6	-6.7%	1.2%	1.4%
Net profit (loss).....	88.6	(75.6)	217.2%	3.6%	-3.3%

Sales

The company recorded sales of ₱2,441.2 million for the quarter ended 31 March 2023, an increase of 6.5% from ₱2,292.6 million for the quarter ended 31 March 2022. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of Merchandise Sold

For the quarter ended 31 March 2023, cost of merchandise sold was at ₱1,932.8 million, an increase of 5.9% compared to ₱1,825.9 million for the same period in 2022, largely driven by the increase in sales in existing stores and incremental sales from the two new stores added during the period.

Support, Fees, Rentals and Other Income

Support, fees, rentals and other income increased by 26.4% from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.7 million for the quarter ended 31 March 2023 due to increase in vendor support fees.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 12.0% to ₱266.5 million for the quarter ended 31 March 2023 from ₱238.0 million for the same period in 2022 primarily due to the following:

- Decrease in delivery fees from ₱0.9 million for the quarter ended 31 March 2022 to ₱0.5 million for the quarter ended 31 March 2023 on account of decrease in the volume of deliveries for the period.
- Increase in advertising and promotions from ₱3.7 million for the quarter ended 31 March 2022 to ₱4.9 million for the quarter ended 31 March 2023 due to usage of online and digital platforms for marketing purposes.

- Increase in operating supplies from ₱6.5 million for the quarter ended 31 March 2022 to ₱7.9 million for the quarter ended 31 March 2023 due primarily to purchases of supplies in the head office and due to increase in the number of stores.
- Increase in salaries, wages, and other employee benefits from ₱27.4 million for the quarter ended 31 March 2022 to ₱32.5 million for the quarter ended 31 March 2023 due to the additional manpower for new stores.
- Increase in agency fee from ₱53.2 million for the quarter ended 31 March 2022 to ₱60.6 million for the quarter ended 31 March 2023 attributable to the additional manpower from agencies.
- Increase in communication and utilities from ₱62.2 million for the quarter ended 31 March 2022 to ₱70.8 million for the quarter ended 31 March 2023 primarily as a result of increase in number of stores.
- Increase in rentals from ₱66.2 million for the quarter ended 31 March 2022 to ₱71.2 million for the quarter ended 31 March 2023 due to higher sales recorded during the period. Rent is charged as a percentage of sales.
- Decrease in repairs and maintenance from ₱7.0 million for the quarter ended 31 March 2022 to ₱6.6 million for the quarter ended 31 March 2023 due to cost-cutting measures implemented.
- Decrease in merchant fee from ₱9.2 million for the quarter ended 31 March 2022 to ₱9.0 million for the quarter ended 31 March 2023 primarily due to lower debit and credit card sales for the period.

General and administrative expenses

General and administrative expenses increased by 22.9% from ₱108.6 million for the quarter ended 31 March 2022 to ₱133.5 million for the quarter ended 31 March 2023 primarily due to the following:

- Increase in professional fees from ₱0.5 million for the quarter ended 31 March 2022 to ₱1.1 million for the quarter ended 31 March 2023 due to audit fees and consultancy fees for sustainability reporting.
- Increase in taxes and licenses from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.8 million for the quarter ended 31 March 2023 due to increase in number of stores as well as increase in revenues.
- Increase in depreciation and amortization from ₱88.0 million for the quarter ended 31 March 2022 to ₱109.4 million for the quarter ended 31 March 2023 due to the increase in the number of stores and amortization of capitalized interest.
- Decrease in miscellaneous expense from ₱0.3 million for the quarter ended 31 March 2022 to ₱0.1 million for the quarter ended 31 March 2023 due to cost-cutting measures implemented.
- Increase in insurance from ₱2.6 million for the quarter ended 31 March 2022 to ₱3.0 million for the quarter ended 31 March 2023 due primarily to the increase in the number of stores and adjustment in insurance coverages.
- Increase in dues and subscription from ₱3.0 million for the quarter ended 31 March 2022 to ₱3.3 million for the quarter ended 31 March 2023 attributable to the acquisition of new IT systems and increase in the number of stores.
- Increase in travel and transportation from ₱4.2 million for the quarter ended 31 March 2022 to ₱4.4 million for the quarter ended 31 March 2023 due to increasing fuel prices.

Finance Cost

Finance cost decreased by 3.0% from ₱5.3 million for the quarter ended 31 March 2022 to ₱5.1 million for the quarter ended 31 March 2023 due to the decrease in interest expense from lease liability.

Finance Income

Finance income decreased by 3.0% from ₱0.083 million for the quarter ended 31 March 2022 to ₱0.081 million for the quarter ended 31 March 2023. The decrease was primarily attributable to the lower average cash balance during the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022.

Fire Loss

The Company recorded fire losses in 2022 when the Company's store outlet located at Alabang, Muntinlupa City, was severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. Thus, the total losses from fire amounted to ₱170.5 million, not taking into account the insurance claims which were received in the latter part of 2022.

Provision for Income Tax

Provision for income tax decreased by 6.7% from ₱31.6 million for the quarter ended 31 March 2022 to ₱29.5 million for the quarter ended 31 March 2023 due to lower taxable income for the period.

Net Profit

As a result of the foregoing, our net income increased by 217.2% to ₱88.6 million for the quarter ended 31 March 2023 from ₱75.6 million net loss for the quarter ended 31 March 2022.

FINANCIAL CONDITION

As of 31 March 2023 vs. 31 December 2022

	For the period ended,		Horizontal analysis	Vertical analysis	
	March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
	(in millions of ₱)		% Change	% of Total Assets	
Total Current Assets	₱3,881.1	₱3,775.4	2.8%	42.3%	41.3%
Total Noncurrent Assets	5,302.4	5,356.1	-1.0%	57.7%	58.7%
Total Assets.....	9,183.5	9,131.5	0.6%	100.0%	100.0%
Total Current Liabilities.....	1,337.2	1,849.2	-37.6%	12.6%	20.3%
Total Noncurrent Liabilities.....	1,153.6	678.2	97.0%	14.5%	7.4%
Total Liabilities.....	2,490.8	2,527.5	-1.4%	27.1%	27.7%
Equity	6,692.6	6,604.1	1.3%	72.9%	72.3%
Total Liabilities and Equity	9,183.5	9,131.5	0.6%	100.0%	100.0%

Total assets amounting to ₱9,183.5 million as of 31 March 2023 recorded a slight increase of 0.6% from the reported amount of ₱9,131.5 million in 31 December 2022 due to the following:

- Cash increased by 2.7% from ₱992.2 million as of 31 December 2022 to ₱1,018.9 million as of 31 March 2023 due primarily to higher sales for the period.

- Receivables decreased by 7.4% from ₱132.0 million as of 31 December 2022 to ₱122.3 million as of 31 March 2023 due to collections made.
- Merchandise inventories decreased by 0.2% from ₱1,797.9 million as of 31 December 2022 to ₱1,793.8 million as of 31 March 2023 due primarily to inventory optimization.
- Prepayments and other current assets increased by 10.9% from ₱853.2 million as of 31 December 2022 to ₱946.1 million as of 31 March 2023 due primarily to advances to suppliers and input VAT from merchandise inventories and capital expenditures.
- Property and equipment decreased by 0.5% from ₱4,243.1 million as of 31 December 2022 to ₱4,220.1 million as of 31 March 2023 due primarily to depreciation for the period
- Intangible assets decreased by 4.9% from ₱554.4 million as of 31 December 2022 to ₱527.1 million as of 31 March 2023 due to amortization for the period.
- Right-of-use assets decreased by 2.6% from ₱147.5 million as of 31 December 2022 to ₱143.7 million as of 31 March 2023 due primarily to amortization for the period.
- Other non-current assets increased by 0.1% from ₱411.1 million as of 31 December 2022 to ₱411.5 million as of 31 March 2023 due primarily to security deposit paid.

Total liabilities amounting to ₱2,490.8 million as of 31 March 2023 recorded a decrease of 1.4% from the reported amount of ₱2,527.5 million in 31 December 2022. This was due to the following:

- Trade and other payables decreased by 13.3% from ₱592.8 million as of 31 December 2022 to ₱513.7 million as of 31 March 2023 due to payments made for the period.
- Loans payable including non-current portion increased slightly by 1.6% from ₱1,432.4 million as of 31 December 2022 to ₱1,455.5 million as of 31 March 2023 due to loan availments made for loan obligations due during the first quarter of 2023.
- Lease liability including non-current portion decreased slightly by 0.9% from ₱217.6 million as of 31 December 2022 to ₱215.7 million as of 31 March 2023 due to lease payments made.
- Deferred tax liabilities increased by 8.1% from ₱262.7 million as of 31 December 2022 to ₱283.9 million as of 31 March 2023 attributable to additional temporary tax differences recognized for the period.
- Retirement benefit obligation remained unchanged at ₱22.0 million.

Total equity increased by 1.3% from ₱6,604.1 as of 31 December 2022 to ₱6,692.6 million as of 31 March 2023 due to net income recorded for the period.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	3/31/2023	3/31/2022
Sales (₱ millions)	₱ 2,441.2	₱ 2,292.6
Sales Growth (%)	6.5%	7.4%
Gross Profit Margin (%) ⁽¹⁾	20.8%	20.4%
Net Profit or Loss (₱ millions)	88.6	(75.6)
Net Profit Margin (%) ⁽²⁾	3.6%	-3.3%

Notes:

(a) *Gross Profit Margin:* This ratio is obtained by dividing the Gross Profit of the Company by its Sales

(b) *Net Profit Margin:* This ratio is obtained by dividing the Net Profit of the Company by its Sales

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Sales increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 due to economies of scale achieved as a result of higher purchases made during the period, improvements in merchandise sourcing, and increased revenue contribution of imported products and private label items.

Net Profit or Loss and Net Profit Margin increased for the quarter ended 31 March 2023 compared to the quarter ended 31 March 2022 attributable to the incurrence of loss on damaged assets due to fire in 2022.

Material Changes to the Company's Balance Sheet as of 31 March 2023 compared to 31 December 2022 (increase/decrease of 5% or more)

Receivables decreased by 7.4% from ₱132.0 million as of 31 December 2022 to ₱122.3 million as of 31 March 2023 due to collections made.

Prepayments and other current assets increased by 10.9% from ₱853.2 million as of 31 December 2022 to ₱946.1 million as of 31 March 2023 due primarily to advances to suppliers and input VAT from merchandise inventories and capital expenditures.

Intangible assets decreased by 4.9% from ₱554.4 million as of 31 December 2022 to ₱527.1 million as of 31 March 2023 due to amortization for the period.

Trade and other payables decreased by 13.3% from ₱592.8 million as of 31 December 2022 to ₱513.7 million as of 31 March 2023 due to payments made for the period.

Deferred tax liabilities increased by 8.1% from ₱262.7 million as of 31 December 2022 to ₱283.9 million as of 31 March 2023 attributable to additional temporary tax differences recognized for the period.

Material Changes to the Company's Statement of income for the 3-month of 2023 compared to the 3-month of 2022 (increase/decrease of 5% or more)

The company recorded sales of ₱2,441.2 million for the quarter ended 31 March 2023, an increase of 6.5% from ₱2,292.6 million for the quarter ended 31 March 2022. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

For the quarter ended 31 March 2023, cost of merchandise sold was at ₱1,932.8 million, an increase of 5.9% compared to ₱1,825.9 million for the same period in 2022, largely driven by the increase in sales of existing stores and incremental sales from the two new stores added during the period.

Support, fees, rentals and other income increased by 26.4% from ₱11.7 million for the quarter ended 31 March 2022 to ₱14.7 million for the quarter ended 31 March 2023 due to increase in vendor support fees.

Selling, general and administrative expenses increased by 15.4% to ₱400.1 million for the quarter ended 31 March 2023 from ₱346.6 million for the same period in 2022 due to the above-mentioned reasons.

The Company recorded fire losses in 2022 when the Company's store outlet located at Alabang, Muntinlupa

City, was severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with the net carrying value amounting to ₱58.0 million and ₱112.2 million, respectively. Thus, the total losses from fire amounted to ₱170.5 million, not taking into account the insurance claims which were received in the latter part of 2022.

Provision for income tax decreased by 6.7% from ₱31.6 million for the quarter ended 31 March 2022 to ₱29.5 million for the quarter ended 31 March 2023 due to lower taxable income for the period.

As a result of the foregoing, our net income increased by 217.2% to ₱88.6 million for the quarter ended 31 March 2023 from ₱75.6 million net loss for the quarter ended 31 March 2022.

There is no other material change in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 March 2023 and as of 31 March 2022.

PART II - OTHER INFORMATION

Item 3. 3-month of 2023 Developments

- A.** New Projects or Investments in another line of business or corporation.

None

- B.** Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Camille A. Villar	Vice Chairman of the Board
Frances Rosalie T. Coloma	Director, President, and CEO
Manuel Paolo A. Villar	Director
Benjamarie Therese N. Serrano	Director
Jessie D. Cabaluna	Independent Director
Raul Juan N. Esteban	Independent Director

- C.** Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

- D.** Declaration of Dividends.

P0.00317 per share Regular Cash Dividend

Declaration date: August 15, 2022

Record date: September 12, 2022

Payment date: October 04, 2022

P0.4672 per share Regular Cash Dividend

Declaration date: December 04, 2020

Record date: December 22, 2020

Payment date: January 15, 2021

- E.** Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None.

- F.** Offering of rights, granting of Stock Options and corresponding plans thereof.

None.

- G.** Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable.

- H.** Other information, material events or happenings that may have affected or may affect market price of security.

None.

- I.** Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 3-month of 2023 Operations and Financials.

- J.** Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

None.

- K.** Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

- L.** New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

- M.** Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

See Notes to Financial Statements and Management Discussion and Analysis.

- N.** The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

None.

- O.** Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

None.

- P.** Existence of material contingencies and other material events or transactions during the interim period

None.

- Q.** Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

- R.** Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

- S.** Material commitments for capital expenditures, general purpose and expected sources of funds.

Material commitments for capital expenditures contracted were attributed to the store fixtures and equipment being put up for the upcoming new stores.

- T.** Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of March 31, 2023 no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 3-month of 2023 financial statements.

- U.** Significant elements of income or loss that did not arise from continuing operations.

None.

- V.** Causes for any material change/s from period to period in one or more line items of the financial statements.

None.

- W.** Seasonal aspects that had material effect on the financial condition or results of operations.

None.

- X.** Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

AllDay Marts, Inc.
Issuer

By:

A handwritten signature in black ink, appearing to read 'MCR', is positioned above the printed name of the signatory.

MARIA CRISTINA O. BARAO
Treasurer, CFO and Compliance Officer

Date: 22 May 2023