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 quarter ended **September 30, 2021**

2. SEC Identification Number **CS-201629673**

3. BIR Tax Identification No. **009-491-731**

4. **AllDay Marts, Inc.**
   Exact name of the registrant as specified in its charter

5. **Philippines**
   Province, country or other jurisdiction of incorporation

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

7. **LGF EVIA Lifestyle Center, Daanghari, Almanza Dos, Las Piñas City** **1750**
   Address of Principal Office Postal Code

8. **(632) 8880-1900 to 01**
   Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	**22,857,145,000**

11. Are any of the registrant's securities listed on the Philippine Stock Exchange?

    Yes [x] No [ ]

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the 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 [x] No [ ]

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

    Yes [x] No [ ]

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AllDay Marts, Inc.
Statements of Financial Position
As of September 30, 2021 and December 31, 2020
(Amounts in Philippine Peso)

	Note	**Unaudited Sep 30, 2021**	Audited Dec 31, 2020
ASSETS			
Current Assets			
Cash	5	**₱601,127,974**	₱783,520,578
Receivables	6	**90,252,151**	55,702,714
Merchandise inventories	7	**1,689,343,663**	1,393,419,308
Prepayments and other current assets	8	**712,604,948**	455,278,033
Total Current Assets		**3,093,328,736**	2,687,920,633
Non-current Assets			
Property and equipment - net	9	**3,818,739,073**	3,391,169,749
Right-of-use assets – net	10	**166,776,007**	178,322,039
Intangible assets – net	11	**247,726,141**	112,409,082
Other non-current assets		**443,854,534**	87,607,278
Total Non-current Assets		**4,677,095,755**	3,769,508,148
TOTAL ASSETS		**7,770,424,491**	6,457,428,781
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**506,526,254**	589,558,267
Loans payable	13	**2,526,042,156**	1,544,724,751
Lease liabilities	10	**5,605,432**	4,726,076
Dividends payable	19	**-**	6,253,674
Income tax payable		**28,601,225**	1,141,949
Total Current Liabilities		**3,066,775,067**	2,146,404,717
Non-current Liabilities			
Loans payable	13	**2,060,384,615**	2,225,192,308
Lease liabilities	10	**220,068,826**	224,150,665
Retirement benefit obligation	16	**19,030,908**	-
Deferred tax liabilities - net	17	**158,530,803**	142,996,554
Total Non-current Liabilities		**2,458,015,153**	4,804,724,174
Total liabilities		**5,524,790,220**	4,738,744,244
Equity			
Capital stock	19	**1,600,000,200**	1,338,500,000
Retained earnings		**645,634,071**	380,184,537
Total Equity		**2,245,634,271**	1,718,684,537
TOTAL LIABILITIES AND EQUITY		**₱ 7,770,424,491**	₱ 6,457,428,781

See accompanying Notes to Financial Statements.

AllDay Marts, Inc.
Statements of Comprehensive Income
For the nine months ended September 30, 2021 and 2020
(Amounts in Philippine Peso)

	Note	**Unaudited Jul-Sep Q3-2021**	**Unaudited Jan-Sep 2021**	Unaudited Jul-Sep Q3-2020	Unaudited Jan-Sep 2020
SALES	14	**₱ 2,380,193,318**	**₱ 6,873,375,257**	₱ 1,880,780,608	₱ 5,635,232,495
COST OF MERCHANDISE SOLD	15	**1,915,693,596**	**5,536,041,144**	1,511,755,564	4,533,344,564
GROSS PROFIT		**464,499,722**	**1,337,334,113**	369,025,044	1,101,887,931
OTHER INCOME	14, 18	**15,065,004**	**52,420,632**	11,838,247	38,278,827
GROSS PROFIT INCLUDING OTHER INCOME		**479,564,726**	**1,389,754,745**	380,863,291	1,140,166,758
OTHER OPERATING EXPENSES	15	**345,048,206**	**1,014,070,566**	283,890,004	845,173,317
OPERATING PROFIT		**134,516,520**	**375,684,179**	96,973,287	294,993,441
FINANCE INCOME (COSTS)					
Finance costs	10, 13	**(20,158,521)**	**(55,304,114)**	(22,781,298)	(59,398,117)
Finance income	5	**48,703**	**194,813**	78,476	235,427
		(20,109,818)	**(55,109,301)**	(22,702,823)	(59,162,691)
PROFIT BEFORE TAX		**114,406,702**	**320,574,878**	74,270,465	235,830,751
TAX EXPENSE	17	**28,601,225**	**55,125,342**	22,103,808	70,540,346
NET PROFIT		**85,805,477**	**265,449,536**	52,166,657	165,290,405
OTHER COMPREHENSIVE INCOME		**–**	**–**	–	–
TOTAL COMPREHENSIVE INCOME		**₱ 85,805,477**	**₱ 265,449,536**	₱ 52,166,657	₱ 165,290,405
Basic and Diluted earnings per share	**20**	**₱0.0054**	**₱0.0185**	₱0.0052	₱0.0165

See accompanying Notes to Financial Statements.

AllDay Marts, Inc.
Statements of Changes in Equity
For the nine months ended September 30, 2021 and 2020
(*Amounts in Philippine Peso*)

	Note	Unaudited Sep 30, 2021	Unaudited Sep 30, 2020
CAPITAL STOCK	19		
Balance at beginning of period		**₱ 1,338,500,000**	₱ 1,000,000,000
Issuance during the period		**261,500,200**	–
Balance at end of period		**1,600,000,200**	1,000,000,000
RETAINED EARNINGS			
Balance at beginning of period		**380,184,537**	166,792,186
Total comprehensive income for the period		**265,449,536**	165,290,405
Balance at end of period		**645,634,071**	332,082,588
TOTAL EQUITY		**₱2,245,634,271**	₱1,332,082,588

See accompanying Notes to Financial Statements.

AllDay Marts, Inc.
Statements of Cash Flows
For the nine months ended September 30, 2021 and 2020
(*Amounts in Philippine Peso)*

	Notes	**Unaudited Jan to Sep 2021**	Unaudited Jan to Sep 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**₱ 320,574,878**	₱ 235,830,751
Adjustments for:			
Depreciation and amortization	9, 10, 11	**209,755,307**	171,167,240
Finance costs	10, 13	**55,304,114**	59,398,117
Gain on sale of property and equipment and intangible assets	9, 11, 18	**(10,000,000)**	–
Finance income	5	**(194,813)**	(235,427)
Operating profit before working capital changes		**575,439,486**	466,160,682
Decrease/(Increase) in:			
Receivables		**(34,549,437)**	46,915,565
Merchandise inventories		**(295,924,355)**	(263,682,415)
Prepayments and other current assets		**(257,326,915)**	96,265,903
Other non-current assets		**(15,613,079)**	(76,147,755)
Increase/(Decrease) in:			
Trade and other payables		**(83,032,013)**	1,019,005,004
Retirement benefit obligation		**19,030,908**	–
Deferred tax liabilities		**15,534,249**	33,904,462
Cash generated from (used in) operations		**(76,441,156)**	2,093,450,287
Cash paid for income taxes		**(12,416,593)**	(7,522,908)
Interest received		**146,110**	156,951
Net cash from (used in) Operating activities		**(88,711,639)**	327,395,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	9	**(603,106,733)**	(380,379,748)
Increases in advances to contractors	8	**(388,024,642)**	
Additions to intangible assets	11	**(153,528,140)**	
Proceeds from disposal of property and equipment	9, 18	**93,317,133**	
Proceeds from disposal of intangible assets	11, 18	**1,409,221**	
Net cash used in Investing activities		**(1,049,933,161)**	(380,379,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans	13	**3,558,920,227**	1,069,103,335
Repayment of loans	13	**(2,674,049,862)**	(591,852,773)
Proceeds from issuance of shares of stock	19	**261,500,200**	
Interest paid for loans payable	13	**(164,572,798)**	(172,812,781)
Interest paid for lease liabilities	10	**(16,089,415)**	(16,340,025)
Payment of dividends	19	**(6,253,674)**	
Repayment of lease liabilities	10	**(3,202,483)**	(2,134,721)
Net cash from (used in) financing activities		**956,252,196**	285,963,035
NET DECREASE IN CASH		**(182,392,604)**	232,979,101
CASH AT BEGINNING OF PERIOD		**783,520,578**	390,651,784
CASH AT END OF PERIOD		**₱ 601,127,974**	₱ 623,630,885

See accompanying Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Wholly Owned Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020
(With Comparative Figures as of December 31, 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 is a wholly owned 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 Lower Ground Floor, Building B, EVIA Lifestyle Center, Daang Hari, Almanza II, 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 Approval of Financial Statements

The financial statements of the Company as of and for the six months ended September 30, 2021 (including the comparative financial statements as of December 31, 2020 and for the six months ended September 30, 2020) were authorized for issue by the Company's Board of Directors (BOD) on November 12, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the periods 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 peso, 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 2021 that is Relevant to the Company

The Company opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions*, which is effective from April 1, 2022. The amendment extends for one year the use of practical expedient, not to assess whether rent concessions reducing payments up until September 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modification and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Company's financial statements as the Company did not receive any rent concession from its lessors.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments and improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). 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.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Company:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvements merely remove from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 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 trade 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 losses (ECL).

The Company's financial assets at amortized cost are presented as Cash, Receivables and Security deposits under Other Non-current Assets in the statements of financial position.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

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 Finance income under Finance Income (Costs) in the statement of comprehensive 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 ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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. 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 22.2(b)].

For security deposits, the Company applies the general approach, which track changes in credit risk at every reporting date [see Note 22.2(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.

(b) 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 Finance Income (Costs) 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 classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) 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.

2.4 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 fully recoverable due to damage, obsolescence or declining selling prices.

2.5 Other Assets

Other assets, which are non-financial assets, 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.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

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 is 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 2.12).

2.6 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 are 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 2.14). 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 2.12). 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.

2.7 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 5 to 8 years as the life of this intangible asset is considered finite. In addition, intangible asset is subject to impairment testing as described in Note 2.12.

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.

2.8 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.

2.9 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 pretax 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.

2.10 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.

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. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(d).

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.

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 2.14).

2.11 Leases

(a) Company as a Lessee

For any new contracts entered into during a reporting period, 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 amortizes 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 2.12).

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.

2.12 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use 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.

2.13 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 Finance Income (Costs) in the statement of comprehensive income.

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

As of December 31, 2020, the Company is not yet covered by the requirements of Republic Act (R.A.) No. 7641, *The Retirement Pay Law,* as there were less than 10 employees who have been with the Company for a minimum of five years. On that basis, the amount of retirement benefit obligation as of December 31, 2020 was determined by management to be not significant to the financial statements.

(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.

2.14 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.

2.15 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 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 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 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.

2.16 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.

2.17 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) Lack or insufficiency of authorized unissued shares of stock to cover for the deposit;

(b) Approval by the Company's BOD and stockholders for the increase in authorized capital stock to cover the shares corresponding to the amount of the deposit; and,

(c) Application for the approval of the increase in authorized capital stock has been filed or presented for filing 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.

2.18 Equity

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

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, if any.

2.19 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.

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 20).

2.20 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 Option

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 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 September 30, 2021 and December 31, 2020, liabilities arising from customer loyalty programme amounted to P3.7 million and P3.5 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 22.2.

(f) Distinction Between Operating and Finance Leases

The Company has entered into various lease agreements both as a lessee and 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 2.9 and disclosures on relevant provisions and contingencies are presented in Note 21.

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 22.2.

(c) *Determination of Net Realizable Value*

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 remaining useful lives of its property and equipment and intangible assets is appropriate. This change in useful lives is aligned to other companies in similar operations in the industry. With the increase in useful lives, the annual depreciation and amortization decreased by P62.9 million in 2020. 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 2.12). 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 non-financial assets as of September 30, 2021 and December 31, 2020.

(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 September 30, 2021 and December 31, 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 17.

(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 16.2.

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 10.0% or more to the revenue of the Company.

5. CASH

Cash include the following components as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Cash on hand	**P 11,570,000**	P 10,410,000
Cash in banks	**589,557,974**	773,110,578
	P 601,127,974	P 783,520,578

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 Finance income under Finance Income (Costs) in the statements of comprehensive income.

6. RECEIVABLES

This account is composed of the following:

	Notes	**September 30, 2021**	December 31, 2020
Trade receivables	18.1	**P 74,817,899**	P 55,702,714
Non-trade receivables	18.3	**11,385,015**	-
Others	16.2, 18	**4,049,237**	-
		P 90,252,151	P 55,702,714

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 from sale of property and equipment and intangible assets as well as those 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 September 30, 2021 and December 31, 2020 [see Note 22.2(b)].

7. MERCHANDISE INVENTORIES

Merchandise inventories pertain to goods owned by the Company, which include food and non-food items and dry goods, among others, that are traded under the normal course of business and amounted to P1,689.3 million and P1,393.4 million as of September 30, 2021 and December 31, 2020, respectively. Merchandise inventories were all stated at cost, which is lower than net realizable value, as of September 30, 2021 and December 31, 2020.

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

8. PREPAYMENTS AND OTHER ASSETS

The composition of this account is shown below.

	Note	**September 30, 2021**	December 31, 2020
Current assets:			
Input VAT		**P 435,326,936**	P 246,130,489
Advances for purchases		**130,110,315**	135,527,127
Deferred input VAT		**66,024,857**	35,720,609
Prepayments		**65,101,175**	20,660,888
Store supplies		**12,989,822**	17,238,920
Creditable withholding tax		**3,051,843**	-
		712,604,948	455,278,033
Non-current assets:			
Advances to contractors		**340,634,177**	-
Deferred input VAT		**34,013,338**	75,169,473
Security deposits	10	**67,510,605**	12,437,805
Advance rentals		**1,696,414**	-
		443,854,534	87,607,278
		P1,156,459,482	P 542,885,311

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

Deferred input VAT pertain to the input VAT on purchases of capital goods exceeding P1.0 million which is subject to amortization.

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.

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 September 30, 2021 and December 31, 2020 are shown below.

	Leasehold Improvements	Furniture and Fixtures	Equipment	CIP	Total
September 30, 2021					
Cost	P 2,571,433,345	P 293,858,205	P 1,101,841,130	P 660,876,125	P 4,628,008,805
Accumulated depreciation and amortization	(318,798,416)	(99,004,321)	(391,466,995)	-	(809,269,732)
Net carrying amount	**P 2,252,634,929**	**P 194,853,884**	**P 710,374,135**	**P 591,698,113**	**P 3,818,739,073**
December 31, 2020					
Cost	P 2,141,146,243	P 240,205,654	P 1,061,214,788	P 582,335,386	P 4,024,902,071
Accumulated depreciation and amortization	(235,985,143)	(76,094,402)	(321,652,777)	-	(633,732,322)
Net carrying amount	P 1,905,161,100	P 164,111,252	P 739,562,011	P 582,335,386	P 3,391,169,749
January 1, 2020					
Cost	P 1,682,381,976	P 208,215,288	P 981,135,421	P 528,897,929	P 3,400,630,614
Accumulated depreciation and amortization	(145,022,476)	(51,634,967)	(234,993,914)	-	(431,651,357)
Net carrying amount	P 1,537,359,500	P 156,580,321	P 746,141,507	P 528,897,929	P 2,968,979,257

A reconciliation of the carrying amounts of property and equipment at the beginning and end of September 30, 2021 and December 31, 2020 is shown below.

	Leasehold Improvements	Furniture and Fixtures	Equipment	CIP	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 1,905,161,100	P 164,111,252	P 739,562,011	P 582,335,386	P 3,391,169,749
Additions	70,363,665	1,816,355	31,918,879	592,324,967	696,423,867
Transfer from CIP	402,452,725	56,485,223	35,560,442	(494,498,390)	-
Disposals	(42,529,288)	(4,649,028)	(26,852,979)	(19,285,838)	(93,317,133)
Depreciation and amortization charges for the period	(82,813,273)	(22,909,918)	(69,814,218)	-	(175,537,409)
Balance at September 30, 2021, net of accumulated depreciation and amortization	**P 2,252,634,929**	**P 194,853,884**	**P 710,374,135**	**P 660,876,125**	**P 3,818,739,074**
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 1,537,359,500	P 156,580,321	P 746,141,507	P 528,897,929	P 2,968,979,257
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	P 1,905,161,100	P 164,111,252	P 739,562,011	P 582,335,386	P 3,391,169,749

The depreciation and amortization charges amounting to P175.5 million and P151.1 million in 2021 and 2020, respectively, is presented as part of Depreciation and amortization under General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

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 Other Income in the 2021 statement of comprehensive income (see Note 18.3). There was no similar transaction in 2020.

In 2021 and 2020, borrowing costs amounting to P172.2 million and P125.8 million, respectively, based on capitalization rate for specific borrowings ranging from 5.00% to 8.08% per annum and 6.50% to 8.08% per annum in 2021 and 2020, respectively, 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 amounted to P28.1 million as of September 30, 2021 and December 31, 2020.

10. LEASES

The Company is a lessee under non-cancellable operating lease covering its stores outlets. With the exception of leases with variable consideration, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

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.

With the exception of lease with variable consideration, the lease contracts have a remaining lease term of 10.5 years as of September 30, 2021.

The security deposits paid in connection with the leases amounting to P67.5 million and P12.4 million as of September 30, 2021 and December 31, 2020, 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 22.2(c)].

10.1 Right-of-use Assets

The gross carrying amount of the Company's right-of-use assets from store outlets at the beginning and end of September 30, 2021 and December 31, 2020 are shown below.

	September 30, 2021	December 31, 2020
Cost		
Balance at beginning and end of period	**P 209,111,455**	P 209,111,455
Accumulated amortization		
Balance at beginning of period	**30,789,416**	15,394,708
Amortization for the period	**11,546,032**	15,394,708
Balance at end of period	**42,335,448**	30,789,416
Carrying amount	**P 166,776,007**	P 178,322,039

The amortization amounting to P11.5 million in 2021 and 2020 is presented as part of Depreciation and amortization under General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

10.2 Lease Liabilities

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

	September 30, 2021	December 31, 2020
Current	**P 5,605,432**	P 4,726,076
Non-current	**220,068,826**	224,150,665
	P 225,674,258	P 228,876,741

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

	Note	**September 30, 2021**	December 31, 2020
Balance at beginning of period		**P 228,876,741**	P 231,997,676
Accretion of interest	10.4	**16,089,415**	21,748,915
Repayments	10.4	**(19,291,898)**	(24,869,850)
Balance at end of period		**P 225,674,258**	P 228,876,741

As of September 30, 2021 and December 31, 2020, 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 undiscounted maturity analysis of lease liabilities at September 30, 2021 and December 31, 2020 are as follows:

	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
September 30, 2021									
Lease payments	P 26,601,504	P 28,476,570	P 29,900,398	P 31,395,418	P 32,965,189	P 34,613,448	P 193,157,212	P -	P 377,109,739
Finance charges	(20,996,073)	(20,339,281)	(19,481,656)	(18,396,618)	(17,054,631)	(15,422,895)	(39,744,327)	-	(151,435,481)
Net present values	**P 5,605,432**	**P 8,137,288**	**P 10,418,742**	**P 12,998,800**	**P 15,910,558**	**P 19,190,553**	**P 153,412,885**	**P 3,617,518**	**P 225,674,258**
December 31, 2020									
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 payment linked to sales generated from certain stores (see Note 18.2). The expenses relating to these leases amounting to P196.4 million and P161.0 million in 2021 and 2020, respectively, 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 +/- P2.0 million and +/- P1.6 million in 2021 and 2020, respectively.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P19.3 million and P18.5 million in 2021 and 2020, respectively. Interest expense in relation to lease liabilities amounted to P16.1 million and P16.3 million in 2021 and 2020, respectively, and is presented as part of Finance Costs in the statements of comprehensive income.

11. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets as of September 30, 2021 and December 31, 2020 are shown below.

	September 30, 2021	December 31, 2020
Cost	**P 294,850,465**	P 141,322,325
Accumulated amortization	**(47,124,324)**	(28,913,243)
	P 247,726,141	P 112,409,082

A reconciliation of the carrying amounts of intangible assets at the beginning and end of September 30, 2021 and December 31, 2020 is shown below.

	September 30, 2021	December 31, 2020
Balance at beginning of period, net of accumulated amortization	**P 112,409,082**	P 53,514,589
Additions	**154,937,361**	76,625,645
Disposals	**(1,409,221)**	-
Amortization charges for the period	**(18,211,081)**	(17,731,152)
Balance at end of period, net of accumulated amortization	**P 247,726,141**	P 112,409,082

The amortization charges amounting to P18.2 million and P8.5 million in 2021 and 2020, respectively, is presented as part of Depreciation and amortization under General and Administrative Expenses in the statements of comprehensive income (see Note 15.2).

In 2021, the Company sold certain intangible assets to a related party under common ownership with carrying amount of P1.4 million and the related gain on sale is presented as part of Other Income in the 2021 statement of comprehensive income (see Note 18.3). There was no similar transaction in 2020.

12. TRADE AND OTHER PAYABLES

The composition of this account is shown below.

	Note	September 30, 2021	December 31, 2020
Trade payables		**P 430,807,129**	P 534,750,169
Accrued expenses	13	**63,680,653**	42,619,232
Customer rewards liability		**3,683,199**	3,529,563
Others		**83,55,273**	8,659,303
		P 506,526,254	P 589,558,267

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.

Others pertain to payables to government agencies for withholding taxes and other tax-related liabilities.

13. LOANS PAYABLE

The account consists of:

	Note	**September 30, 2021**	December 31, 2020
Current:			
Short-term loans	13.1	**P 2,030,657,541**	P1,150,878,598
Current portion of long-term loans	13.2	**495,384,615**	393,846,153
		2,526,042,156	1,544,724,751
Non-current –			
Long-term loans	13.2	**2,060,384,615**	2,225,192,308
		P4,586,426,771	P3,769,917,059

13.1 Short-term Loans

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 7.75% per annum 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 18.4). There are no loan covenants on the Company's short-term loans.

13.2 Long-term Loans

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% per annum both in 2021 and 2020. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 18.4).

Certain loans of the Company with local banks are subject to covenants. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of not more than 2.50 and a minimum debt-service coverage ratio of at least 1.00. The ratios are computed on the basis of the Company's annual audited financial statements. The Company has properly complied with the loans covenants as of December 31, 2020.

The total interest expense incurred on these loans amounted to P24.4 million and P25.7 million in 2021 and 2020, respectively, and is presented as part of Finance costs under Finance Income (Costs) in the statements of comprehensive income. In 2021 and 2020, borrowing costs amounting to P113.6 million and P84.9 million, respectively, based on capitalization rate for specific borrowings ranging from 5.00% to 8.08% per annum and 6.50% to 8.08% per annum in 2021 and 2020, respectively, were capitalized as part of property and equipment (see Note 9). The unpaid interest amounting to P34.6 million and

P20.3 million as of September 30, 2021 and December 31, 2020, respectively, is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 12).

Presented below is the reconciliation of the Company's loans payable arising from financing activities.

	Short-term Loans	Long-term Loans	Total
Balance as of January 1, 2021	P 1,150,878,598	P 2,619,038,461	P 3,769,917,059
Cash flows from financing activities:			
Additional borrowings	1,031,766,824	402,500,000	1,434,266,824
Reavailment of loans	1,609,874,001	-	1,609,874,001
Repayments of borrowings	(1,808,784,958)	(418,846,153)	(2,227,631,111)
Balance at September 30, 2021	**P 1,983,734,465**	**P 2,602,692,308**	**P 4,586,426,773**
Balance as of January 1, 2020	P 609,308,984	P 2,367,930,769	P 2,977,239,753
Cash flows from financing activities:			
Additional borrowings	750,000,000	735,000,000	1,485,000,000
Reavailment 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	P 1,150,878,598	P 2,619,038,461	P 3,769,917,059

14. REVENUES

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to P4,493.2 million and P3,754.5 million in 2021 and 2020, respectively (see Note 18.1).

The 2021 and 2020 disaggregation on revenue recognition whether point in time or over time is shown below.

	Point in time	Over time	Total
2021			
Sales	P 6,873,373,455	P -	P 6,873,373,455
Delivery fees	-	15,653,049	15,653,049
Miscellaneous	20,220,878	-	20,220,878
	P 6,893,594,333	**P 15,653,049**	**P 6,909,247,382**
2020			
Sales	P 5,635,232,495	P -	P 5,635,232,495
Delivery fees	-	16,201,254	16,201,254
Miscellaneous	2,513,413	-	2,513,413
	P 5,637,745,908	P 16,201,254	P 5,653,947,162

The Company also recognized rental income from its operating leases as lessor amounting to P16.5 million and P12.5 million in 2021 and 2020, respectively. Operating leases as lessors is accounted for under PFRS 16.

Rentals, delivery fees and miscellaneous are presented as part of 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 below.

	Note	2021	2020
Merchandise inventories at beginning of period	7	**P1,393,419,308**	P1,094,772,511
Purchases during the period		**5,831,965,499**	4,717,778,213
Cost of goods available for sale		**7,225,384,807**	5,812,550,724
Merchandise inventories at end of period	7	**(1,784,079,283)**	(1,279,206,160)
Cost of merchandise sold		**P5,536,041,144**	P4,533,344,564

15.2 Other Operating Expenses

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

	Notes	2021	2020
Depreciation and amortization	9, 10.1, 11	**P 209,755,307**	P 171,167,240
Rentals	10.3, 18.2	**196,417,513**	161,032,415
Communication and utilities		**180,988,872**	164,427,644
Outside services		**161,744,186**	141,092,596
Salaries, wages and other employee benefits	16.1	**79,644,557**	52,823,556
Taxes and licenses		**54,827,713**	23,038,187
Merchant fee		**34,339,714**	27,357,905
Repairs and maintenance		**28,183,434**	31,653,207
Operating supplies		**23,503,470**	24,654,866
Travel and transportation		**13,565,751**	13,257,515
Advertising and promotions		**13,098,826**	17,693,940
Insurance		**7,643,603**	6,827,802
Professional fees		**2,283,494**	2,345,738
Miscellaneous		**8,074,126**	7,800,706
		P1,014,070,566	P 845,173,317

These expenses are classified in the statements of comprehensive income as follows:

	2021	2020
Selling	**P 717,950,572**	P 620,736,127
General and administrative	**296,149,994**	224,437,189
	P1,014,070,566	P 845,173,317

16. EMPLOYEE BENEFITS

16.1 Salaries, Wages and Employee Benefits

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

	Notes	2021	2020
Salaries and wages		**P 61,669,761**	P 37,740,513
Post-employment benefits	16.2	**14,981,671**	-
Other employee benefits		**2,993,125**	15,083,043
	15.2	**P 79,644,557**	P 52,823,556

16.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains an unfunded, noncontributory 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 2021 by a professionally qualified actuary. The retirement benefit obligation amounted to P19.0 million as of September 30, 2021 and is presented as Retirement Benefit Obligation in the 2021 statement of financial position.

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

Balance at beginning of period	P -
Current service cost	14,981,671
Net acquired obligation due to employee transfers	4,049,237
Balance at end of period	P 19,030,908

The current service cost is presented as part of Salaries, wages and other employee benefits under Selling Expenses in the 2021 statement of comprehensive income (see Note 16.1)

In 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 P4.0 million which remained outstanding as of September 30, 2021. The outstanding receivable is presented as Others under Receivables in the 2021 statement of financial position (see Notes 6 and 18).

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the period ended September 30, 2021:

Discount rate	5.27%
Expected rate of salary increases	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 28 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 September 30, 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 September 30, 2021:

	Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/-1%	(P 15,953,742)	P 22,833,394
Salary growth rate	+/-1%	22,811,482	(15,911,562)

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 2021 statement of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded by P19.0 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk that the Company may be exposed to if several employees retire within the same year.

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 September 30, 2021 from the plan follows:

Within five years	P 407,532
More than five years to 10 years	13,573,748
More than 10 years to 15 years	8,888,120
More than 15 years to 20 years	69,507,272
More than 20 years	257,024,553
	P 349,401,225

The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 years.

17. TAXES

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Company:

- regular corporate income tax (RCIT) rate is decreased from 30% to 25% starting July 1, 2020;

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

Given that the CREATE Act was signed after December 31, 2020, the Company used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements and was taken up prospectively in the current period. As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense as presented in the 2020 annual income tax return of the Company was lower by P1.2 million than the amount presented in the 2020 financial statements which was charged to 2021 profit or loss.

In addition, the recognized net deferred tax liabilities as of December 31, 2020 were remeasured to 25% in the current period. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P23.8 million and was charged to 2021 profit or loss.

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

	2021	2020
Current tax expense:		
RCIT at 25% in 2021 and 30% in 2020	**P 25,765,591**	P 15,094,445
Adjustment of taxes of prior period	**(1,155,944)**	-
	24,609,645	15,094,445
Deferred tax expense (income) arising from:		
Origination and reversal of other temporary differences	**50,754,292**	23,832,758
Change in tax rates	**(24,988,703)**	-
	25,765,589	23,832,758
	P 55,117,400	P 58,898,829

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	2021	2020
Tax on pretax profit at 25% in 2021 and 30% in 2020	**P 80,143,720**	P 58,957,688
Adjust for income subjected to lower tax rate	**(48,703)**	(58,857)
Tax effects of:		
Change in tax rates	**(24,988,703)**	-
Non-deductible expenses	**11,086**	2
Tax expense	**P 55,117,400**	P 58,898,829

The net deferred tax liabilities pertain to the following as of September 30, 2021 and December 31, 2020 and the related deferred tax expense for the six months ended September 30, 2021 and 2020:

	Statements of Financial Position		Statements of Comprehensive Income	
	September 30, 2021	December 31, 2020	**2021**	2020
Borrowing costs	**P 176,205,558**	P 125,831,674	**P 4,394,183**	P 23,007,731
Tax depreciation and amortization	**51,370,704**	37,737,498	**13,633,206**	19,902,096
Leases – PFRS 16	**(14,052,202)**	(15,166,411)	**1,114,209**	(1,927,575)
Retirement benefit obligation	**(3,745,418)**	-	**(3,745,418)**	-
Rewards liability	**(920,800)**	(1,058,869)	**138,069**	(68,622)
Deferred tax liabilities – net	**P 158,530,803**	P 142,996,554		
Deferred tax expense			**P 15,534,249**	P 40,913,630

In 2021, the Company is subject to MCIT, which is computed at 1% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. In 2020, the Company is not yet subject to MCIT, which is computed at 2% of gross income, as defined under the tax regulations, as the Company was only incorporated in December 2016 and will only be subjected to MCIT starting in 2021. The Company reported RCIT in 2021 and 2020.

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

18. 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 for the six months ended September 30, 2021 and 2020, and the related outstanding balances as September 30, 2021 and December 31, 2020 are discussed below.

Related Party Category	Notes	Amount of Transactions **2021**	Amount of Transactions 2020	Outstanding Balance **September 30, 2021**	Outstanding Balance December 31, 2020
Stockholders:					
Issuance of shares of stock	19.1	**P 261,500,000**	P -	**P -**	P -
Dividends	19.2	**(6,253,674)**	-	**-**	(6,253,674)
Related Parties Under Common Ownership:					
Sale of merchandise	18.1	**108,243,798**	17,579,318	**11,372,551**	30,296,380
Rentals	18.2	**209,314,306**	161,235,433	**-**	-
Sale of property and and equipment and intangible assets	6, 18.3	**104,726,354**	-	**11,200,000**	-
Transferred retirement benefit obligation	6, 16.2	**4,049,237**	-	**4,049,237**	-
Key Management					

Personnel –					
Compensation	18.5	**10,241,230**	5,653,200	**-**	-

In 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 upon due date.

Details of the Company's related party transactions and balances are as follows.

18.1 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 Sales in the statements of comprehensive income (see Note 14). The outstanding receivables from these transactions are presented as part of Trade receivables under Receivables in the statements of financial position (see Note 6).

18.2 Lease Agreements

The Company entered into lease agreements with related parties under common ownership that contain variable payment linked to sales generated from certain stores. The expenses relating to these leases amounting is presented as Rentals under Selling Expenses in the statements of comprehensive income (see Notes 10.3 and 15.2). There was no outstanding liability arising from this transaction as of September 30, 2021 and December 31, 2020.

18.3 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 Other Income in the 2021 statement of comprehensive income (see Notes 9, 11 and 14). The outstanding receivables as of September 30, 2021 amounting to P11.2 million, inclusive of VAT, is presented as part of Non-trade receivables under Receivables in the 2021 statement of financial position (see Note 6). There was no similar transaction in 2020.

18.4 Guarantees of Loans

The Company obtained loans with annual interests ranging from 5.00% to 8.08% in 2021 and 6.50% to 8.25% 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).

18.5 Key Management Personnel Compensation

The total compensation of key management personnel is shown below.

	2021	2020
Salaries and wages	**P 5,653,200**	P 5,653,200
Post-employment benefits	**4,588,030**	-

	P 10,241,230	P 5,653,200

19. EQUITY

19.1 Capital Stock

Details of this account are shown below.

	Common Shares		Amount	
	September 30, 2021	December 31, 2020	**September, 30 2021**	December 31, 2020
Authorized –				
Par value of P0.10	**30,000,000,000**	-	**P 3,000,000,000**	P -
Par value of P100.00	**-**	20,000,000	**-**	2,000,000,000
	30,000,000,000	20,000,000	**P 3,000,000,000**	P 2,000,000,000
Issued and outstanding:				
Balance at beginning of period	**13,385,000**	10,000,000	**P 1,338,500,000**	P 1,000,000,000
Effect of changes in authorized capital stock and par value	**13,371,615,000**	-	**-**	-
Issuance during the period	**2,615,002,000**	3,385,000	**261,500,200**	338,500,000
Balance at end of period	**16,000,002,000**	13,385,000	**P 1,600,000,200**	P 1,338,500,000

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 September 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, 2,615,000,000 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.

As of September 30, 2021 and December 31, 2020, the Company has eight stockholders owning 100 or more shares each of the Company's capital stock.

19.2 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 as of December 22, 2020, which were subsequently paid in 2021. The unpaid amounts of dividends amounting to P6.3 million as of December 31, 2020 is presented as Dividends Payable in the December 31, 2020 statement of financial position. There was no dividend declaration in 2021 and there was no outstanding liability as of September 30, 2021.

20. EARNINGS PER SHARE

EPS were computed as follows:

	2021	2020
Net profit	**P 265,449,536**	P 165,290,405
Divided by weighted average number of outstanding common shares	**14,314,139,604**	10,000,000,000
Basic and diluted EPS	**P 0.0185**	P 0.0165
Number of shares at the beginning of period	**13,385,000**	10,000,000
Effect of change in par value	**13,371,615,000**	9,990,000,000
Weighted average number of outstanding common shares	**14,314,139,604**	10,000,000,000

The Company has no potential dilutive common shares as of September 30, 2021 and December 31, 2020.

21. PROVISIONS, COMMITMENTS AND CONTINGENCIES

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 September 30, 2021 and December 31, 2020, 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.

22. 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.

22.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 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 period 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 and 6.50% to 8.25% per annum in 2021 and 2020, respectively (see Note 13). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2021 and 2020.

22.2 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.

	Notes	**September 30, 2021**	December 31, 2020
Cash	5	**P 601,127,974**	P 783,520,578
Receivables	6	**90,252,151**	55,702,714
Security deposits	8, 10	**67,510,605**	12,437,805
		P 758,890,730	P 851,661,097

None of the financial assets are secured by collateral or other credit enhancements, except for cash as described below. Additional information on the financial assets follows:

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. This includes demand deposits 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 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables.

To measure the ECL, 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 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 September 30, 2021 and December 31, 2020 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 gross domestic product in 2021 and

2020 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 receivables was determined based on past due amounts as of September 30, 2021 and December 31, 2020.

(c) *Security Deposits*

The Company is not exposed to any significant credit risk exposure, since the counterparties are reputable lessors with sound liquid position.

22.3 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. 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 September 30, 2021 and December 31, 2020, the Company's financial liabilities, excluding lease liabilities, 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
September 30, 2021					
Trade and other payables	12	P 502,843,055	P -	P -	P -
Loans payable	13	2,526,042,157		1,976,286,259	84,098,356
		P 3,028,885,212	**P**	**P 1,976,286,259**	**P 84,098,356**
December 31, 2020					
Trade and other payables	12	P 580,898,964	P -	P -	P -
Loans payable	13	982,157,974	708,961,513	2,235,595,819	128,587,244
Dividends payable	19	6,253,674	-	-	-
		P 1,569,310,612	P 708,961,513	P 2,235,595,819	P 128,587,244

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.

23. CATEGORIES, FAIR VALUE AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

23.1 Carrying Amounts and Fair Values by Category

The Company has no financial instruments carried at fair values. The carrying amounts which are equal to or approximates fair values, of the Company's financial assets and financial liabilities carried at amortized cost as presented in the statements of financial position are summarized below.

		September 30, 2021		December 31, 2020	
	Notes	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets at amortized cost:					
Cash	5	P 601,127,974	P 601,127,974	P 783,520,578	P 783,520,578
Receivables	6	90,252,151	90,252,151	55,702,714	55,702,714
Security deposits	8, 10	67,510,605	67,510,605	12,437,805	12,437,805
		P 758,890,730	P 758,890,730	P 851,661,097	P 851,661,097
Financial liabilities at amortized costs:					
Trade and other payables	12	P 498,170,981	P 498,170,981	P 580,898,964	P 580,898,964
Loans payable	13	4,586,426,772	4,586,426,772	3,769,917,059	3,769,917,059
Lease liabilities	10	225,674,258	225,674,258	228,876,741	228,876,741
Dividends payable	19	-	-	6,253,674	6,253,674
		P 5,310,272,011	P 5,310,272,011	P 4,585,946,438	P 4,585,946,438

See Note 2.3 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

23.2 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 which is 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 September 30, 2021 and December 31, 2020.

23.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2021 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 September 30, 2021 and December 31, 2020.

24. 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:

	September 30, 2021	December 31, 2020
Interest-bearing loans	**P4,586,426,772**	P3,769,917,059
Total equity	**2,245,634,269**	1,718,684,537
	2.04 : 1.00	2.19 : 1.00

25. IMPACT OF COVID-19 PANDEMIC ON THE COMPANY'S BUSINESS

On March 11, 2020, the World Health Organization has declared the coronavirus outbreak disease 2019 (COVID-19) outbreak to be a global pandemic. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of public health standards and community quarantine in order to contain the spread of COVID-19.

The impact of COVID-19 to the Company's business operations relates to certain operational adjustments to ensure appropriate response to the effects of COVID-19. In response to this matter, the Company innovated operational strategy in order to adapt to the 'new normal mindset', minimized operating expenses and implement cost saving measures, notwithstanding compliance with health and safety guidelines to protect employees, contractors and customers.

As a result of the Company's assessment of COVID-19 impact on its financial condition and performance, management believes that no allowance for ECL is required since there has no significant change in the credit quality of the accounts as of September 30, 2021 and December 31, 2020. Moreover, the management projects that the Company would continue to report positive result 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.

The scale and duration of these developments remain uncertain as of the date of the issuance of the financial statements. Considering the evolving nature of the pandemic, the Company continues to monitor the risks and on-going COVID-19 impact to its business.

ALLDAY MARTS, INC.

Supplemental Schedule of Financial Soundness Indicators

September 30, 2021 and 2020

(With Comparative Figures as of December 31, 2020)

Ratio	Formula		2021	Formula		2020
Current ratio	Total Current Assets divided by Total Current Liabilities		1.01	Total Current Assets divided by Total Current Liabilities		1.25
	Total Current Assets	3,093,328,736		Total Current Assets	2,687,920,633	
	Divide by:			Divide by:		
	Total Current Liabilities	3,066,775,067		Total Current Liabilities	2,146,404,717	
	Current Ratio	1.01		Current Ratio	1.25	
Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		0.23	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		0.39
	Total Current Assets	3,093,328,736		Total Current Assets	2,687,920,633	
	Less: Inventories	(1,689,343,663)		Less: Merchandise Inventories	(1,393,419,308)	
	Other Current Assets	(712,604,948)		Other Current Assets	(456, 278,033)	
	Quick Assets	691,380,125		Quick Assets	839,223,292	
	Divide by: Total Current Liabilities	3,066,775,067		Divide by: Total Current Liabilities	2,146,404,717	
	Acid Test Ratio	0.23		Acid Test Ratio	0.39	
Solvency ratio	Total Assets divided by Total Liabilities		1.41	Total Assets divided by Total Liabilities		1.36
	Total Assets	7,770,424,491		Total Assets	6,457,428,781	
	Divide by: Total Liabilities	5,524,790,220		Divide by: Total Liabilities	4,738,744,244	
	Solvency Ratio	1.41		Solvency Ratio	1.36	
Debt-to-equity ratio	Total Liabilities divided by Total Equity		2.46	Total Liabilities divided by Total Equity		2.76
	Total Liabilities	5,524,790,220		Total Liabilities	4,738,744,244	
	Divide by: Total Equity	2,245,634,271		Divide by: Total Equity	1,718,684,537	
	Debt-to-Equity Ratio	2.46		Debt-to-Equity Ratio	2.76	
Asset-to-equity ratio	Total Assets divided by Total Equity		3.46	Total Assets divided by Total Equity		3.76
	Total Assets	7,770,424,491		Total Assets	6,457,428,781	
	Divide by: Total Equity	2,245,634,271		Divide by: Total Equity	1,718,684,537	
	Asset-to-equity ratio	3.46		Asset-to-equity ratio	3.76	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest Expense		6.79	Earnings before interest and taxes (EBIT) divided by Interest Expense		3.41
	EBIT	375,684,179		EBIT	198,177,105	
	Divide by: Interest Expense	55,304,114		Divide by: Interest Expense	36,616,819	
	Interest Coverage Ratio	6.79		Interest rate Coverage Ratio	5.41	
Return on equity	Net Profit divided by Total Equity		0.12	Net Profit divided by Total Equity		0.09
	Net Profit	265,449,536		Net Profit	113,123,,748	
	Divide by: Total Equity	2,245,634,271		Divide by: Total Equity	1,718,684,537	
	Return on equity	0.12		Return on equity	0.09	
Return on assets	Net Profit divided by Total Assets		0.03	Net Profit divided by Total Assets		0.02
	Net Profit	265,449,536		Net Profit	113,123,,748	
	Divide by: Total Assets	7,770,424,491		Divide by: Total Assets	6,457,428,781	
	Return on assets	0.03		Return on assets	0.02	
Net profit margin	Net profit divided by Total Revenue		0.04	Net profit divided by Total Sales		0.03
	Net Profit	265,449,536		Net Profit	113,123,,748	
	Divide by: Total Revenue	6,873,375,257		Divide by: Total Revenue	3,754,451,887	
	Net Profit Margin	0.04		Net Profit Margin	0.03	

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF NINE MONTHS END 2021 VS NINE MONTHS END 2020

RESULTS OF OPERATIONS

The impact of COVID-19 to the Company's business operations relates to certain operational adjustments to ensure appropriate response to the effects of COVID-19. In response to this matter, the Company innovated operational strategy in order to adapt to the 'new normal mindset', minimized operating expenses and implement cost saving measures, notwithstanding compliance with health and safety guidelines to protect employees, contractors and customers.

Nine Months ended September 30, 2021 compared to Nine Months ended September 30, 2020

	For the nine-month period ended September 30,		Horizontal analysis	Vertical analysis	
	2021	2020		2021	2020
	(in millions of ₱)		% Change	% of Total Sales	
Sales	₱6,873.4	₱5,635.2	22.0%	100.0%	100.0%
Cost of merchandise sold	5,536.0	4,533.3	22.1%	80.5%	80.4%
Other income	52.4	38.3	36.9%	0.8%	0.7%
Other operating expenses	1,014.1	845.2	20.0%	14.8%	15.0%
Finance income (costs)					
Finance costs	(55.3)	(59.4)	-6.9%	-0.8%	-1.1%
Finance income	0.2	0.2	-17.3%	0.0%	0.0%
Tax expense	55.1	70.5	-21.9%	0.8%	1.3%
Net profit	265.4	165.3	60.6%	3.9%	2.9%

Sales

The company recorded sales of ₱6,873.4 million for the nine months ended 30 September 2021, an increase of 22% from ₱5,635.2 million for the nine months ended 30 September 2020. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

Cost of Merchandise Sold

For the nine months ended 30 September 2021, cost of merchandise sold was at ₱5,536.0 million, an increase of 22.1% compared to ₱4,533.3 million for the nine months ended 30 September 2020, largely driven by the increase in sales in existing stores and incremental sales from the eight new stores added during the period.

Other Income

Other income increased by 36.9% from ₱38.3 million for the nine months ended 30 September 2020 to ₱52.4 million for the nine months ended 30 September 2021 due to increase in vendor support fees.

Other Operating Expenses

Other operating expenses increased by 20.0% to ₱1,014.1 million for the nine months ended 30 September 2021 from ₱845.2 million for the nine months ended 30 September 2020 primarily due to additional stores opened and higher sales recorded during the period.

Finance Cost

Finance Cost decreased from ₱59.4 million for the nine months ended 30 September 2020 to ₱55.3 million for the nine months ended 30 September 2021. The decrease was primarily attributable to the partial capitalization of interest during the period.

Finance Income

Finance income decrease from ₱235.4 thousand for the nine months ended 30 September 2020 to ₱194.8 million for the nine months ended 30 September 2021. The decrease was primarily attributable to the lower average cash balance for the period.

Provision for Income Tax

Provision for income tax decreased by 21.9% from ₱70.5 million for the nine months ended 30 September 2020 to ₱55.1 million for the nine months ended 30 September 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 60.6% from ₱165.3 million for nine months ended 30 September 2020 to ₱265.4 million for the nine months ended 30 September 2021.

FINANCIAL CONDITION

	For the period ended,		Horizontal analysis	Vertical analysis	
	September 30, 2021	**December 31, 2020**		**September 30, 2021**	**December 31, 2020**
	(in millions of ₱)		% Change	% of Total Assets	
Total Current Assets	₱3,093.3	₱2,687.9	15.1%	39.8%	41.6%
Total Noncurrent Assets	4,677.1	3,769.5	24.1%	60.2%	58.4%
Total Assets	7,770.4	6,457.4	20.3%	100.0%	100.0%
Total Current Liabilities	3,066.8	2,146.4	42.9%	65.6%	33.2%
Total Noncurrent Liabilities	2,458.0	2,592.3	-5.2%	52.6%	40.1%
Total Liabilities	5,524.8	4,738.7	16.6%	118.1%	73.4%
Equity	2,245.6	1,718.7	30.7%	48.0%	26.6%
Total Liabilities and Equity	7,770.4	6,457.4	20.3%	166.1%	100.0%

As of 30 September 2021 vs. 31 December 2020

Total assets as of 31 December 2020 were ₱6,457.4 million compared to ₱7,770.4 million as of 30 September 2021, or a 20.3% increase due to the following:

- Cash decreased by 23.3% from ₱783.5 million as of 31 December 2020 to ₱601.1 million as of 30 September 2021 due primarily to payments made for the inventories and fit-out expenditures for new stores.

- Receivables increased by 62.0% from ₱55.7 million as of 31 December 2020 to ₱90.3 million as of 30 September 2021 due primarily to the increase in third party receivables pertaining to online sales for the period.

- Merchandise inventories increased by 21.2% from ₱1,393.4 million as of 31 December 2020 to ₱1,689.3 million as of 30 September 2021 due primarily to inventory purchases mostly for newly added stores.

- Prepayments and other current assets increased by 56.5% from ₱455.3 million as of 31 December 2020 to ₱712.6 million as of 30 September 2021 due primarily to input VAT from merchandise inventories and capital expenditures.

- Property and equipment increased by 12.6% from ₱3,391.2 million as of 31 December 2020 to ₱3,818.7 million as of 30 September 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 6.5% from ₱178.3 million as of 31 December 2020 to ₱166.8 million as of 30 September 2021 due to amortization for the period.

- Intangible assets increased by 120.4% from ₱112.4 million as of 31 December 2020 to ₱247.7 million as of 30 September 2021 due to acquisition of additional license software.

- Other non-current assets increased by 406.6% from ₱87.6 million as of 31 December 2020 to ₱443.9 million as of 30 September 2021 due primarily to advances to contractors.

Total liabilities as of 31 December 2020 were ₱4,738.7 million compared to ₱5,524.8 million as of 30 September 2021, or a 16.6% increase. This was due to the following:

- Trade and other payables decreased by 14.1% from ₱589.6 million as of 31 December 2020 to ₱506.5 million as of 30 September 2021 due to payments made for the period.

- Loans payable including non-current portion increased by 21.7% from ₱1,544.7 million as of 31 December 2020 to ₱2,526.0 million as of 30 September 2021 due to loan availments for the year to fund store expansion.

- Lease liabilities including non-current portion decreased by 1.4% from ₱4.7 million as of 31 December 2020 to ₱5.6 million as of 30 September 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 30 September 2021 due to payments made.

- Income tax payable increased by 2,404.6% from ₱1.1 million as of 31 December 2020 to ₱28.6 million as of 30 September 2020 due to tax payable for the period.

- Retirement benefit obligation increased from nil as of 31 December 2020 to ₱19.0 million as of 30 September 2021 due to recognition of retirement benefit obligation.

- Deferred tax liabilities increased by 10.9% from ₱143.0 million as of December 31, 2020 to ₱158.5 million as of 30 September 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 30 September 2021 were ₱2,245.6 million compared to ₱1,718.7 million as of 31 December 2020, or a 30.7% increase due to issuance of additional shares for the period and the net profit recorded for the nine months ended 30 September 2021.

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

Key Performance Indicators	9/30/2021	9/30/2020
Sales (₱ millions)	₱6,873.4	₱5,635.2
Sales Growth (%)	22.0%	81.4%
Gross Profit Margin (%) [(1)]	19.5%	19.6%
Net Profit (₱ millions)	265.4	165.3
Net Profit Margin (%) [(2)]	3.9%	2.9%

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 nine months ended 30 September 2021 compared to nine months ended 30 September 2020 due to additional revenues from new stores.

Gross Profit Margin was maintained for the nine months ended 30 September 2021 compared to nine months ended 30 September 2020.

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

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 30 September 2021 and as of 30 September 2020.

PART II - OTHER INFORMATION

Item 3. 9-month of 2021 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
Raul Juan N. Esteban	Independent Director
Jessie D. Cabaluna	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.

P0.4672 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.

Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-month of 2021 Operations and Financials.

I. 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.

J. 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.

K. New financing through loans/ issuances, repurchases and repayments of debt and equity securities.

See Notes to Financial Statements and Management Discussion and Analysis.

L. 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.

M. 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.

N. Changes in contingent liabilities or contingent assets since the last annual statement of financial position date.

None.

O. Existence of material contingencies and other material events or transactions during the interim period

None.

P. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

Q. 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.

R. 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 for the upcoming new stores.

S. 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 30 September 2021, 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 9-month of 2021 financial statements.

T. Significant elements of income or loss that did not arise from continuing operations.

None.

U. Causes for any material change/s from period to period in one or more line items of the financial statements.

None.

V. Seasonal aspects that had material effect on the financial condition or results of operations.

None.

W. 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:

Maria Cristina O. Barao
Treasurer, CFO, and Compliance Officer

Date: 15 November 2021