

COVER SHEET

C	S	2	0	1	6	2	9	6	7	3
S.E.C. Registration Number										

[illegible]

(Company's Full Name)

[illegible]

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

Maria Cristina O. Barao

Contact Person

8830-1900

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Calendar Year

17-Q

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

Secondary License Type, If
Applicable

--	--	--

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended : **September 30, 2023**
2. SEC Identification number: **CS-201629673**
3. BIR Tax Identification No: **009-491-731**
4. Exact name of issuer as specified in its charter **AllDay Marts, Inc**
5. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **LGF EVIA Lifestyle Center, Daanghari, Almanza Dos, Las Piñas City** **1750**
Address of issuer's principal office Postal Code
8. **(632) 8830-1900**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding And amount of debt outstanding
Common stock (as of 09/30/2023 net of nil treasury shares)	22,857,145,000

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

Yes ☒ No ☐

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

Philippine Stock Exchange Common Stock

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and SRC Rule 17 thereunder, and Section 25 and 177 of the Revised Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)

Yes ☒ No ☐

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

Yes ☒ No ☐

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

Item 1. Financial Statements

- Statements of Financial Position as of September 30, 2023 and December 31, 2022
- Statements of Comprehensive Income for the nine months ended September 30, 2023 and 2022
- Statement of Changes in Equity for the nine months ended September 30, 2023 and 2022
- Statements of Cash Flows for the nine months ended September 30, 2023 and 2022
- Notes to Financial Statements

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

- 9-month of 2023 vs. 9-month of 2022
- Top Five (5) Key Performance Indicators
- Material Changes (5% or more)- Statement of Financial Position
- Material Changes (5% or more)- Statement of Comprehensive Income
- Commitments and Contingencies

PART II-OTHER INFORMATION

Item 3. 9-months of 2023 Developments

Item 4. Other Notes to 9-months of 2023 Operating and Financial Results



AllDay Marts, Inc.
Statements of Financial Position
As of September 30, 2023 and December 31, 2022
(Amounts in Philippine Peso)

	Note	Unaudited Sep 30, 2023	Audited Dec 31, 2022
ASSETS			
Current Assets			
Cash	5	₱ 1,084,899,442	₱ 992,201,140
Receivables	6	126,166,927	132,048,806
Merchandise inventories	7	1,956,277,717	1,797,940,590
Prepayments and other current assets	8	908,648,544	853,206,585
Total Current Assets		4,075,992,630	3,775,397,121
Non-current Assets			
Property and equipment - net	9	4,188,360,437	4,243,071,508
Intangible assets - net	11	472,258,540	554,449,898
Right-of-use assets - net	10	135,986,590	147,532,622
Other non-current assets	8	412,569,660	411,092,221
Total Non-current Assets		5,209,175,227	5,356,146,249
TOTAL ASSETS		9,285,167,857	9,131,543,370
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	507,307,370	592,820,558
Loans payable	13	886,878,944	1,247,792,200
Lease liabilities	10	8,630,256	8,630,256
Dividends payable		-	-
Income tax payable		-	-
Total Current Liabilities		1,402,816,570	1,849,243,014
Non-current Liabilities			
Loans payable	13	546,153,846	184,615,385
Lease liabilities	10	202,776,546	208,966,287
Deferred tax liabilities - net	18	312,841,702	262,652,894
Retirement benefit obligation	17	22,008,221	22,008,221
Total Non-current Liabilities		1,083,780,315	678,242,787
Total liabilities		2,486,596,885	2,527,485,801
Equity			
Capital stock	20	2,285,714,500	2,285,714,500
Additional paid-in capital		3,316,671,118	3,316,671,118
Revaluation reserves		6,380,329	6,380,329
Retained earnings		1,189,805,025	995,291,622
Total Equity		6,798,570,972	6,604,057,569
TOTAL LIABILITIES AND EQUITY		9,285,167,857	9,131,543,370

See accompanying Notes to Financial Statements.



AllDay Marts, Inc.
Statements of Comprehensive Income
For the nine months ended September 30, 2023 and 2022
(Amounts in Philippine Peso)

	Note	Unaudited Jul-Sep Q3-2023	Unaudited Jan-Sep 2023	Unaudited Jul-Sep Q3-2022	Unaudited Jan-Sep 2022
SALES	14	₱ 2,537,959,201	₱ 7,434,448,209	₱ 2,475,233,798	₱ 7,067,718,918
COST OF MERCHANDISE SOLD	15	2,035,745,953	5,930,561,623	1,967,810,870	5,624,264,125
GROSS PROFIT		502,213,248	1,503,886,585	507,422,929	1,443,454,793
SUPPORT FEES, RENTALS AND OTHER INCOME	9, 14, 19	33,246,891	81,257,737	14,471,152	39,541,041
GROSS PROFIT INCLUDING OTHER INCOME		535,460,138	1,585,144,323	521,894,081	1,482,995,834
OTHER OPERATING EXPENSES	15	421,235,335	1,231,622,997	398,933,237	1,132,304,210
OPERATING PROFIT		114,224,803	353,521,326	122,960,844	350,691,624
FINANCE INCOME (COSTS)					
Finance costs	10, 13, 17	(5,018,319)	(15,197,086)	(5,200,413)	(15,707,524)
Finance income	5, 7	96,976	265,067	78,867	253,843
		(4,921,343)	(14,932,019)	(5,121,546)	(15,453,681)
PROFIT BEFORE EXTRAORDINARY ITEM		109,303,460	338,589,307	117,839,297	335,237,943
LOSSES FROM FIRE DAMAGE	16	—	—	—	(170,474,079)
PROFIT BEFORE TAX		109,303,460	338,589,307	117,839,297	164,763,864
TAX EXPENSE (INCOME)	18				
Current		12,193,945	34,458,517	12,884,124	22,503,661
Deferred		15,129,496	50,188,810	16,575,701	42,251,480
		27,323,441	84,647,327	29,459,824	64,755,141
NET PROFIT (LOSS)		81,980,019	253,941,980	88,379,473	100,008,723
OTHER COMPREHENSIVE INCOME		—	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)		₱ 81,980,019	₱ 253,941,980	₱ 88,379,473	₱ 100,008,723
Basic and Diluted earnings (loss) per share	21	₱ 0.00	₱ 0.01	₱ 0.00	₱ 0.00

See accompanying Notes to Financial Statements.



AllDay Marts, Inc.
 Statements of Changes in Equity
 For the nine months ended September 30, 2023 and 2022
(Amounts in Philippine Peso)

		Unaudited	Unaudited
	Note	Sep 30, 2023	Sep 30, 2022
CAPITAL STOCK	20	₱ 2,285,714,500	₱ 2,285,714,500
ADDITIONAL PAID-IN CAPITAL	20	3,316,671,118	3,316,671,118
REVALUATION RESERVES		6,380,329	
RETAINED EARNINGS			
Balance at beginning of period		995,291,622	766,670,545
Dividends Declared		(59,428,577)	(73,142,864)
Net profit (loss) for the period		253,941,980	100,008,723
Balance at end of period		1,189,805,025	793,536,404
TOTAL EQUITY		₱ 6,798,570,972	₱ 6,395,922,022



AllDay Marts, Inc.
Statements of Cash Flows
For the nine months ended September 30, 2023 and 2022
(Amounts in Philippine Peso)

	Notes	Unaudited Jul-Sep Q3-2023	Unaudited Jan-Sep 2023	Unaudited Jul-Sep Q3-2022	Unaudited Jan-Sep 2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		₱109,303,460	₱338,589,307	₱ 117,839,297	₱ 164,763,864
Adjustments for:					
Losses due to fire	16	-	-	-	-
Depreciation and amortization	9, 10, 11	117,529,342	339,603,206	95,101,410	273,920,382
Finance costs	10, 13, 17	5,018,319	15,197,086	5,200,413	15,707,524
Finance income	5	(96,976)	(265,067)	(78,867)	(253,843)
Operating profit before working capital changes		231,754,145	693,124,531	218,062,254	454,137,927
Decrease/(Increase) in:					
Receivables		(4,931,802)	5,881,879	8,141,052	(2,564,545)
Merchandise inventories		(126,707,675)	(158,337,127)	(91,798,408)	236,343,003
Prepayments and other current assets		23,688,508	(55,441,959)	(17,574,904)	(159,729,213)
Other non-current assets		-	-	-	(46,296,153)
Increase/(Decrease) in:					
Trade and other payables		36,809,252	(80,720,995)	96,750,169	70,785,207
Retirement benefit obligation		-	-	-	-
Cash generated from operations		160,612,427	404,506,330	213,580,162	552,676,227
Cash paid for income taxes		(12,718,148)	(17,510,325)	-	-
Interest received		96,976	265,067	78,867	253,843
Net cash from Operating activities		147,991,254	387,261,072	213,659,029	552,930,070
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	9	(46,129,011)	(121,976,485)	(183,250,959)	(217,411,011)
Increases in advances to contractors	8	-	-	7,201,080	(71,632,088)
Additions to intangible assets	11	-	(2,000,000)	(20,000,000)	(131,167,432)
Proceeds from disposal of property and equipment and intangible assets		-	-	-	-
Net cash used in Investing activities		(46,129,011)	(123,976,485)	(196,049,879)	(420,210,531)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from availment of loans	13	253,446,004	1,364,810,594	6,615,385	6,615,385
Repayment of loans	13	(302,266,685)	(1,364,185,389)	-	(5,153,846)
Proceeds from issuance of shares of stock		-	-	-	-
Interest paid for loans payable	13	(30,536,792)	(86,176,767)	(23,335,138)	(71,180,932)
Interest paid for lease liabilities	10	(5,018,319)	(15,197,086)	(5,236,406)	(15,707,524)
Payment of dividends		-	-	-	-
Repayment of lease liabilities		-	-	(1,738,275)	(4,660,883)
Net cash (used in) from financing activities		(84,375,792)	(100,748,647)	(23,694,433)	(90,087,800)
NET INCREASE IN CASH		17,486,451	162,535,940	(6,085,284)	42,631,739
CASH AT BEGINNING OF PERIOD		1,067,412,991	922,363,501	976,492,997	927,775,974
CASH AT END OF PERIOD		₱1,084,899,442	₱1,084,899,442	₱ 970,407,713	₱ 970,407,713

See accompanying Notes to Financial Statements.

ALLDAY MARTS, INC.
(A Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

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

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

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

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

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

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

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

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the year ended September 30, 2023 (including the comparative financial statements as of December 31, 2022) were authorized for issue by the Company's Board of Directors (BOD) on November 14, 2023. The Company's owners and BOD have the power to amend the financial statements after issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

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

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

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

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

- (i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company’s financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company’s policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company’s financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact are relevant to the Company’s financial statements:

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

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

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

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

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

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

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

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

2.3 Current versus Non-current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

2.4 Financial Instruments

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

(a) Financial Assets

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

(i) Classification and Measurement of Financial Assets

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

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

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

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

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

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

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

(ii) *Impairment of Financial Assets*

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

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

The Company applies the simplified approach in measuring ECL for its receivables which uses a lifetime expected loss allowance for all receivables. These are the expected shortfalls in contractual cash flows,

considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 23.2(b)].

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

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

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

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

(iii) *Derecognition of Financial Assets*

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

(a) *Financial Liabilities*

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

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

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

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

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

(b) *Offsetting of Financial Instruments*

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

2.5 Merchandise Inventories

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

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

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

2.6 Other Assets

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

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

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

2.7 Property and Equipment

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

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

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

Equipment	3 to 15 years
Furniture and fixtures	9 years

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

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

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

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

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

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

2.8 Intangible Assets

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

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

2.9 Segment Reporting

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

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

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

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

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

2.10 Provisions and Contingencies

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

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

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

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12 Leases

(a) Company as a Lessee

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

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

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

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

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

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

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

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

(b) *Company as a Lessor*

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

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

2.13 Impairment of Non-financial Assets

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

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

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

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

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

2.14 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) *Post-employment Defined Contribution Plan*

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

(c) *Short-term Employee Benefits*

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

(d) *Bonus Plans*

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

(e) *Compensated Absences*

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

2.15 *Borrowing Costs*

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

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

2.16 *Income Taxes*

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

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

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

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

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

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

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

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

2.17 Related Party Transactions and Relationships

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

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

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

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

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

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

2.18 Deposit for Future Stock Subscription

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

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

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

2.19 Equity

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

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

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

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

2.20 Basic and Diluted Earnings Per Share

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

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

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

2.21 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgment in Applying Accounting Policies

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

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

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

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

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

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

(b) Determination of Timing of Satisfaction of Performance Obligations

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

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

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

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

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

As of September 30, 2023 and 2022, liabilities arising from customer loyalty programme amounted to P0.5 million and P4.4 million, respectively (see Note 12).

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

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

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

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

(e) *Determination of ECL on Receivables*

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

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

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

(g) *Capitalization of Borrowing Costs*

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

(h) *Recognition of Provisions and Contingencies*

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

3.2 Key Sources of Estimation Uncertainty

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

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

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

(b) *Estimation of Allowance for ECL*

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

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

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

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

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

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

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

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

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

Based on management's assessment, no impairment losses are required to be recognized on the Company's non-financial assets as of September 30, 2023 and 2022.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at September 30, 2023 and 2022 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 18.

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

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

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

4. SEGMENT REPORTING

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

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

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

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

5. CASH

Cash include the following components as of September 30, 2023, and 2022:

	<u>September 30, 2023</u>	<u>2022</u>
Cash on hand	P 9,052,000	P 9,052,000
Cash in banks	<u>1,072,847,442</u>	<u>983,149,140</u>
	P 1,084,899,442	P 992,201,140

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

6. RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>September 30, 2023</u>	<u>2022</u>
Trade receivables	19.1	P 109,644,358	P 111,598,998
Non-trade receivables	17.2	16,522,569	19,356,473
Others		<u>-</u>	<u>1,093,335</u>
		P 126,166,927	P 132,048,806

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

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

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

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

All of the Company's receivables have been assessed for impairment using the ECL model. Management believes that no allowance for ECL is required since there has no significant change in the credit quality of the accounts as of September 30, 2023 and 2022 [see Note 23.2(b)].

7. MERCHANDISE INVENTORIES

Merchandise inventories pertain to goods owned by the Company, which include food and non-food items, pharmaceutical products and dry goods, among others, that are traded under the normal course of business and amounted to P1,956.3 million and P1,797.9 million as of September 30, 2023 and 2022, respectively (see Note 15.1).

The Company did not provide any allowance for inventory obsolescence as the merchandise inventories are deemed realizable above cost. Hence, merchandise inventories were all stated at cost, which is lower than net realizable value, as of September 30, 2023 and 2022.

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

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

8. PREPAYMENTS AND OTHER ASSETS

The composition of this account is shown on below.

	<u>Notes</u>	<u>September 30, 2023</u>	<u>2022</u>
Current			
Input VAT	P	221,012,553	P 517,544,987
Advances for purchases		638,369,414	229,442,529
Deferred input VAT – current		-	57,065,118
Prepayments		27,905,898	24,433,645
Store supplies		21,360,679	19,431,650
Short term investments		3,000,000	3,000,000
Creditable withholding tax		<u>-</u>	<u>2,288,656</u>
		911,648,544	853,206,585
Non-current			
Advances to contractors		302,326,992	302,326,993
Security deposit		74,180,945	72,322,394
Deferred input VAT		<u>36,061,723</u>	<u>36,442,834</u>
		412,569,660	411,092,221
	P	1,324,218,203	P 1,264,298,806

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

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

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

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

Short term investments refer to the Company's time deposits with original maturities of more than three months to one year and are subject to insignificant risk of changes in value. These investments earn effective interest of 0.55% in 2022. Interest income from time deposits in September 30, 2023 is presented as part of Finance Income under Other Income (Charges) – Net in the 2023 statement of comprehensive income. There were no short-term investments in 2021.

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

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of September 30, 2023 and 2022 are shown below.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
September 30, 2023					
Cost	P3,408,465,060	P 336,699,516	P 1,175,239,833	P 633,983,598	P
6,289,204,806					
Accumulated depreciation and amortization	(638,325,293)	(165,185,461)	(562,516,816)	-	(1,628,585,829)
Net carrying amount	<u>P 2,770,139,767</u>	<u>P 171,514,055</u>	<u>P 612,723,017</u>	<u>P 633,983,598</u>	<u>P 4,796,605,567</u>
December 31, 2022					
Cost	P3,381,333,982	P 336,552,451	P1,129,554,556	P 521,640,950	P5,369,081,939
Accumulated depreciation and amortization	(489,297,375)	(140,972,450)	(495,740,606)	-	(1,126,010,431)
Net carrying amount	<u>P2,892,036,607</u>	<u>P 195,580,001</u>	<u>P 633,813,950</u>	<u>P 521,640,950</u>	<u>P4,243,071,508</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of September 30, 2023 and 2022 is shown below and in the succeeding page.

	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2023, net of accumulated depreciation and amortization	P2,892,036,607	P195,580,001	P 633,813,950	P 521,640,950	P 4,243,071,508
Additions	27,131,078	147,065	45,685,277	112,342,648	185,306,068
Transfer from CIP	-	-	-	-	-
Depreciation and amortization charges for the year	(149,027,918)	(24,213,011)	(66,776,210)	-	(159,033,829)
Balance at September 30, 2023, net of accumulated depreciation and amortization	<u>P2,892,036,607</u>	<u>P195,580,001</u>	<u>P 633,813,950</u>	<u>P521,640,950</u>	<u>P4,243,071,508</u>

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

The gross carrying amounts and accumulated depreciation of furniture and fixtures subject to operating lease at the beginning and end of June 30, 2023 and 2022 are shown below.

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Cost	P 274,777,339	P 274,777,339
Accumulated depreciation and amortization	(84,546,908)	(80,493,730)
Net carrying amount	<u>P 190,230,431</u>	<u>P 194,283,609</u>

A reconciliation of the carrying amounts of furniture and fixtures subject to operating lease at the beginning and end of June 30, 2023 and 2022 is shown below.

	<u>September 30, 2023</u>	<u>2022</u>
Beginning, net of accumulated depreciation and amortization	P 194,283,609	P 198,019,005
Additions	-	22,742,104
Disposal	-	(7,087,933)
Depreciation and amortization charges for the year	(4,053,178)	(19,389,567)
Ending, net of accumulated depreciation and amortization	<u>P 190,230,431</u>	<u>P 194,283,609</u>

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

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

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

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

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

Cost of fully depreciated and amortized assets that are still used in operations amounts to P28.4 million and P28.1 million as of September 30, 2023 and 2022, respectively.

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

10. LEASES

The Company is a lessee under non-cancellable operating leases covering its store outlets and warehouse with lease terms ranging from 10 years to 20 years. With the exception of leases with variable consideration, only one lease contract is reflected on the statements of financial position as a right-of-use asset and a lease liability. This lease contract covers a store outlet with a remaining lease term of 9 years and 8 years as of September 30, 2023 and 2022, respectively.

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

The security deposits paid in connection with the leases amounting to P72.3 million and P68.7 million as of September 30, 2023 and 2022, respectively, is presented as Security deposits under Other Non-current Assets in the statements of financial position (see Note 8). Management believes that no allowance for ECL is required for security deposits since there has no significant change in the credit quality of the accounts [see Note 23.2(c)].

10.1 Right-of-use Assets

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

	<u>September 30, 2023</u>	<u>2022</u>
Cost	P 209,111,455	P 209,111,455
Accumulated amortization		
Balance at beginning of year	61,578,833	46,184,124
Amortization for the year	<u>11,546,031</u>	<u>15,394,709</u>
Balance at end of year	<u>73,124,865</u>	<u>61,578,833</u>
Carrying amount	P 135,986,590	P 147,532,622

The amount of depreciation is presented as part of General and Administrative Expenses in the September 30, 2023 and 2022 statements of comprehensive income (see Note 15.2).

10.2 Lease Liabilities

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

	September 30, 2023	2022
Current	P 8,630,256	P 8,630,256
Non-current	202,776,546	208,966,287
	<u>P 211,406,802</u>	<u>P 217,596,543</u>

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

	Note	September 30, 2023	2022
Balance at beginning of year		P 217,596,543	P 224,150,665
Accretion of interest	10.4	15,197,086	20,864,887
Repayment	10.4	(21,386,827)	(27,419,009)
Balance at end of year		<u>P 211,406,802</u>	<u>P 217,596,543</u>

As of September 30, 2023 and 2022, the Company has no commitments for leases entered into but which had not commenced nor termination options to its lease contracts.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as at September 30, 2023 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, 2023									
Lease payments	P 29,319,919	P 29,495,020	P 30,969,771	P 32,518,259	P 34,144,172	P 35,851,381	P 165,896,063	P -	P 328,874,666
Finance charges	(19,730,906)	(19,730,306)	(18,704,600)	(17,428,837)	(15,871,638)	(13,997,509)	(29,467,070)	-	(115,200,560)
Net present values	P 7,903,389	P 9,764,114	P 12,265,171	P 15,089,423	P 18,272,534	P 21,863,872	P 136,428,993	P -	P 213,674,106
December 31, 2022									
Lease payments	P 28,789,960	P 30,229,458	P 31,740,930	P 33,327,977	P 34,994,376	P 36,744,095	P 147,149,076	P -	P 342,975,872
Finance charges	(20,159,704)	(19,247,146)	(18,099,906)	(16,687,638)	(14,976,650)	(12,929,549)	(23,278,736)	-	(125,379,329)
Net present values	P 8,630,256	P 10,982,312	P 13,641,024	P 16,640,339	P 20,017,726	P 23,814,546	P 123,870,340	P -	P 217,596,543

10.3 Lease Payments Not Recognized as Liabilities

The Company also entered into lease agreements that contain variable payments linked to sales generated from certain stores (see Note 19.2). The expenses relating to these leases amounting to P142.9 million and P133.5 million for September 30, 2023 and September 30, 2022 are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Note 15.2).

If the sales of the Company had changed by an average of +/-1.0%, the variable rent expense would have changed by +/- P2.4 million, +/- P2.4 million and +/- P2.0 million in 2023 and 2022.

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P14.1 million and P13.4 in September 30, 2023 and September 30, 2022, respectively. Interest expense in relation to lease liabilities amounted to P10.2 million and P10.5 million in

September 30, 2023 and September 30, 2022 respectively, and is presented as part of Finance Costs in the statements of comprehensive income (see Note 16.1).

11. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of September 30, 2023 and 2022 are shown below.

	<u>September 30, 2023</u>	<u>2022</u>
Cost	P 734,816,801	P 732,816,801
Accumulated amortization	(262,558,259)	(178,366,903)
	<u>P 472,258,540</u>	<u>P 554,449,898</u>

A reconciliation of the carrying amounts of intangible assets at the beginning and end of September 30, 2023, and 2021 is shown below.

	<u>September 30, 2023</u>	<u>2022</u>
Balance at beginning of year, net of accumulated amortization	P 554,440,898	P 434,569,288
Additions	2,000,000	229,251,336
Amortization charges for the year	(84,191,358)	(109,370,726)
Disposal	-	-
Balance at end of year, net of accumulated amortization	<u>P 472,258,540</u>	<u>P 554,449,898</u>

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

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

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

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

12. TRADE AND OTHER PAYABLES

The composition of this account is shown below.

	Notes	<u>September 30, 2023</u>	<u>2022</u>
Trade payables		P 415,456,349	P 575,689,665
Accrued expenses	13	11,834,145	10,104,032
Withholding taxes and other government payables		8,929,959	6,488,430
Income Tax Payable		11,119,910	
Dividends Payable		59,428,577	
Customer loyalty rewards liability		<u>538,431</u>	<u>538,431</u>
		<u>P 496,187,461</u>	<u>P 592,820,558</u>

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

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

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

13. LOANS PAYABLE

The account consists of:

	Note	<u>September 30, 2023</u>	<u>2022</u>
Current:			
Short-term loans	13.1	P 702,263,560	P 1,063,176,816
Current portion of long-term loans	13.2	<u>184,615,384</u> 886,878,944	<u>184,615,384</u> 1,247,792,200
Non-current:			
Long-term loans	13.2	<u>546,153,846</u>	<u>184,615,385</u>
		<u>P1,433,032,790</u>	<u>P 1,432,407,585</u>

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

	<u>Short-term Loans</u>	<u>Long-term Loans</u>	<u>Total</u>
Balance as of January 1, 2023	P1,063,176,816	P 369,230,769	P1,432,407,585
Additional borrowings	-	-	-
Reavailment of loans	253,719,867	500,000,000	753,719,867
Repayments of borrowings	(614,633,123)	(138,461,538)	(753,094,661)
Balance at September 30, 2023	<u>P 702,263,560</u>	<u>P 730,769,231</u>	<u>P 1,433,032,791</u>
Balance as of January 1, 2022	P 880,000,000	P 553,846,154	P1,433,846,154
Additional borrowings	612,176,816	-	612,176,816
Reavailment of loans	768,000,000	-	768,000,000
Repayments of borrowings	(1,197,000,000)	(184,615,385)	(1,381,615,385)
Balance at December 31, 2022	<u>P1,063,176,816</u>	<u>P 369,230,769</u>	<u>P1,432,407,585</u>

The total interest expense incurred on these loans amounted to P10.1 million and P10.5 million in September 30, 2023, and September 30, 2022, respectively, and is presented as part of Finance Costs under Other Income (Charges) – Net in the statements of comprehensive income.

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

The unpaid interest amounted to P8.2 million and P5.4 million as of September 30, 2023 and 2022 and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 12).

13.1 Short-term Loans

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

13.2 Long-term Loans

In 2021 and 2020, the Company obtained three to seven-year corporate loans, inclusive of two-year grace period, from various local banks for the Company's store construction and expansion with fixed interest rate ranging from 6.50% to 8.08% both in 2021 and 2020. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 19.4). There was no similar transaction in 2022. Certain loans of the Company with local banks are subject to covenants and all have been complied with as of September 30, 2023 and 2022 (see Note 25).

14. REVENUES

The Company's sales revenues arise from transactions with individual and corporate customers in the Philippines totalling to P4,896.5 million and P4,592.5 million in September 30, 2023 and September 30, 2022, respectively.

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

	<u>Point in time</u>	<u>Over time</u>	<u>Total</u>
September 30, 2023			
Sales	P 7,434,448,209	P -	P7,434,448,209
Delivery fees	-	15,119,520	15,119,520
Miscellaneous	<u>1,417,597</u>	<u>-</u>	<u>1,417,597</u>
	<u>P 7,435,865,805</u>	<u>P 15,119,520</u>	<u>P 7,450,985,325</u>
September 30, 2022			
Sales	P 7,067,718,918	P -	P 7,067,718,918
Delivery fees	-	13,779,136	13,779,136
Miscellaneous	<u>1,212,212</u>	<u>-</u>	<u>1,212,212</u>
	<u>P 7,068,931,130</u>	<u>P 13,779,136</u>	<u>P7,082,710,266</u>

The Company also recognized rental income from its operating leases as lessor amounting to P 36.7 million and P15.4 million in September 30, 2023 and June 30, 2022, respectively (see Note 9).

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

15. COSTS AND EXPENSES

15.1 Cost of Merchandise Sold

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

	<u>Note</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Merchandise inventories at beginning of year	7	P 1,797,940,590	P 1,826,059,707
Purchases during the year		<u>6,088,898,750</u>	<u>5,387,921,122</u>
Cost of goods available for sale		7,886,839,340	7,213,980,829
Merchandise inventories at end of year	7	<u>(1,956,277,717)</u>	<u>(1,589,716,704)</u>
		<u>P 5,930,561,623</u>	<u>P 5,624,264,125</u>

15.2 Other Operating Expenses

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

	<u>Notes</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Depreciation and amortization	9, 10.1, 11	P 339,603,206	P 273,920,382
Rentals	10.3, 19.2	217,108,696	205,656,732
Communication and utilities		217,332,317	201,777,508
Agency fee		185,005,933	171,670,732
Salaries, wages and other employee benefits	17.1	101,463,188	91,693,322
Taxes and licenses		40,793,321	40,597,919
Merchant fee		29,977,685	30,787,160
Repairs and maintenance		18,924,120	29,672,202
Professional fees	20.2	3,316,009	3,228,473
Operating supplies		21,659,159	26,314,864
Travel and transportation		14,075,003	13,714,583
Advertising and promotions		18,975,815	13,381,248
Insurance		11,227,943	8,965,401
Delivery fees	20.2	1,890,109	1,780,511
Dues and subscriptions		9,657,138	17,484,096
Miscellaneous		613,356	1,659,076
		<u>P 1,231,622,997</u>	<u>P 1,132,304,210</u>

These expenses are classified as follows:

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Selling	P 812,337,022	P 772,734,279
General and administrative	<u>419,285,975</u>	<u>359,569,931</u>
	<u>P 1,231,622,997</u>	<u>P 1,132,304,210</u>

16. OTHER INCOME (CHARGES) – Net

16.1 Finance Income (Costs)

Finance income (costs) include the following:

	<u>Notes</u>	<u>September 30, 2023</u>	<u>June 30, 2022</u>
<i>Finance costs:</i>			
Interest expense from:			
Lease liabilities	10.2	<u>P 15,197,086</u>	<u>P 15,707,524</u>
<i>Finance income:</i>			
Interest income from banks	5, 7	<u>P 265,067</u>	<u>P 253,843</u>

16.2 *Losses from Fire Damage – Net*

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

17. EMPLOYEE BENEFITS

17.1 *Salaries, Wages and Employee Benefits*

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

	<u>Notes</u>	<u>September 30, 2023</u>	<u>September 30,</u>
<u>2022</u>			
Salaries and wages		P 75,750,201	P 66,225,359
Post-employment benefits	17.2	-	-
Other employee benefits		<u>25,712,988</u>	<u>25,467,964</u>
		<u>P 101,463,188</u>	<u>P 91,693,322</u>

17.2 *Post-employment Benefits*

(a) *Characteristics of the Defined Benefit Plan*

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

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

(b) *Explanation of Amounts Presented in the Financial Statements*

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

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

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

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

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

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

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

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

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the years ended September 30, 2023 and 2022:

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

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

(c) *Risks Associated with the Retirement Plan*

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

(i) *Interest Rate Risk*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

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

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

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

(ii) *Funding Arrangements and Expected Contributions*

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

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

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

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

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

18. TAXES

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

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

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

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

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

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<i>Reported in profit or loss:</i>		
Current tax expense:		
RCIT at 25% in 2022 and 2021, and 30% in 2020	P 34,458,517	P 22,503,661
Application of excess MCIT	-	-
MCIT at 1%	-	-
Effect of the change in income tax rate	-	-
	<u>34,458,517</u>	<u>22,503,661</u>
Deferred tax expense arising from:		
Origination and reversal of temporary differences	15,730,291	42,251,480
Effect of change in income tax rate	-	-
	<u>15,730,291</u>	<u>42,251,480</u>
	<u>P 84,647,327</u>	<u>P 64,755,141</u>

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

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

In 2021, the Company incurred NOLCO amounting to P2.7 million which can be claimed as a deduction from the gross taxable income until 2026. Pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayaniban to Recover as One Act (Bayaniban II)* and as

implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss which is until 2026. In 2022, the NOLCO was applied against the gross taxable income.

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

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

19. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties as of and for the years ended September 30, 2023, 2021 and 2020 are discussed below.

	Notes	Amount of Transactions		Outstanding Balances Receivables (Payables)	
		2023	2022	2023	2022
Parent Company:					
Dividends	20	P	P-	P	-
Deposit for future stock subscription	20	-	-	-	-
Related Parties Under Common Ownership:					
Rentals	10.3, 19.2	217,108,696	207,626,656	-	-
Sale of merchandise	19.1	20,932,232	13,501,548	-	-
Sale of property and equipment and intangible assets	9, 11, 19.3	-	-	-	-
Transferred retirement benefit obligation	6, 17.2	-	-	-	-
Key Management Personnel –					
Compensation	19.5	12,658,610	12,462,660	-	-

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

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

19.1 Sale of Merchandise

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

19.2 Lease Agreements

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

19.3 Sale of Property and Equipment and Intangible Assets

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

19.4 Guarantees of Loans

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

19.5 Key Management Personnel Compensation

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

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Short-term benefits	<u>P 12,658,610</u>	<u>P 12,462,660</u>

20. EQUITY

20.1 Capital Stock

Details of this account are shown below.

	<u>Shares</u>		<u>Amount</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Common shares				
Authorized				
Balance at beginning of the year	30,000,000,000	30,000,000,000	P 3,000,000,000	P 3,000,000,000
Increase during the year	-	-	-	-
Change in par value	-	-	-	-
Balance at end of year	<u>30,000,000,000</u>	<u>30,000,000,000</u>	<u>P 3,000,000,000</u>	<u>P 3,000,000,000</u>
Issued and outstanding:				
Balance at beginning of the year	22,857,145,000	22,857,145,000	P 2,285,714,500	P 2,285,714,500
Issuance during the year	-	-	-	-
Change in par value	-	-	-	-
Balance at end of year	<u>22,857,145,000</u>	<u>22,857,145,000</u>	<u>P 2,285,714,500</u>	<u>P 2,285,714,500</u>

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

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

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

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

As of September 30, 2023 and 2022, the Company's number of shares registered totalled 22,857,145,000 with par value of P0.10 per share and closed at a price of P0.23 in 2022. The total number of stockholders is 21 and 15 as of September 30, 2023 and 2022, respectively, with the shares held in the name of PCD Nominee Corporation belonging to 123 participants. The public float lodged with PCD Nominee Corporation is counted only as one stockholder.

20.2 Additional Paid-in Capital

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

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

20.3 Dividends Declaration

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

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

21. EARNINGS PER SHARE

EPS were computed as follows:

	<u>September 30, 2023</u>	<u>2022</u>
Net profit	P 253,941,980	P 301,763,941
Divided by weighted average number of outstanding common shares	<u>22,857,145,000</u>	<u>22,857,145,000</u>
Basic and diluted EPS	<u>P 0.01</u>	<u>P 0.02</u>

The Company has no potential dilutive common shares as of September 30, 2023, 2021 and 2020.

22. PROVISIONS, COMMITMENTS AND CONTINGENCIES

22.1 *Unused Line of Credit*

The Company has unused line of credit amounting to P230.8 million and P46.2 million as of September 30, 2023 and 2022, respectively.

22.2 *Others*

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of September 30, 2023 and 2022, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets. The Company does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

23.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2022, 2021, and 2020, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to interest based on daily bank deposits rates. However, due to its short duration, management believes that the interest rate sensitivity and its effect on the net result for the year and equity are not significant (see Note 5).

On the other hand, the Company's short-term and long-term bank loans are subject to fixed rates ranging from 5.00% to 8.08% per annum, 6.50% to 8.08% per annum and 6.50% per annum for 2022, 2021 and 2020 (see Note 13). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2022, 2021 and 2020.

23.2 Credit Risk

Credit risk is the risk that counterparty will fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	<u>Notes</u>	<u>September 30, 2023</u>	<u>2022</u>
Cash and cash equivalents	5	P1,081,899,442	P 995,201,140
Receivables	6	126,166,927	132,048,806
Short-term investments	7	3,000,000	3,000,000
Security deposits	8, 10	<u>74,180,945</u>	<u>72,322,394</u>
		<u>P1,159,080,386</u>	<u>P 1,202,572,340</u>

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

(a) Cash and Short-term Investments

The credit risk for cash and short-term investments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. This includes demand deposits and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of three years before September 30, 2023 and 2022, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the Philippine inflation and gross domestic product in 2022 and 2022, respectively was the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit-impaired or when the customer is not able to settle the receivables within the normal credit terms of 2 to 90 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, no loss allowance for trade receivables was determined based on past due amounts as of September 30, 2023 and 2022.

(c) *Security Deposits*

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

23.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at September 30, 2023 and 2022, the Company's financial liabilities, excluding lease liabilities (see Note 10.2), have contractual maturities which are summarized below.

		Current		Non-current	
	Notes	Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
September 30, 2023					
Trade and other payables	12	P 496,187,461	P -	P -	P -
Loans payable	13	<u>702,263,560</u>	<u>184,615,384</u>	<u>546,153,846</u>	<u>-</u>
		<u>P 1,198,451,021</u>	<u>P 184,615,384</u>	<u>P 546,153,846</u>	<u>P -</u>
December 31, 2022					
Trade and other payables	12	P 582,793,698	P -	P -	P -
Loans payable	13	<u>1,175,794,462</u>	<u>100,673,077</u>	<u>191,865,385</u>	<u>-</u>
		P 1,758,588,160	P 100,673,077	P 191,865,385	P -

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

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

24.1 Carrying Amounts and Fair Values by Category

The Company has no financial instruments carried at fair values.

For the Company's financial assets and liabilities carried at amortized cost as at September 30, 2023 and 2022, management considers that the carrying values of these financial instruments approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those maturities of more than one year is not material, hence, no further comparison between the carrying amounts and fair values is presented.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

24.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For financial assets with fair value included in Level 1, management considers that the carrying amount of this short-term financial instrument approximates its fair value.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on instrument where the significant inputs required to determine the fair values of such instruments are not based on observable market data.

There have been no significant transfers among Levels 1 and 3 in the reporting periods.

With the exception of Cash and Short-term investments, which are classified under Level 1 of the fair value hierarchy, all of the Company's financial assets and liabilities presented in the statements of financial position are classified under Level 3 of the fair value hierarchy as of September 30, 2023 and 2022.

24.3 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2022 and 2022 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. There is no potential offsetting as of September 30, 2023 and 2022.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objective is to ensure the Company's ability to continue as a going concern entity. Essentially, the Company, in coordination with its parent company, monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

The Company manages the capital structure and makes adjustments to consider changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest-bearing loans	P 1,433,032,790	P 1,432,407,585
Total equity	<u>6,776,029,224</u>	<u>6,604,057,569</u>
Debt-to-equity ratio	<u>0.21: 1:00</u>	<u>0.22: 1:00</u>

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of 2.50:1.00, and a minimum debt-service coverage ratio of at least 1.00. The Company has properly complied with its loans' covenants as of September 30, 2023 and 2022 (see Note 13.2).

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under its existing Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

The Company is registered with the BIR as a VAT taxpayer. This is in relation to its sales of merchandise. The Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of merchandise:		
VATable sales	P 5,959,049,267	P 715,085,912
Zero-rated sales	1,018,794,092	-
Exempt sales	<u>499,363,850</u>	<u>-</u>
	<u>P 7,477,207,209</u>	<u>P 715,085,912</u>

The Company's VAT zero-rated sales were determined pursuant to Section 108B, *Transactions Subject to Zero Percent* of the 1997 National Internal Revenue Code.

The Company's exempt sales were determined pursuant to Section 109(W), *Sale or Lease of Goods and Services to Senior Citizens and Persons with Disability, as Provided under R.A. No. 9994 (Expanded Senior Citizens Act of 2020)* and *R.A. No. 10754 (An Act Expanding the Benefits and Privileges of Persons with Disability)*, of the 1997 National Internal Revenue Code.

The tax bases are included as part of Sales and Support, Fees, Rentals and Other Revenues in the 2022 statement of comprehensive income. The tax bases for Other Income are based on the Company's gross receipts for the year, hence, may not be the

same as the amounts of revenues reported in the 2022 statement of comprehensive income.

(b) *Input VAT*

The outstanding input VAT as of September 30, 2023 is presented as Input VAT under Prepayments and Other Current Assets in the 2022 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any customs duties and tariff fees paid in September 30, 2023 since it did not engage in any importation activities during the year.

(d) *Excise Tax*

The Company did not have any transactions in September 30, 2023 which are subject to excise tax.

(e) *Documentary Stamp Tax*

The Company did not have any transactions in September 30, 2023 which are subject to documentary stamp tax.

(f) *Taxes and Licenses*

The details of taxes and licenses in 2023 is broken down as follows:

Business permits and licenses	P 39,793,321
Documentary stamp tax	<u>-</u>
	<u>P 39,793,321</u>

The taxes and licenses amounting to P39.8 million is presented under General and Administrative Expenses in the September 30, 2023 statement of comprehensive income.

(g) *Withholding Taxes*

Details of total withholding taxes for the year ended September 30, 2023 are shown below.

Expanded	P 5,778,958
Compensation and employee benefits	753,141
Final	<u>1,694,882</u>
	<u>P 8,226,981</u>

The outstanding balance of expanded withholding tax, withholding tax on compensation and final withholding tax amounting to P8. million is recorded as part of Withholding taxes payable and other government payables under Trade and Other Payables in the 2023 statement of financial position.

(h) *Deficiency Tax Assessment and Tax Cases*

As of September 30, 2023, the Company does not have any final deficiency tax assessment from the BIR nor it does have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

ALLDAY MARTS, INC.

Supplemental Schedule of Financial Soundness Indicators

September 30, 2023 and September 30, 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities	2.91	Total Current Assets divided by Total Current Liabilities	2.22
	Total Current Assets P4,075,992,630		Total Current Assets P3,792,484,566	
	Divide by: Total Current Liabilities 1,402,816,570		Divide by: Total Current Liabilities 1,706,037,204	
	Current Ratio 2.91		Current Ratio 2.22	
Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.86	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.65
	Total Current Assets P4,075,992,630		Total Current Assets P3,792,484,566	
	Less: Merchandise Inventories (1,956,277,717)		Less: Merchandise Inventories (1,589,716,704)	
	Other Current Assets (908,648,544)		Other Current Assets (1,099,375,374)	
	Quick Assets 1,211,066,369		Quick Assets 1,103,392,489	
	Divide by: Total Current Liabilities 1,402,816,570		Divide by: Total Current Liabilities 1,706,037,204	
	Acid Test Ratio 0.86		Acid Test Ratio 0.65	
Solvency ratio	Total Assets divided by Total Liabilities	3.73	Total Assets divided by Total Liabilities	3.52
	Total Assets P9,285,167,857		Total Assets P8,932,669,038	
	Divide by: Total Liabilities 2,486,596,885		Divide by: Total Liabilities 2,536,747,018	
	Solvency Ratio 3.73		Solvency Ratio 3.52	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.37	Total Liabilities divided by Total Equity	0.40
	Total Liabilities P2,486,596,885		Total Liabilities P2,536,747,018	
	Divide by: Total Equity 6,798,570,972		Divide by: Total Equity 6,395,922,020	
	Debt-to-Equity Ratio 0.37		Debt-to-Equity Ratio 0.40	
Asset-to-equity ratio	Total Assets divided by Total Equity	1.37	Total Assets divided by Total Equity	1.40
	Total Assets P9,285,167,857		Total Assets P8,932,669,038	
	Divide by: Total Equity 6,798,570,972		Divide by: Total Equity 6,395,922,020	
	Asset-to-equity ratio 1.37		Asset-to-equity ratio 1.40	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest Expense	3.38	Earnings before interest and taxes (EBIT) divided by Interest Expense	4.00
	EBIT P353,786,393		EBIT P350,945,467	
	Divide by: Interest Expense 104,608,346		Divide by: Interest Expense 87,784,055	
	Interest Coverage Ratio 3.38		Interest Coverage Ratio 4.00	
Return on equity	Net Profit divided by Total Equity	0.04	Net Profit divided by Total Equity	0.02
	Net Profit P253,941,980		Net Profit P100,008,723	
	Divide by: Total Equity 6,798,570,972		Divide by: Total Equity 6,395,922,020	
	Return on equity 0.04		Return on equity 0.02	
Return on assets	Net Profit divided by Total Assets	0.03	Net Profit divided by Total Assets	0.01
	Net Profit P253,941,980		Net Profit P100,008,723	
	Divide by: Total Assets 9,285,167,857		Divide by: Total Assets 8,932,669,038	
	Return on assets 0.03		Return on assets 0.01	
Net profit margin	Net profit divided by Total Revenue	0.03	Net profit divided by Total Revenue	0.01
	Net Profit P253,941,980		Net Profit P100,008,723	
	Divide by: Total Revenue 7,434,448,209		Divide by: Total Revenue 7,067,718,918	
	Net Profit Margin 0.03		Net Profit Margin 0.01	

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF NINE MONTHS END 2023 VS NINE MONTHS END 2022

RESULTS OF OPERATIONS

Nine Months ended September 30, 2023 compared to Nine Months ended September 30, 2022

	For the nine-month period ended September 30		Horizontal analysis	Vertical analysis	
	2023	2022		2023	2022
	(in millions of ₱)		% Change	% of Total Sales	
Sales.....	₱ 7,434.4	₱ 7,067.7	5.2%	100.0%	100.0%
Cost of merchandise sold.....	5,930.6	5,624.3	5.4%	79.8%	79.6%
Other income	81.3	39.5	105.5%	1.1%	0.6%
Other operating expenses	1,231.6	1,132.3	8.8%	16.6%	16.0%
Finance income (costs)					
Finance costs.....	(15.2)	(15.7)	3.2%	-0.2%	-0.2%
Finance income	0.3	0.3	4.4%	0.0%	0.0%
Losses from Fire Damage	-	(170.5)	100.0%	0.0%	-2.4%
Tax expense	84.6	64.8	30.7%	1.1%	0.9%
Net profit (loss).....	253.9	100.0	153.9%	3.4%	1.4%

Sales

The company recorded sales of ₱7,434.4 million for the nine months ended 30 September 2023, an increase of 5.2% from ₱7,067.7 million for the nine months ended 30 September 2022. 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 2023, cost of merchandise sold was at ₱5,930.6 million, an increase of 5.4% compared to ₱5,624.3 million for the same period in 2022, largely driven by the increase in sales in existing stores and incremental sales from the two new stores added during the period.

Support, Fees, Rentals and Other Income

Support, fees, rentals and other income increased by 105.5% from ₱39.5 million for the nine months ended 30 September 2022 to ₱81.3 million for the nine months ended 30 September 2023 due to significant increase in vendor support fees.

Other Operating Expenses

Selling Expenses

Selling expenses increased by 5.1% to ₱812.3 million for the nine months ended 30 September 2023 from ₱772.7 million for the same period in 2022 primarily due to the following:

- Increase in rentals from ₱205.7 million for the nine months ended 30 September 2022 to ₱217.1 million for the nine months ended 30 September 2023 due to higher sales recorded during the period. Rent is charged as a percentage of sales.

- Increase in communication and utilities from ₱201.8 million for the nine months ended 30 September 2022 to ₱217.3 million for the nine months ended 30 September 2023 primarily due to significant increases in electricity rates and increase in number of stores.
- Increase in agency fee from ₱171.7 million for the nine months ended 30 September 2022 to ₱185.0 million for the nine months ended 30 September 2023 attributable to the additional manpower from agencies and increase in manpower rates of such services.
- Increase in salaries, wages, and other employee benefits from ₱91.7 million for the nine months ended 30 September 2022 to ₱101.5 million for the nine months ended 30 September 2023 due to the additional manpower in the central office and for new stores.
- Decrease in merchant fee from ₱30.8 million for the nine months ended 30 September 2022 to ₱30.0 million for the nine months ended 30 September 2023 primarily due to lower debit and credit card sales for the period.
- Decrease in repairs and maintenance from ₱29.7 million for the nine months ended 30 September 2022 to ₱18.9 million for the nine months ended 30 September 2023 due to cost-cutting measures implemented.
- Decrease in operating supplies from ₱26.3 million for the nine months ended 30 September 2022 to ₱21.7 million for the nine months ended 30 September 2023 due to cost-cutting measures implemented.
- Increase in advertising and promotions from ₱13.4 million for the nine months ended 30 September 2022 to ₱19.0 million for the nine months ended 30 September 2023 due to social media boostings and printing of promotional materials.
- Increase in delivery fees from ₱1.8 million for the nine months ended 30 September 2022 to ₱1.9 million for the nine months ended 30 September 2023 on account of increase volume of deliveries for the period.

General and administrative expenses

General and administrative expenses increased by 16.6% from ₱359.6 million for the nine months ended 30 September 2022 to ₱419.3 million for the nine months ended 30 September 2023 primarily due to the following:

- Increase in depreciation and amortization from ₱273.9 million for the nine months ended 30 September 2022 to ₱339.6 million for the nine months ended 30 September 2023 due to the increase in the number of stores and amortization of capitalized interest.
- Increase in taxes and licenses from ₱40.6 million for the nine months ended 30 September 2022 to ₱40.8 million for the nine months ended 30 September 2023 due to increase in number of stores as well as increase in revenues.
- Increase in professional fees from ₱3.2 million for the nine months ended 30 September 2022 to ₱3.3 million for the nine months ended 30 September 2023 due to audit fees, board of directors' fees, and consultancy fees for sustainability reporting.
- Increase in travel and transportation from ₱13.7 million for the nine months ended 30 September 2022 to ₱14.1 million for the nine months ended 30 September 2023 due to increasing fuel prices and increased logistics activities.
- Increase in insurance from ₱9.0 million for the nine months ended 30 September 2022 to ₱11.2 million for the nine months ended 30 September 2023 due primarily to the increase in the number of stores and

adjustment in rates and insurance coverages.

- Decrease in dues and subscription from ₱17.5 million for the nine months ended 30 September 2022 to ₱9.7 million for the nine months ended 30 September 2023 due to cost-saving measures implemented.
- Decrease in miscellaneous expense from ₱1.7 million for the nine months ended 30 September 2022 to ₱0.6 million for the nine months ended 30 September 2023 due to cost-cutting measures implemented.

Finance Cost

Finance cost decreased by 3.2% from ₱15.7 million for the nine months ended 30 September 2022 to ₱15.2 million for the nine months ended 30 September 2023 due to the decrease in interest expense from lease liability.

Finance Income

Finance income increased by 4.4% from ₱0.25 million for the nine months ended 30 September 2022 to ₱0.27 million for the nine months ended 30 September 2023. The increase was primarily attributable to the higher average cash balance during the nine months ended 30 September 2023 compared to the nine months ended 30 September 2022.

Fire Loss

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

Provision for Income Tax

Provision for income tax increased by 30.7% from ₱64.8 million for the nine months ended 30 September 2022 to ₱84.6 million for the nine months ended 30 September 2023 due to higher taxable income for the period.

Net Profit

As a result of the foregoing, our net income increased by 153.9% to ₱253.9 million for the nine months ended 30 September 2023 from ₱100.0 million for the nine months ended 30 September 2022.

FINANCIAL CONDITION

As of 30 September 2023 vs. 31 December 2022

	For the period ended,		Horizontal analysis	Vertical analysis	
	September 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
	(in millions of ₱)		% Change	% of Total Assets	
Total Current Assets	₱4,076.0	₱3,775.4	8.0%	43.9%	41.3%
Total Noncurrent Assets	5,209.2	5,356.1	-2.7%	56.1%	58.7%
Total Assets	9,285.2	9,131.5	1.7%	100.0%	100.0%
Total Current Liabilities	1,402.8	1,849.2	-24.1%	15.1%	20.3%
Total Noncurrent Liabilities	1,083.8	678.2	59.8%	11.7%	7.4%
Total Liabilities	2,486.6	2,527.5	-1.6%	26.8%	27.7%
Equity	6,798.6	6,604.1	2.9%	73.2%	72.3%

	For the period ended,		Horizontal analysis	Vertical analysis	
	September 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
	(in millions of ₱)		% Change	% of Total Assets	
Total Liabilities and Equity	9,285.2	9,131.5	1.7%	100.0%	100.0%

Total assets amounting to **₱9,285.2** million as of 30 September 2023 recorded a slight increase of 1.7% from the reported amount of **₱9,131.5** million in 31 December 2022 due to the following:

- Cash increased by 9.3% from **₱992.2** million as of 31 December 2022 to **₱1,084.9** million as of 30 September 2023 due primarily to higher sales for the period.
- Receivables decreased by 4.5% from **₱132.0** million as of 31 December 2022 to **₱126.2** million as of 30 September 2023 due to collections made.
- Merchandise inventories increased by 8.8% from **₱1,797.9** million as of 31 December 2022 to **₱1,956.3** million as of 30 September 2023 due primarily to increase in inventory purchases on account of higher sales and buying of stocks for the incoming holidays.
- Prepayments and other current assets increased by 6.5% from **₱853.2** million as of 31 December 2022 to **₱908.6** million as of 30 September 2023 due primarily to advances to suppliers.
- Property and equipment decreased by 1.3% from **₱4,243.1** million as of 31 December 2022 to **₱4,188.4** million as of 30 September 2023 due primarily to depreciation for the period
- Intangible assets decreased by 14.8% from **₱554.4** million as of 31 December 2022 to **₱472.3** million as of 30 September 2023 due to amortization for the period.
- Right-of-use assets decreased by 7.8% from **₱147.5** million as of 31 December 2022 to **₱136.0** million as of 30 September 2023 due primarily to amortization for the period.
- Other non-current assets increased by 0.4% from **₱411.1** million as of 31 December 2022 to **₱412.6** million as of 30 September 2023 due primarily to security deposit paid.

Total liabilities amounting to **₱2,486.6** million as of 30 September 2023 recorded a decrease of 1.6% from the reported amount of **₱2,527.5** million in 31 December 2022. This was due to the following:

- Trade and other payables decreased by 14.4% from **₱592.8** million as of 31 December 2022 to **₱507.3** million as of 30 September 2023 due to payments of payables for the purchase of inventories.
- Loans payable including non-current portion increased slightly by 0.04% from **₱1,432.4** million as of 31 December 2022 to **₱1,433.0** million as of 30 September 2023 due to loan availments made for loan obligations due during the period.
- Lease liability including non-current portion decreased by 2.8% from **₱217.6** million as of 31 December 2022 to **₱211.4** million as of 30 September 2023 due to lease payments made.
- Deferred tax liabilities increased by 19.1% from **₱262.7** million as of 31 December 2022 to **₱312.8** million as of 30 September 2023 attributable to additional temporary tax differences recognized for the period.
- Retirement benefit obligation remained unchanged at **₱22.0** million.

Total equity increased by 2.9% from **₱6,604.1** as of 31 December 2022 to **₱6,798.6** million as of 30 September

2023 due to net income recorded for the period.

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

Key Performance Indicators	9/30/2023	9/30/2022
Sales (₱ millions)	₱ 7,434.4	₱ 7,067.7
Sales Growth (%)	5.2%	2.8%
Gross Profit Margin (%) ⁽¹⁾	20.2%	20.4%
Net Profit or Loss (₱ millions)	253.9	100.0
Net Profit Margin (%) ⁽²⁾	3.4%	1.4%

Notes:

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

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

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

Sales increased for the nine months ended 30 September 2023 compared to the nine months ended 30 September 2022 due to the same store sales growth of existing stores and the additional revenues generated from the new stores.

Gross Profit Margin slightly decreased for the nine months ended 30 September 2023 compared to the nine months ended 30 September 2022 due to the implementation of strategic pricing on some saleable merchandise, partially offset by the increase in vendor support fees.

Net Profit and Net Profit Margin increased for the nine months ended 30 September 2023 compared to the nine months ended 30 September 2022 due to higher revenues in 2023 and the incurrence of one-time loss on damaged assets due to fire in 2022.

Material Changes to the Company's Balance Sheet as of 30 September 2023 compared to 31 December 2022 (increase/decrease of 5% or more)

Cash increased by 9.3% from ₱992.2 million as of 31 December 2022 to ₱1,084.9 million as of 30 September 2023 due primarily to higher sales for the period.

Merchandise inventories increased by 8.8% from ₱1,797.9 million as of 31 December 2022 to ₱1,956.3 million as of 30 September 2023 due primarily to increase in inventory purchases on account of higher sales and buying of stocks for the incoming holidays.

Prepayments and other current assets increased by 6.5% from ₱853.2 million as of 31 December 2022 to ₱908.6 million as of 30 September 2023 due primarily to advances to suppliers.

Intangible assets decreased by 14.8% from ₱554.4 million as of 31 December 2022 to ₱472.3 million as of 30 September 2023 due to amortization for the period.

Right-of-use assets decreased by 7.8% from ₱147.5 million as of 31 December 2022 to ₱136.0 million as of 30 September 2023 due primarily to amortization for the period.

Trade and other payables decreased by 14.4% from ₱592.8 million as of 31 December 2022 to ₱507.3 million as of 30 September 2023 due to payments of payables for the purchase of inventories.

Deferred tax liabilities increased by 19.1% from ₱262.7 million as of 31 December 2022 to ₱312.8 million as of 30 September 2023 attributable to additional temporary tax differences recognized for the period.

Material Changes to the Company's Statement of income for the 9-month of 2023 compared to the 9-month of 2022 (increase/decrease of 5% or more)

The company recorded sales of ₱7,434.4 million for the nine months ended 30 September 2023, an increase of 5.2% from ₱7,067.7 million for the nine months ended 30 September 2022. The increase was attributable to sales growth from existing stores and revenue contribution of new stores.

For the nine months ended 30 September 2023, cost of merchandise sold was at ₱5,930.6 million, an increase of 5.4% compared to ₱5,624.3 million for the same period in 2022, largely driven by the increase in sales in existing stores and incremental sales from the two new stores added during the period.

Support, fees, rentals and other income increased by 105.5% from ₱39.5 million for the nine months ended 30 September 2022 to ₱81.3 million for the nine months ended 30 September 2023 due to significant increase in vendor support fees.

Selling, general and administrative expenses increased by 8.8% to ₱1,231.6 million for the nine months ended 30 September 2023 from ₱1,132.3 million for the same period in 2022 due to the above-mentioned reasons.

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

Provision for income tax increased by 30.7% from ₱64.8 million for the nine months ended 30 September 2022 to ₱84.6 million for the nine months ended 30 September 2023 due to higher taxable income for the period.

As a result of the foregoing, our net income increased by 153.9% to ₱253.9 million for the nine months ended 30 September 2023 from ₱100.0 million for the nine months ended 30 September 2022.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 30 September 2023 and as of 30 September 2022.

PART II - OTHER INFORMATION

Item 3. 9-month of 2023 Developments

A. New Projects or Investments in another line of business or corporation.

None

B. Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Camille A. Villar	Vice Chairman of the Board
Frances Rosalie T. Coloma	Director, President, and CEO
Manuel Paolo A. Villar	Director
Benjamarie Therese N. Serrano	Director
Jessie D. Cabaluna	Independent Director
Raul Juan N. Esteban	Independent Director

C. Performance of the corporation or result/progress of operations.

Please see unaudited Financial Statements and Management's Discussion and Analysis.

D. Declaration of Dividends.

₱0.0026 per share Regular Cash Dividend

Declaration date: August 14, 2023

Record date: September 12, 2023

Payment date: October 04, 2023

₱0.0032 per share Regular Cash Dividend

Declaration date: August 15, 2022

Record date: September 12, 2022

Payment date: October 04, 2022

₱0.4672 per share Regular Cash Dividend

Declaration date: December 04, 2020

Record date: December 22, 2020

Payment date: January 15, 2021

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements.

None.

F. Offering of rights, granting of Stock Options and corresponding plans thereof.

None.

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate.

Not Applicable.

H. Other information, material events or happenings that may have affected or may affect market price of security.

None.

- I. Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 9-month of 2023 Operations and Financials.

- J. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidents.

None.

- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period.

There were no changes in estimates of amounts reported in prior interim period or prior financial years that have a material effect in the current interim period.

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

See Notes to Financial Statements and Management Discussion and Analysis.

- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

See Notes to Financial Statements and Management Discussion and Analysis.

- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

None.

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

None.

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

None.

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

None.

- R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

- S. Material commitments for capital expenditures, general purpose and expected sources of funds.

Material commitments for capital expenditures contracted were attributed to the store fixtures and equipment being put up

for the upcoming new stores.

- T.** Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/income from continuing operations.

As of September 30, 2023 no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 9-month of 2023 financial statements.

- U.** Significant elements of income or loss that did not arise from continuing operations.

None.

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

None.

- W.** Seasonal aspects that had material effect on the financial condition or results of operations.

None.

- X.** Disclosures not made under SEC Form 17-C.

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

AllDay Marts, Inc.
Issuer

By:

A handwritten signature in black ink, appearing to read 'MCR', is positioned above the printed name of the signatory.

MARIA CRISTINA O. BARAO
Treasurer, CFO and Compliance Officer

Date: 14 November 2023