

# COVER SHEET

C	S	2	0	1	3	1	0	1	7	9
---	---	---	---	---	---	---	---	---	---	---

A	L	L	H	O	M	E		C	O	R	P	.										
---	---	---	---	---	---	---	--	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

L	O	W	E	R		G	R	O	U	N	D		F	L	O	O	R	,		B	U	I	L	D	I	N	G		B
,		E	V	I	A		L	I	F	E	S	T	Y	L	E		C	E	N	T	E	R	,		V	I	S	T	A
	C	I	T	Y	,		D	A	A	N	G	H	A	R	I	,		A	L	M	A	N	Z	A		I	I	,	
L	A	S		P	I	Ñ	A	S		C	I	T	Y																

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

<b>Robirose M. Abbot</b>
--------------------------

Contact Person

<b>+63 (919) 081-5302</b>
---------------------------

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Calendar Year

<b>20-IS Definitive Information Statement</b>
---

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

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

Document I.D.

LCU

Cashier



## CERTIFICATION


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

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

Issued this 3<sup>rd</sup> day of May 2023.

**ALLHOME CORP.**

By:

  
**ARBIN OMAR CARIÑO**  
Corporate Secretary

## CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am a nominee for independent director of **AllHome Corp.**
2. I am affiliated with the following companies or organizations:

Company/ Organization	Position/ Relationship	Period of Service
Philippine Survey and Research Center	Managing Director	1989-Present
Vistamalls, Inc.	Independent Director	2014-Present
AllDay Marts, Inc.	Independent Director	2021-Present
VistaREIT, Inc.	Independent Director	2022-Present

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

Done, this

at **MANDALUYONG CITY**

  
**RAUL JUAN N. ESTEBAN**  
Affiant

SUBSCRIBED AND SWORN to before me this **MAY 25 2023** at [REDACTED], affiant personally appeared before me and exhibited to me his valid ID [REDACTED], expiring on **7-5-2031**.

Doc. No. 447  
Page No. 91  
Book No. VI  
Series of 2023.

**ATTY. ARBIN OMAR P. CARINO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2024  
ROLL No. 57146

IBP Lifetime Member No. 018537  
PTR No. 5110655 / 04 Jan. 2023 / Mandaluyong City  
MCLE Compliance No. VII-0020373 issued dated 03 June 2022  
Notarial Commission Appointment No. 0388-23  
Vista Corporate Center, Upper Ground Floor,  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

## CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am a nominee for independent director of **AllHome Corp.** and have been its independent director since July 8, 2019.
2. I am affiliated with the following companies or organizations:

Company / Organization	Position / Relationship	Period of Service
AllDay Marts, Inc.	Independent Director	5 August 2021 to present
Stetchworth	President	18 September 2019 to present
Anvaya Cove Beach and Nature Club, Inc.	Independent Director	30 July 2021 to present
Areit, Inc.	Independent Director	3 December 2021 to present
Alveira Country Club	Independent Director	21 March 2023-Present
SyCip Gorres Velayo & Co. (SGV)	Partner	1978 to 2017

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



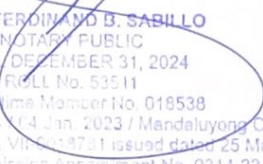
MAY 19 2023

Done, this \_\_\_\_\_ at MANDALUYONG CITY.

  
**JESSIE D. CABALUNA**  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 19 2023 at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me her valid Passport [REDACTED], expiring on November 21, 2029.

Doc. No. 406  
Page No. 83  
Book No. V  
Series of 2023.

  
**ATTY. FERDINAND B. SABILLO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2024  
ROLL No. 53511  
IBP Lifetime Member No. 016538  
PTR No. 5110654 / 14 Jan. 2023 / Mandaluyong City  
MCLE Compliance No. VII-018731 issued dated 25 May 2022  
Notarial Commission Appointment No. 0314-23  
Vista Corporate Center, Upper Ground Floor  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City



## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Notice is hereby given that the annual meeting of stockholders of ALLHOME CORP. (the "**Company**" or "**HOME**") for the year 2023 will be held online on **June 23, 2023, Friday at 10:00 a.m.** with the proceedings livestreamed and voting conducted in absentia through the Company's secure voting online facility which may be accessed through the Company's website for the 2023 AGM: **[www.corporate.allhome.com.ph/asm2023](http://www.corporate.allhome.com.ph/asm2023)**.

The order of business thereat as follows:

- I. Call to order
- II. Certification of service of notice and presence of quorum
- III. Approval of the minutes of the last Annual Meeting of Stockholders held on June 24, 2022
- IV. Presentation of the President's Report, Management Report and Audited Financial Statements as of and for the year ended December 31, 2022
- V. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
- VI. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023. The nominees for directors and independent directors are the following:  
  
Manuel B. Villar Jr.  
Camille A. Villar  
Manuel Paolo A. Villar  
Benjaminie Therese N. Serrano  
Frances Rosalie T. Coloma  
Jessie D. Cabaluna (Independent Director)  
Raul Juan N. Esteban (Independent Director)
- VII. Appointment of External Auditors
- VIII. Approval of the withdrawal of application for the Amendment of Articles of Incorporation
- IX. Other Matters
- X. Adjournment

The Board of Directors has fixed **16 May 2023** as the record date for the determination of stockholders entitled to notice of, and to vote at, said Annual Stockholders' Meeting.

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

Stockholders who intend to participate in the meeting via remote communication and to exercise their vote in absentia must notify the Corporate Secretary by registering *in absentia* on or before **June 13, 2023**. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who intend to appoint a proxy should submit duly accomplished proxy forms on or before **June 13, 2023** at the Office of the Corporate Secretary at **Upper Ground Floor, Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City** and/or by email to **omar\_carino@rlsclawoffices.com**.

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



ARBIN OMAR P. CARIÑO  
Corporate Secretary

## **AGENDA DETAILS AND RATIONALE**

### **1. Certification of service of notice and presence of quorum**

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

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

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

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

### **2. Approval of the minutes of the last Annual Meeting of Stockholders held on June 24, 2022**

The minutes of the last Annual Meeting of Stockholders held on June 24, 2022 will be presented for approval by the stockholders, in keeping with Section 49(a) of the Revised Corporation Code.

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

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

The audited financial statements ("AFS") of the Company as of and for the year ended December 31, 2022 (as audited by Punongbayan & Araullo), a copy of which is incorporated in the Definitive Information Statement for this meeting, will be presented for approval by the stockholders. The President and CEO of the Company, Ms. Benjamarie Therese N. Serrano, will deliver a report to the stockholders on the Company's performance for the year 2022 (which will include highlights from the AFS) and the outlook for 2023.

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

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

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

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

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

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

**6. Appointment of External Auditors**

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

**7. Approval of the withdrawal of application for the amendment of the Articles of Incorporation**

On July 25, 2022, AllHome Corp.'s (the "Company") Board of Directors approved the amendment of Article II of the Articles of Incorporation of the Company. On August 19, 2022, the Markets and Securities Regulation Department (MSRD) of the SEC, through an email confirmation, approved the Company's Definitive Information Statement (DIS) for distribution to the stockholders for their written assent to the Company's amendment of the Articles of Incorporation. Upon reaching the affirmative votes of at least two-thirds (2/3) of the outstanding capital stock, the amendment was considered approved by the stockholders.



The Company has made the business decision not to pursue the amendment of its Articles of Incorporation and no longer submitted the application for amendment. The Company will push through with another corporate strategy. The approval for the withdrawal of the application for amendment will be presented.

## PROXY

[NOTE: Stockholders who would like to be represented thereat by a proxy may choose to execute and send a proxy form to the Office of the Corporate Secretary, Atty. Arbin Omar P. Cariño at Upper Ground Floor, Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City on or before 13 June 2023. A sample proxy form is provided below. Stockholders may likewise email a copy of the accomplished proxy form to omar\_carino@rlsclawoffices.com.]

The undersigned stockholder of ALLHOME CORP. (the "Company") hereby appoints \_\_\_\_\_ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote \_\_\_\_\_ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on 23 June 2023 at 10:00 a.m. and at any adjournment thereof for the purpose of acting on the following matters:

- |   |  |
|---|--|
| 1. Approval of the Minutes of the Annual Stockholders Meeting of the Company held on June 24, 2022<br><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain                               | 5. Appointment of Punongbayan & Araullo ("P&A") as external auditor<br><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain                             |
| 2. Approval of the Audited Financial Statements for the period ended 31 December 2022<br><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain  | 6. Approval of the withdrawal of application for the amendment of the Articles of Incorporation<br><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain |
| 3. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2022 until date of the meeting<br><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain |  |
| 4. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023  |  |

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

\_\_\_\_\_  
Printed name of Stockholder

\_\_\_\_\_  
Signature of Stockholder /  
Authorized representative

\_\_\_\_\_  
Date

*This proxy should be received by the Corporate Secretary on or before June 13, 2023, the deadline for submission of proxies.*

*This proxy when properly executed will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the Information Statement. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. (As amended on 13 June 2019 by at least a majority of the Board of Directors and by the Stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation)*

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

*Notarization of this proxy is not required.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
☐ Preliminary Information Statement  
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **ALLHOME CORP.**
3. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CS201310179**
5. BIR Tax Identification Code **008-541-952-000**
6. **Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City,**  
**Daanghari, Almanza II, Las Piñas City** **1747**  
Address of principal office Postal Code
7. Registrant's telephone number, including area code **(+63919) 0815302**
8. Date, time and place of the meeting of security holders  
**23 June 2023, 10:00 a.m. (via Remote Communication)**
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
**1 June 2023**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:
- | Title of Each Class                   | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|---------------------------------------|---|
| <b>Common stock (As of 3/31/2023)</b> | <b>3,750,000,002 shares</b>   |
11. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes ☒ No ☐
- Name of Stock Exchange: **Philippine Stock Exchange**  
Class of securities listed: **Common Stocks**

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

<b>PART I</b>
---------------

## **INFORMATION STATEMENT**

### **GENERAL INFORMATION**

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

Date: June 23, 2023  
Time: 10:00 a.m.  
Place: Las Piñas City (via Remote Communication)  
Link: [www.corporate.allhome.com.ph/asm2023](http://www.corporate.allhome.com.ph/asm2023)

The corporate mailing address of the principal office of the Registrant is Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City, Philippines.

This Information Statement may be accessed by the Company's stockholders beginning June 1, 2023 at the Company's website, [www.allhome.com.ph](http://www.allhome.com.ph).

#### **Dissenters' Right of Appraisal**

Under Section 80, Title X, of the Revised Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Revised Corporation Code:

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

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

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

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

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

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

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

## **CONTROL AND COMPENSATION INFORMATION**

### **Voting Securities and Principal Holders Thereof**

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

Common: 3,750,000,002

(b) Record Date: 16 May 2023

Each common share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article V, Section 4 and Article VI Section 7 of the Registrant's By-Laws, all stockholders of the corporation shall have the right to participate and vote during meetings of the stockholders, including the Annual Stockholders' Meeting, either in person or by proxy executed in writing by the stockholder and filed with the corporate secretary within five business days before the scheduled meeting.

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

### **Equity Ownership of Foreign and Local Shareholders**

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

Class	Filipino		Foreign		Total Shares Outstanding
	Shares	Percent of Class	Shares	Percent of Class	
Common	3,233,694,044	86.23%	516,305,958	13.77%	3,750,000,002
<b>Total</b>	<b>3,233,694,044</b>		<b>516,305,958</b>		<b>3,750,000,002</b>



**Security Ownership of Certain Beneficial Owners and Management**

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

<b>Title of Class of Securities</b>	<b>Name/Address of Record Owners and Relationship with Us</b>	<b>Name of Beneficial Owner /Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>% of Ownership</b>
Common Shares	AllValue Holdings Corp. LGF Bldg B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,540,108,000	67.74%
Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Filipino	693,408,734	18.49%
Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Non-Filipino	516,255,958	13.77%

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

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount &amp; Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	2,540,108,000 – Indirect	Filipino	67.74%
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	100 – Direct	Filipino	0.00%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	100 – Direct	Filipino	0.00%
Common Shares	Camille A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	100 – Direct	Filipino	0.00%
Common Shares	Benjamarie Therese N. Serrano 103 Parklane St., La Marea Subdivision, San Pedro Laguna	100 – Direct	Filipino	0.00%
Common Shares	Frances Rosalie T. Coloma 1-10 Granwood Villas, BF Homes Quezon City	100 – Direct	Filipino	0.00%
Common Shares	Laura Suarez A. Acuzar 141 Washington St., Merville Subdivision Paranaque City	1 – Direct	Filipino	0.00%
Common Shares	Jessie D. Cabaluna 87 Molave Ave., Molave Park Merville, Paranaque City	1 – Direct	Filipino	0.00%
<b>TOTAL</b>		<b>2,540,108,502</b>		<b>67.74%</b>

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

---

*Based on the total issued and outstanding capital stocks as of March 31, 2023 of 3,750,000,002 common shares.*

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

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

### **Voting Trust Holders of 5.0% or More**

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

### **Changes in Control**

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

### **Directors and Executive Officers of the Registrant**

#### ***Term of Office***

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

#### ***Background Information***

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

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

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Jessie D. Cabaluna	66	Independent Director	Filipino
Laura Suarez A. Acuzar*	72	Independent Director	Filipino
Marianita N. Domingo	52	Chief Operating Officer	Filipino
Robirose M. Abbot	50	Chief Financial Officer, Chief Risk Officer and Head of Investor Relations	Filipino
Louella M. Fernandez	41	Controller and Compliance Officer	Filipino
Arbin Omar P. Cariño	42	Corporate Secretary	Filipino

\*Ms. Acuzar passed away on April 29, 2023.

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

**Manuel B. Villar, Jr. *Chairman of the Board.*** Mr. Villar, 73, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vista Land and Lifescapes, Inc., Starmalls, Inc., and Golden Bria Holdings, Inc.

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

**Frances Rosalie T. Coloma. *Director, Treasurer.*** Ms. Coloma, 60, graduated cum laude from the University of the Philippines with a degree of Bachelor of Science in Business Administration and Accountancy. She is a Certified Public Accountant. She is a Director of Vista Land and Lifescapes, Inc., and Golden Bria Holdings, Inc., Ms. Coloma was the Chief Financial Officer and Chief Information Officer of Golden Bria Holdings, Inc. from 2016 to 2019. She was also the Chief Financial Officer of Vistamalls, Inc. (formerly named as Starmalls, Inc.) from 2012 to 2016.

**Manuel Paolo A. Villar. *Director.*** Mr. Villar, 46, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied Science in 1999. He was a consultant for McKinsey & Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning. He is the President and CEO of Vista Land & Lifescapes, Inc. since 2011 and President of Vistamalls, Inc. (formerly named as Starmalls, Inc.). He is also the CEO and Chairman of St. Augustine Gold and Copper Limited from October 2012 and Chairman of TVI Resources Development Philippines, Inc. Mr. Villar is the majority shareholder of Prime Asset Ventures, Inc.

**Camille A. Villar. *Director.*** Ms. Villar, 38, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She obtained a Master's Degree in Business Administration from the Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain. She is the President and CEO of AllValue. She is also a Director of Vista Land & Lifescapes, Inc., Vistamalls, Inc. (formerly named as Starmalls, Inc.), and Golden Bria Holdings, Inc. She was President of AllHome until May 2019, Brittany Corporation from 2010 to 2013 and the Head of

Corporate Communications for Vista Land from 2008 to 2010.

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

**Laura Suarez Acuzar.** *Independent Director.* Ms. Acuzar, 72, completed her Bachelor of Science in Commerce – Accountancy degree in the University of Santo Tomas, and Management Development Program in the Asian Institute of Management in 1981. In 1993, she finished the Advanced Management Program of Harvard Business School in Boston, USA. She was previously an Audit & Business Advisory Partner of SGV & Co., an Independent Director & Audit Committee Chairperson of Loyola Plans Consolidated Inc., and an Audit Committee Member of UST Hospital, Inc. Ms. Acuzar was also a Board and Audit Committee Member of Kerrisdale Community Center Society in Vancouver, BC, a Board Member and President of the UST Alumni Association, a Board Member of the Urban Inc. Productions Society, Vancouver BC, and a Charter Member and Incorporator of the Corporate Institute of the Philippines. Ms. Acuzar sadly passed away on April 29, 2023.

**Marianita N. Domingo.** *Chief Operating Officer.* Ms. Domingo, 51, graduated from Colegio de San Juan de Letran in 1992 with a Bachelor of Science in Industrial Engineering. She is a Certified Professional in Supply Management. Ms. Domingo was the Chief Operating Officer of GetAll Corp. from 2021 to 2022. She was the COO and Co-Founder of SnapMart, Inc. from 2018 to 2022. She was the Senior Vice President for Transportation and 3PL Management at Lazada e-Services, Inc. from 2017 to 2018. She was the Senior Manager for Distribution and Warehousing of PMCTF Inc. from 2013 to 2015.

**Robirose M. Abbot.** *Chief Finance Officer, Chief Risk Officer and Investor Relations Head.* Ms. Abbot, 50, graduated from Silliman University in 1992 with a degree in Business Administration – Accounting, and completed her Masters in Business Administration from Ateneo de Manila University in 2003 earning a Gold Medal (summa cum laude). She is a Certified Public Accountant. She was previously the General Manager – Business Resource Unit of Earth+ Style Corporation from 2010 to 2011. She was also the Chief Finance Officer of Philippine Realty & Holdings Corp. from 2011 to 2014, Ubix Corporation from 2014 to 2015, and in Raemulan Lands, Inc. from 2015 to 2019.

**Louella M. Fernandez.** *Controller and Compliance Officer.* Ms. Fernandez, 41, graduated cum laude from Jose Rizal University in 2004 with a Bachelor of Science in Accountancy. She is a Certified Public Accountant. Ms. Fernandez was a Finance Head at Vista Land & Lifescapes, Inc. from 2017 to 2019. She was the Controller of various companies such as Globalland Property Management Inc. & Subsidiary, Environet Total Services Inc. & Subsidiary, and GetAll Corp. before taking the role of Controller and Compliance Officer of AllHome.

**Arbin Omar P. Cariño.** *Corporate Secretary.* Mr. Cariño, 42, graduated from the De La Salle University. He took up Bachelor of Science in Chemistry and Bachelor of Secondary Education major in Physics and Math. Mr. Cariño earned his law degree from the San Beda College of Law. He is the Corporate Secretary of AllBank, Inc.

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

With the passing of Ms. Laura Suarez Acuzar, a vacancy has occurred in the Board of Directors. Therefore, Aside from the incumbent Directors above who have been nominated for re-election to the



Board of Directors, Mr. Raul Juan N. Esteban has been nominated as independent director. The following is his business experience for the past five (5) years:

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

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

"Section 2. Independent Directors – The members of the Board of Directors must have at least one (1) share of the capital stock of the corporation. They shall serve for a period of one (1) year and until their successors are elected and qualified. The Board should have at least two (2) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

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

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

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

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

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

- (a) The perceived competing business controls the Corporation (i.e., competing business owns at least majority of the Corporation), is under common control with the Corporation (i.e., the same ultimate beneficial stockholder has control of both Corporations), or is controlled by the Corporation (i.e., at least majority of the competing business is owned by the Corporation); or
- (b) The perceived competing business is a related party to the Corporation where the nominee in question is a person identified as a person with significant influence over the Corporation and the perceived competing business, or the nominee in question is a member of the key management personnel of the Corporation and the perceived competing business.

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

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

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

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

The Registrant has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities

Regulation Code. The nominated independent directors, namely Ms. Jessie D. Cabaluna and Mr. Raul Juan N. Esteban were duly nominated by Mr. Romeo M. Sabater, a registered shareholder of the Registrant who is not a director, officer or substantial shareholder of the Registrant and who is not related to either of the said nominees. The Nominations Committee of the Company is composed of Mr. Manuel B. Villar, Jr., Chairman and Camille A. Villar, Member.

Under recommendation 5.3 of SEC Memorandum Circular No. 19, Series of 2016, the SEC allows independent directors the maximum tenure of nine (9) years to sit in the Board of a publicly listed company. The tenure of the independent directors is still within the permissible period under the said SEC recommendation as Ms. Jessie D. Cabaluna was elected as independent director in 2019.

## ***Appraisals and Performance Report for the Board***

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

<i>Director's Name</i>	<b>March 30</b>	<b>April 29</b>	<b>May 6</b>	<b>May 13</b>	<b>June 24</b>	<b>July 25</b>	<b>August 15</b>	<b>November 14</b>	<b>November 29</b>	<b>Attendance Percentage</b>
Manuel B. Villar, Jr.	P	P	P	P	P	P	P	P	P	100%
Camille A. Villar	P	P	P	P	P	P	P	P	P	100%
Manuel Paolo A. Villar	P	P	P	P	P	P	P	P	P	100%
Benjamarie Therese N. Serrano	P	P	P	P	P	P	P	P	P	100%
Frances Rosalie T. Coloma	P	P	P	P	P	P	P	P	P	100%
Laura Suarez Acuzar	P	P	P	P	P	P	P	P	P	100%
Jessie D. Cabaluna	P	P	P	P	P	P	P	P	P	100%

*Legend: (A) Absent, (P) Present*

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

### ***Term of Office***

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

### ***Resignations/Declined Nominations***

Due to the resignation of Mary Lee S. Sadiasa as Chief Operating Officer and Paul D. Estrañero as Compliance Officer and Controller effective 8 March 2023, the Board elected Marianita N. Domingo as the new Chief Operating Officer and Louella M. Fernandez as the new Controller and Compliance Officer, effective on the same date. The SEC Form 17C reflecting such change was submitted by the Company on 8 March 2023.

The Company has been informed that one of its independent directors, Laura Suarez Acuzar, has passed away on April 29, 2023. The SEC Form 17C reflecting such change was submitted by the Company on 2 May 2023. The Company shall immediately notify the regulatory bodies upon the election of a new independent director to fill-up the vacancy.

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

### **Significant Employees**

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

### **Family Relationships**

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

### **Certain Relationships and Related Transactions**

As of March 31, 2023, the Villar Family Companies held 67.74% of the total issued and outstanding common share capital of the Company

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

The transactions with related parties for the year ended December 31, 2022 are discussed in the Company's 2022 Audited Financial Statements attached in this Information Statement. Please see Notes 2.16, pages 19 to 20 and Note 18, pages 46 to 47 of the Notes to the Financial Statements accompanying the Company's 2022 Audited Financial Statements. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions.

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

### **Involvement in Certain Legal Proceedings**

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

### **Compensation of Directors and Executive Officers**

#### **Executive Compensation**

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

<b>Names</b>	<b>Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>
<b>Aggregate executive compensation for the following key management officers:</b>				



Benjamarie Therese N. Serrano	President	<b>Actual 2021</b>	<b>₱ 28.8 M</b>	<b>₱ 4.9 M</b>
		<b>Actual 2022</b>	<b>₱ 24.7 M</b>	<b>₱ 3.4 M</b>
Robirose M. Abbot	CFO/ CRO/ Head of IR	<b>Projected 2023</b>	<b>₱ 26.5 M</b>	<b>₱ 4.4 M</b>
Marianita N. Domingo	COO			
Louella M. Fernandez	Controller/ Compliance Officer			
Joselito A. Rivamonte	Chief Audit Executive			
<b>Aggregate executive compensation for all other officers and directors, unnamed</b>		<b>Actual 2021</b>	<b>₱ 30.0 M</b>	<b>₱ 5.0 M</b>
		<b>Actual 2022</b>	<b>₱ 33.0 M</b>	<b>₱ 5.5 M</b>
		<b>Projected 2023</b>	<b>₱ 35.8 M</b>	<b>₱ 6.6 M</b>

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

### **Standard arrangements**

Other than payment of reasonable per diem of P100,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director during 2022.

Director	Total Remuneration in 2022
Manuel B. Villar Jr.	P-
Camille A. Villar	-
Benjamarie Therese N. Serrano	-
Frances Rosalie T. Coloma	-
Manuel Paolo A. Villar	-
Laura Suarez A. Acuzar	1,030,789
Jessie D. Cabaluna	930,789
<b>Total</b>	<b>P1,961,578</b>

### **Other arrangements**

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

### **Employment contract between the company and executive officers**

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

### **Warrants and options held by the executive officers and directors**

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

### ***Significant employee***

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

### **Independent Public Accountants**

The auditing firm Punongbayan & Araullo ("P&A") is being recommended for election as external auditor for the current year but there will be a change in the signing partner. The Company is compliant with SRC Rule 68, (3), (b), (iv), requiring the rotation of external auditors or engagement partners for a period of five (5) consecutive years. As P&A has been the external auditor of the Company since 2018 with Mr. Nelson J. Dinio as the signing partner for AllHome, there will be a new signing partner beginning 2023.

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

### **Changes in and Disagreement with Accountants on Accounting and Financial Disclosure**

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

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

### **Audit Committee's Approval Policies and Procedures**

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

The Audit Committee of the Registrant was composed of Ms. Laura Suarez Acuzar, Chairman, and Mr. Manuel Paolo A. Villar and Ms. Jessie D. Cabaluna, members.

### **Audit and Audit-Related Fees**

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

	<b><u>2022</u></b>	<b><u>2021</u></b>
	<b><i>(In ₱ Thousands with VAT)</i></b>	
Audit and Audit-Related Fees	₱ 1,600.0	₱ 1,550.0

Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements

All Other Fees

<b>Total</b>	<b>₱ 1,600.0</b>	<b>₱ 1,550.0</b>
--------------	------------------	------------------

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

### **Tax Fees**

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

### **Authorization or Issuance of Securities Other than for Exchange**

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

### **Modification or Exchange of Securities**

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

### **Mergers, Consolidations, Acquisitions and Similar Matters**

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

### **Acquisition or Disposition of Property**

Not applicable. The Company has not acquired any new property.

### **Restatement of Accounts**

Not applicable. The Company has not restated any accounts.

## **OTHER MATTERS**

### **Action with Respect to Reports**

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

1. Minutes of the last Annual Meeting of Stockholders held on June 24, 2022, covering the following matters: (i) Approval of the minutes of the Annual Stockholders' Meeting held on June 25, 2021; (ii) Presentation of the President's Report, Management Report and Audited Financial Statements for the year 2021; (iii) Ratification of all acts and resolutions of the Board of Directors and Management since the annual stockholders' meeting held in June 25, 2021; (iv) Election of the members of Board of Directors, including the Independent Directors of the Company for the ensuing fiscal year; (v) Appointment of the external auditor of the Company for the fiscal year 2022; and (vi) other matters.

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

The 2022 Annual Meeting of the Shareholders was held via remote communication and was attended by the shareholders, the Board of Directors, and various officers of the Corporation. The shareholders were allowed to vote on each agenda item presented to them for approval, with the number of votes approving each agenda item indicated in their respective sections in the Minutes. The shareholders were also given the opportunity through electronic mail to ask questions, express opinion, and make suggestions on various issues related to the Corporation. In compliance with Section 49 of the Revised Corporation Code, the Minutes of the Annual Meeting of the Shareholders held on June 24, 2022 and the 2022 Definitive Information Statement contain the following: (a) a description of the voting and tabulation procedures used in the meeting, (b) a description of the opportunity given shareholders to ask questions and a description of the nature of the questions, (c) matters discussed and resolutions reached and the record of the voting results for each agenda item and (d) a list of the directors and shareholders who attended the meeting.

#### **Matters Not Required to be Submitted**

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

#### **Amendment of Charter, Bylaws or Other Documents**

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

#### **Other Proposed Actions**

1. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2022 until the date of the meeting, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; resignation/election of members of the Board of Directors; appointment of authorized signatures for various transactions in the normal course of business of the Company as well as opening and closure of various investment and/or deposit accounts.
2. Election of External Auditors
3. Approval of the withdrawal of application for the amendment of the Articles of Incorporation. On July 25, 2022, the Board of Directors approved the amendment of Article II of the Articles of Incorporation of the Company, which was also approved through the written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. However, the Company has made the business decision not to pursue the amendment of its Articles of Incorporation and will no longer submit the application for amendment with the SEC. The Company will push through with another corporate strategy. The approval for the withdrawal of the application for amendment will be presented.

#### **Voting Procedures**

##### *Manner of voting*

In all items for approval, except in the election of directors, each share of stock entitles its

registered owner to one vote.

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

#### *Voting requirements*

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

#### *Method of counting votes*

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



## PART II

### MANAGEMENT REPORT

#### I. FINANCIAL STATEMENTS

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

#### II. INFORMATION ON INDEPENDENT ACCOUNTANT

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

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

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

	<u>2022</u>	<u>2021</u>
	<i>(In ₱ Thousands with VAT)</i>	
Audit and Audit-Related Fees	₱ 1,600.0	₱ 1,550.0
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements		
All Other Fees	-	-
<b>Total</b>	<b>₱ 1,600.0</b>	<b>₱ 1,550.0</b>
<i>P&amp;A does not have any direct or indirect interest in the Company. No other assurance and related services were rendered other than mentioned above.</i>		

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

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

#### IV. MANAGEMENT'S DISCUSSION AND ANALYSIS

##### REVIEW OF FIRST QUARTER END 2023 VS FIRST QUARTER END 2022

##### RESULTS OF OPERATIONS

	Unaudited March 31, 2023 (in millions of ₱)	Unaudited March 31, 2022	Horizontal Analysis % Change	Vertical Analysis % of Total Sales 3/31/2023 3/31/2022	
Sales	2,921.2	3,238.6	-10%	100%	100%
Cost of Merchandise Sold	1,823.6	2,070.3	-12%	62%	64%
Gross Profit	1,097.6	1,168.3	-6%	38%	36%
Support, Fess, Rentals and Other Revenue	58.4	64.7	-10%	2%	2%
Gross Profit including Other Revenues	1,156.0	1,233.0	-6%	40%	38%
Total Operating Expenses	763.9	765.6	0%	26%	24%
Operating Profit	392.2	467.4	-16%	13%	14%
Finance Costs (Income) - Net					
Finance costs	109.4	100.8	9%	4%	3%
Finance income	(0.2)	(0.3)	-17%	0%	0%
	109.2	100.5	9%	4%	3%
Profit Before Extraordinary Item	283.0	366.9			
Loss from Fire Damage		303.1			
Profit Before Tax	283.0	63.8	344%	10%	2%
Tax Expense					
Current	32.1	73.3	-56%	1%	2%
Deferred	38.6	18.4	110%	1%	1%
	70.7	91.7	-23%	2%	3%
Net Profit	212.3	(27.9)	-861%	7%	-1%

##### **Quarter Ended March 31, 2022 compared to quarter ended March 31, 2021**

##### **Sales**

The company recorded sales of ₱2,921.2 million for the three months ended March 31, 2023, a decrease of about 10% from ₱3,238.6 million for the three months ended March 31, 2022. This was brought about by the continued weakened sales in the hard categories as customers, who are primarily end-consumers, shift their spending of disposable income to travel / leisure / food, and entertainment to address their pent-up demands during the pandemic.

The following table shows the key operating performance indicators relevant to the revenues for the period ended March 31, 2023 and 2022.

	As of and for the period ended March 31		
	2023	2022	Percentage Change
Number of stores	60*	54*	11.11%
Net Selling Area (in sqms)	295,303	284,552	3.78%
Net Sales (₱ millions)	2,221.2	3,238.6	-9.80%
SSSG	-12.1%	-9.8%	-2.3%

*\*Excluding 3 Alabang stores*

### **Cost of Merchandise Sold**

For the three months ended March 31, 2023, cost of merchandise sold was at ₱1,823.6 million, a decrease of 12% from the ₱2,070.3 million for the same period in 2022 corresponding to the decrease in sales as well as due to lower cost of goods as these were purchased in advance in the previous quarters at lower cost.

### **Support, Fees, Rentals and Other Revenues**

Support, Fees, Rentals and Other Revenues decreased by 10% from ₱64.7 million for the three months ended March 31, 2022 to ₱58.4 million for the three months ended March 31, 2023, primarily due to the decrease in vendor's support with no store opened during the period.

### **Selling, General and Administrative Expenses**

Selling, General and Administrative Expenses decreased by 0.2% to ₱763.9 million for the three months ended March 31, 2023 from ₱765.6 million for the same period in 2022, primarily due to the following reason:

- Decrease in depreciation and amortization from ₱388.8 million in March 31, 2022 to ₱371.3 million in March 31, 2023 attributed to the closure of a rented warehouse.
- Decrease in salaries, wages, and employee benefits from ₱95.2 million in March 31, 2022 to ₱91.3 million in March 31, 2022 due to the continuous rationalization of manpower.
- Decrease in outside services from ₱77.3 million in March 31, 2022 to ₱64.9 million in March 31, 2023 due to the manpower rationalization being implemented as well as decline in customers' delivery charges due to lower sales for the period.
- Increase in rentals from ₱70.9 million in March 31, 2022 to ₱75.1 million in March 31, 2023 as rent-free period of new stores opened starting second quarter of 2022 has been completed and rent charges commenced in 2023.
- Increase in communication and utilities from ₱70.7 million in March 31, 2022 to ₱71.8 million in March 31, 2023 primarily due to the increase in the number of stores.
- Increase in merchant fee from ₱30.9 million in March 31, 2022 to ₱31.6 million in March 31, 2023 due to higher debit/credit card and installment sales for the period.
- Decrease in taxes and licenses from ₱28.4 million in March 31, 2022 to ₱23.0 million in March 31, 2023 due to lower sales.
- Increase in repairs and maintenance from ₱5.2 million in March 31, 2022 to ₱9.4 million in March 31, 2023 due to the additional disinfection and sanitation protocols implemented in the stores as well as due to weatherproofing maintenance services done in the stores.
- Increase in office and store supplies from ₱5.4 million in March 31, 2022 to ₱5.5 million in March 31, 2023 due primarily to timing of purchases of supplies in the head office and due to increase in the number of stores.
- Decrease in professional fees from ₱3.5 million in March 31, 2022 to ₱3.2 million in March 31, 2023 due to timing difference in the payment of audit fees, BOD fees, and consultancy fees.
- Increase in advertising and promotions from ₱2.6 million in March 31, 2022 to ₱3.0 million in March 31, 2023 due to social media boostings as well as flyer/banner print-outs for marketing purposes.

- Decrease in dues and subscriptions from ₱2.5 million in March 31, 2022 to ₱2.1 million in March 31, 2023 due to cost-saving measures implemented.
- Increase in transportation expense from ₱1.3 million in March 31, 2022 to ₱3.1 million in March 31, 2023 due to increasing fuel prices and also due to increase in deliveries from distribution centers to stores as well as inter-stores stock transfer.
- Increase in insurance expense from ₱1.0 million in March 31, 2022 to ₱3.7 million in March 31, 2023 to cover the newly opened stores and adjustment in coverages.
- Increase in representation and entertainment from ₱613.3 thousand in March 31, 2022 to ₱1.2 million in March 31, 2023 due to the increase in the number of physical meetings during the period.
- Increase in commission expense from ₱528.5 thousand in March 31, 2022 to ₱1.2 million in March 31, 2023 as most corporate sales during the period were generated by external or third party sales teams.
- Decrease in impairment gain on lease modification from ₱21.4 million in March 31, 2022 to nil in March 31, 2023 due to the derecognition and termination of rent of the Alabang stores, accounted under PFRS 16, due to the fire incident in 2022.
- Increase in miscellaneous expense from ₱2.1 million in March 31, 2022 to ₱2.5 million in March 31, 2023 due to loss on disposal of defective assets under property and equipment and other minor expenses.

### **Finance Cost, net**

Finance cost, net increased from ₱100.5 million for the three months ended March 31, 2022 to ₱109.2 million for the three months ended March 31, 2023 due primarily to the increase in interest on loans payable and slightly offset by the decrease in interest expense from lease liability.

### **Tax Expense**

Tax expense decreased by 23% from ₱91.7 million for the three months ended March 31, 2022 to ₱70.7 million for the three months ended March 31, 2023 due to lower taxable income for the period.

### **Fire Loss**

The Company recorded fire losses in 2022 when the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories, and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively. Thus, the total losses from fire amounted to P303.1 million, not taking into account the insurance claims which were received in the latter part of 2022.

### **Net Profit**

As a result of the foregoing, our net income increased by 861% from ₱27.9 million net loss for the three months ended March 31, 2022 to ₱212.3 million net profit for the three months ended March 31, 2023.

## FINANCIAL CONDITION

	Unaudited Mar 31, 2023 (in millions of ₱)	Audited Dec 31, 2022	Horizontal Analysis % Change	Vertical Analysis % of Total Assets Q1 2023 FY 2022	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1,636.5	1,767.7	-7%	6%	7%
Trade and other receivables - net	487.8	655.3	-26%	2%	2%
Merchandise inventories	6,497.2	6,629.8	-2%	25%	25%
Other current assets	3,107.6	2,963.7	5%	12%	11%
Total Current Assets	11,729.1	12,016.4	-2%	44%	45%
NON-CURRENT ASSETS					
Property and equipment - net	13,862.6	14,018.9	-1%	53%	52%
Other non-current assets	787.3	699.1	13%	3%	3%
Total Non-current Assets	14,649.9	14,718.0	0%	56%	55%
TOTAL ASSETS	26,379.0	26,734.4	-1%	100%	100%
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	1,109.7	1,246.3	-11%	4%	5%
Loans payable - current portion	2,612.8	2,931.4	-11%	10%	11%
Lease liabilities - current portion	470.3	489.8	-4%	2%	2%
Income tax payable	27.6	4.8	476%	0%	0%
Total Current Liabilities	4,220.4	4,672.2	-10%	16%	17%
NON-CURRENT LIABILITIES					
Lease liabilities - net of current portion	2,965.0	3,256.1	-9%	11%	12%
Loans payable - net of current portion	3,142.9	3,010.0	4%	12%	11%
Deferred tax liabilities - net	486.6	448.0	9%	2%	2%
Retirement benefit obligation	69.1	65.5	6%	0%	0%
Total Non-current Liabilities	6,663.6	6,779.5	-2%	25%	25%
Total Liabilities	10,884.0	11,451.7	-5%	41%	43%
EQUITY					
Capital stock	3,750.0	3,750.0	0%	14%	14%
Additional paid-in capital	7,209.3	7,209.3	0%	27%	27%
Revaluation reserves - net	10.9	10.9	0%	0%	0%
Retained earnings	4,524.7	4,312.4	5%	17%	16%
Total Equity	15,495.0	15,282.7	1%	59%	57%
TOTAL LIABILITIES AND EQUITY	26,379.0	26,734.4	-1%	100%	100%

### As of 31 March 2023 vs. 31 December 2022

Total assets amounting to ₱26,379.0 million as of March 31, 2023 recorded a decrease of 1% from the reported amount of ₱26,734.4 million in December 31, 2022 due to the following:

- Cash amounting to ₱1,636.5 million as of March 31, 2023 recorded a decrease of 7% from the reported amount of ₱1,767.7 million in December 31, 2022 due to lower sales generated for the period, advances for purchases, and construction-in-progress for new stores.
- Trade and Other Receivables amounting to ₱487.8 million as of March 31, 2023 recorded a decrease of 26% from the reported amount of ₱655.3 million reported in December 31, 2022 due to timing difference in collection.
- Merchandise Inventory amounting to ₱6,497.2 million as of March 31, 2023 recorded a decrease of 2% from the ₱6,629.8 million reported in December 31, 2022 due primarily to the flush-out sales of slow-moving and non-moving inventories during the period.
- Property and Equipment amounting to ₱13,862.6 million as of March 31, 2023 recorded a decrease of 1% from the ₱14,018.9 million reported in December 31, 2022 primarily due to

depreciation.

- Other Assets amounting to ₱3,894.9 million, as of March 31, 2023, recorded an increase of 6% from the amount ₱3,662.8 million reported in December 31, 2022 due primarily to security deposit for new warehouse, and advances for purchases.

Total liabilities as of 31 December 2021 were ₱11,186.7 million compared to ₱10,771.5 million as of 31 March 2022, or a 4% decrease. This was due to the following:

- Trade and other payables amounting to ₱1,109.7 million, as of March 31, 2023, recorded a decrease of 11% from the ₱1,246.3 million reported in December 31, 2022 due to payments of payables for the purchase of inventories.
- Loans payable including non-current portion amounting to ₱5,577.8 million, as of March 31, 2023, recorded a decrease of 6% from the ₱5,941.4 million reported in December 31, 2022 due to loan payments made.
- Lease liability including non-current portion amounting to ₱3,613.2 million, as of March 31, 2023, recorded a decrease of 4% from the ₱3,745.8 million reported in December 31, 2022 due to lease payments made.
- Income tax payable amounting to ₱27.6 million, as of March 31, 2023, recorded an increase of 476% from the ₱4.8 million reported in December 31, 2022 due to tax payable for the period.
- Deferred Tax Liability amounting to ₱486.6 million, as of March 31, 2023, recorded an increase of 9% from the amount ₱448.0 million reported in December 31, 2022 due to the adjustment to temporary tax differences for the period.
- Retirement benefit obligation amounting to ₱69.1 million, as of March 31, 2023, recorded an increase of 6% from the ₱65.5 million reported in December 31, 2022 due to adjustment of provision for the retirement benefit.

Total stockholder's equity amounting to ₱15,495.0 million, as of March 31, 2023, recorded an increase of 1% from the ₱15,282.7 million reported in December 31, 2022 due to net income recorded for the period.

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

<b>Key Performance Indicators</b>	<b>3/31/2023</b>	<b>3/31/2022</b>
Revenues ( ₱ millions)	₱2,921.2	₱3,238.6
Gross Profit ( ₱ millions)	1,097.6	1,168.3
Gross Profit Margin (%) (a)	37.6%	36.1%
Net Profit or Loss ( ₱ millions)	212.3	(27.9)
Net Profit Margin (%) (b)	7.3%	(0.9%)

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

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

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

Revenues decreased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to weakened sales in the hard categories as customers, who are primarily end-consumers, shift their spending of disposable income to travel / leisure / food, and entertainment to address their pent-up demands during the pandemic.

Gross Profit decreased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to the decrease in sales.

Gross Profit Margin increased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to lower cost of goods sold as these were purchased in advance in the previous quarters at lower cost.

Net Profit or Loss, and Net Profit Margin increased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to lower total operating expenses, and incurrence of loss on damaged assets due to fire in 2022.

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

- Cash amounting to ₱1,636.5 million as of March 31, 2023 recorded a decrease of 7% from the reported amount of ₱1,767.7 million in December 31, 2022 due to lower sales for the period, advances for purchases, and construction-in-progress for new stores.
- Trade and Other Receivables amounting to ₱487.8 million as of March 31, 2023 recorded a decrease of 26% from the reported amount of ₱655.3 million reported in December 31, 2022 due to timing difference in collection.
- Other Assets amounting to ₱3,894.9 million, as of March 31, 2023, recorded an increase of 6% from the amount ₱3,662.8 million reported in December 31, 2022 due primarily to security deposit for new warehouse, and advances for purchases.
- Trade and other payables amounting to ₱1,109.7 million, as of March 31, 2023, recorded a decrease of 11% from the ₱1,246.3 million reported in December 31, 2022 due to payments of payables for the purchase of inventories.
- Loans payable including non-current portion amounting to ₱5,577.8 million, as of March 31, 2023, recorded a decrease of 6% from the ₱5,941.4 million reported in December 31, 2022 due to loan payments made.
- Income tax payable amounting to ₱27.6 million, as of March 31, 2023, recorded an increase of 476% from the ₱4.8 million reported in December 31, 2022 due to tax payable for the period.
- Deferred Tax Liability amounting to ₱486.6 million, as of March 31, 2023, recorded an increase of 9% from the amount ₱448.0 million reported in December 31, 2022 due to the adjustment to temporary tax differences for the period.
- Retirement benefit obligation amounting to ₱69.1 million, as of March 31, 2023, recorded an increase of 6% from the ₱65.5 million reported in December 31, 2022 due to adjustment of provision for the retirement benefit.

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

- The company recorded sales of ₱2,921.2 million for the three months ended March 31, 2023,

a decrease of about 10% from ₱3,238.6 million for the three months ended March 31, 2022. This was brought about by the weakened sales in the hard categories due to shift in consumer spending to travel / leisure / food, and entertainment.

- For the three months ended March 31, 2023, cost of merchandise sold was at ₱1,823.6 million, a decrease of 12% from the ₱2,070.3 million for the same period in 2022 corresponding to the decrease in sales as well as due to lower cost of goods as these were purchased in advance in the previous quarters at lower cost.
- Support, Fees, Rentals and Other Revenues decreased by 10% from ₱64.7 million for the three months ended March 31, 2022 to ₱58.4 million for the three months ended March 31, 2023, primarily due to the decrease in vendor's support with no new store opened during the period.
- Finance cost, net increased from ₱100.5 million for the three months ended March 31, 2022 to ₱109.2 million for the three months ended March 31, 2023 due primarily to the increase in interest on loans payable and slightly offset by the decrease in interest expense from lease liability.
- Tax expense decreased by 23% from ₱91.7 million for the three months ended March 31, 2022 to ₱70.7 million for the three months ended March 31, 2023 due to lower taxable income for the period.
- The Company recorded fire losses in 2022 when the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories, and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively. Thus, the total losses from fire amounted to P303.1 million, not taking into account the insurance claims which were received in the latter part of 2022.
- As a result of the foregoing, our net income increased by 861% from ₱27.9 million net loss for the three months ended March 31, 2022 to ₱212.3 million net profit for the three months ended March 31, 2023.

### **COMMITMENTS AND CONTINGENCIES**

There are no material commitment and contingency as of March 31, 2023 and as of March 31, 2022. For the 3-month of 2023, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues. There are no significant elements of income or loss that did not arise from the Company's continuing operations.



## **REVIEW OF YEAR END 2022 VS YEAR END 2021**

### **RESULTS OF OPERATIONS**

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

	<b>FY2022</b>	<b>FY2021</b>	<b>Horizontal Analysis</b>	<b>Vertical Analysis</b>	
	(in millions of ₱)		% Change	% of Total Sales	
				FY2022	FY2021
Sales	12,564.8	14,324.9	-12%	100%	100%
Cost of Merchandise Sold	7,940.6	9,306.1	-15%	63%	65%
Gross Profit	4,624.1	5,018.7	-8%	37%	35%
Support, Fess, Rentals and Other Revenues	254.7	355.9	-28%	2%	2%
Gross Profit including Other Revenues	4,878.8	5,374.7	-9%	39%	38%
Total Operating Expenses	3,059.9	3,156.4	-3%	24%	22%
Operating Profit	1,819.0	2,218.3	-18%	14%	15%
Other Income (Charges) - Net					
Finance costs	408.4	393.7	4%	3%	3%
Losses from fire - net	233.6	-	0%	2%	0%
Finance income	(1.5)	(1.2)	24%	0%	0%
Other gains	(66.3)	-	0%	1%	0%
	574.2	392.5	46%	5%	3%
Profit Before Tax	1,244.8	1,825.8	-32%	10%	13%
Tax Expense					
Current	177.7	373.9	-52%	1%	3%
Deferred	133.3	7.5	1669%	1%	0%
	311.0	381.4	-18%	2%	3%
<b>NET PROFIT</b>	<b>933.8</b>	<b>1,444.3</b>	<b>-35%</b>	<b>7%</b>	<b>10%</b>

### **Revenues**

The company recorded sales of ₱12,564.8 million for the year ended 31 December 2022, a decrease of 12% from ₱14,324.9 million for the year ended 31 December 2021. This was brought about by the weakened sales in the hard categories since the 2nd quarter this year, Omicron surge in the 1st quarter, lower foot traffic due to heavy rains and strong typhoons in August and September, and the shift in consumer spending to travel/leisure/entertainment.

The following table shows the key operating performance indicators relevant to the revenues for the period ended 31 December 2022 and 2021.

	As of and for the period ended 31 December		Percentage Change
	2022	2021	
Number of stores	60*	57	5.26%
Net Selling Area (in sqms)	295,303	297,469	-0.73%
Net Sales (₱ millions)	12,565	14,325	-12.29%
SSSG**	-13.0%	8.1%	

\*63 stores less 3 Alabang stores

*\*\*SSSG excludes Alabang stores*

### **Cost of Merchandise Sold**

For the year ended 31 December 2022, cost of merchandise sold was at ₱7,940.6 million, a decrease of 15% from the ₱9,306.1 level for the same period in 2021 corresponding to the decrease in sales as well as due to lower cost of goods as these were purchased in advance at lower cost.

### **Support, Fees, Rentals and Other Revenues**

Support, fees, rentals, and other revenues decreased by 28% from ₱355.9 million for the year ended 31 December 2021 to ₱254.7 million for the year ended 31 December 2022, primarily due to the decrease in vendor's support with less number of large stores opened during the period.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses decreased by 3% to ₱3,059.9 million for the year ended 31 December 2022 from ₱3,156.4 million for the same period in 2021, primarily due to the following reasons:

- Increase in depreciation and amortization from ₱1,200.7 million for the year ended 31 December 2021 to ₱1,399.2 million for the year ended 31 December 2022 primarily as a result of increase in the number of stores.
- Increase in salaries and wages from ₱363.7 million for the year ended 31 December 2021 to ₱384.4 million for the year ended 31 December 2022 due to the additional manpower for the new stores.
- Decrease in rentals from ₱467.4 million for the year ended 31 December 2021 to ₱317.5 million for the year ended 31 December 2022 due to lower sales which is used for the rental computation and the closure of Alabang stores.
- Decrease in outside services from ₱363.4 million for the year ended 31 December 2021 to ₱281.7 million for the year ended 31 December 2022 due to the manpower rationalization being implemented as well as due to the decline in customers' delivery charges due to lower sales for the period.
- Decrease in communication and utilities from ₱333.4 million for the year ended 31 December 2021 to ₱267.6 million for the year ended 31 December 2022 due to cost-saving measures being implemented.
- Increase in merchant fee from ₱120.9 million for the year ended 31 December 2021 to ₱149.9 million for the year ended 31 December 2022 due to higher debit/credit card and installment sales for the period.
- Decrease in taxes and licenses from ₱107.1 million for the year ended 31 December 2021 to ₱105.6 million for the year ended 31 December 2022 due to lower sales.
- Increase in repairs and maintenance from ₱19.1 million for the year ended 31 December 2021 to ₱25.0 million for the year ended 31 December 2022 due to the additional disinfection and sanitation protocols implemented in the stores as well as due to weatherproofing maintenance services done in the stores.

- Increase in office and store supplies from ₱23.1 million for the year ended 31 December 2021 to ₱25.0 million for the year ended 31 December 2022 due primarily to timing of purchases of supplies in the head office and due to increase in the number of stores.
- Decrease in advertising and promotions from ₱19.2 million for the year ended 31 December 2021 to ₱17.0 million for the year ended 31 December 2022 on account of cost-saving measures implemented and usage of online digital and social media platforms for marketing purposes.
- Increase in transportation expense from ₱9.6 million for the year ended 31 December 2021 to ₱16.5 million for the year ended 31 December 2022 due to increasing fuel prices and increase in deliveries from distribution centers to stores as well as inter-stores stock transfer.
- Increase in insurance expense from ₱9.2 million for the year ended 31 December 2021 to ₱13.2 million for the year ended 31 December 2022 to cover the newly opened stores and adjustment in coverages.
- Increase in dues and subscription from ₱11.8 million for the year ended 31 December 2021 to ₱12.9 million for the year ended 31 December 2022 due to increase in the number of stores.
- Decrease in professional fees from ₱18.0 million for the year ended 31 December 2021 to ₱12.9 million for the year ended 31 December 2022 primarily because of the one-time credit rating fee paid in 2021.
- Increase in commission expense from ₱4.5 million the year ended 31 December 2021 to ₱7.1 million for the year ended 31 December 2022 as most corporate sales during the period were generated by external or third party sales teams.
- Representation and entertainment was maintained at ₱6.8 million for the years ended 31 December 2021 and 31 December 2022.
- Decrease in impairment loss from ₱50.9 million for the year ended 31 December 2021 to nil for the year ended 31 December 2022 as recognized allowance for impairment is sufficient.
- Decrease in miscellaneous from ₱27.7 million for the year ended 31 December 2021 to ₱17.4 million for the year ended 31 December 2022 due to cost-saving measures implemented.

### **Finance Cost**

Finance cost increased from ₱393.7 million for the year ended 31 December 2021 to ₱408.4 million for the year ended 31 December 2022. The increase was primarily attributable to the increase of ₱45.7 million interest expense on loans payable and ₱0.8 million interest expense on retirement funds but slightly offset by the decrease of ₱31.8 million interest expense from lease liability.

### **Losses from Fire**

On January 8, 2022, the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories, and property and equipment with net carrying value amounting to P83.8 million and P219.3 million,

respectively. The Company received total insurance claims amounting to P69.5 million, which was offset against the losses incurred from the fire incident. Thus, the related net losses from fire amounted to P233.6 million.

### **Finance Income**

Finance income increased from ₱1.2 million for the year ended 31 December 2021 to ₱1.5 million for the year ended 31 December 2022. The increase was primarily attributable to the interest income on time deposits.

### **Other gains**

All of the Company's trade and other receivables have been assessed for ECL in 2022, 2021 and 2020. In 2021 and 2020, the Company recognized an impairment loss amounting to P50.9 million and P5.6 million, respectively. The impairment loss recognized is presented as Impairment loss under General and Administrative Expenses in the statements of comprehensive income. In 2022, the Company recognized a gain on reversal of impairment loss amounting to P34.0 million.

In 2022, the Company derecognized right-of-use assets with total carrying amount of P235.1 million, as a result of the pre-termination of leases on certain store outlets and warehouse facilities, including the lease in Alabang store affected by the fire incident. The corresponding lease liabilities derecognized amounted to P267.3 million. Gain on lease modification amounting to P32.2 million was recognized.

As a result, Other gains is ₱66.3 million for the year ended 31 December 2022 from nil for the year ended 31 December 2021.

### **Tax Expense**

Tax expense decreased by 18% from ₱381.4 million for the year ended 31 December 2021 to ₱311.0 million for the year ended 31 December 2022 due to lower taxable income for the period.

### **Net Profit**

As a result of the foregoing, our net income decreased by about 35% from ₱1,444.3 million for the year ended 31 December 2021 to ₱933.8 million for the year ended 31 December 2022.

For the 12-month of 2022, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

## FINANCIAL CONDITION

	FY2022	FY2021	Horizontal Analysis	Vertical Analysis	
	(in millions of ₱)		% Change	% of Total Assets FY2022	FY2021
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1,767.7	1,885.5	-6%	7%	7%
Trade and other receivables - net	655.3	383.8	71%	2%	1%
Merchandise inventories	6,629.8	7,055.6	-6%	25%	27%
Other current assets	2,963.7	2,139.5	39%	11%	8%
Total Current Assets	<b>12,016.4</b>	<b>11,464.5</b>	5%	45%	44%
<b>NON-CURRENT ASSETS</b>					
Property and equipment - net	14,018.9	13,605.5	3%	52%	53%
Other non-current assets	699.1	742.7	-6%	3%	3%
Total Non-current Assets	<b>14,718.0</b>	<b>14,348.2</b>	3%	55%	56%
<b>TOTAL ASSETS</b>	<b>26,734.4</b>	<b>25,812.7</b>	4%	100%	100%
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	1,246.3	1,229.7	1%	5%	5%
Loans payable - current portion	2,931.4	2,044.4	43%	11%	8%
Lease liabilities - current portion	489.8	613.8	-20%	2%	2%
Income tax payable	4.8	89.7	-95%	0%	0%
Total Current Liabilities	<b>4,672.2</b>	<b>3,977.6</b>	17%	17%	15%
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities - net of current portion	3,256.1	3,927.9	-17%	12%	15%
Loans payable - net of current portion	3,010.0	2,900.0	4%	11%	11%
Deferred tax liabilities - net	448.0	310.8	44%	2%	1%
Retirement benefit obligation	65.5	70.4	-7%	0%	0%
Total Non-current Liabilities	<b>6,779.5</b>	<b>7,209.1</b>	-6%	25%	28%
Total Liabilities	<b>11,451.7</b>	<b>11,186.7</b>	2%	43%	43%
<b>EQUITY</b>					
Capital stock	3,750.0	3,750.0	0%	14%	15%
Additional paid-in capital	7,209.3	7,209.3	0%	27%	28%
Revaluation reserves - net	10.9	(0.7)	-1667%	0%	0%
Retained earnings	4,312.4	3,667.4	18%	16%	14%
Total Equity	<b>15,282.7</b>	<b>14,626.0</b>	4%	57%	57%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>26,734.4</b>	<b>25,812.7</b>	4%	100%	100%

### As of 31 December 2022 vs. 31 December 2021

Total assets as of 31 December 2022 were ₱26,734.4 million compared to ₱25,812.7 million as of 31 December 2021, or a 4% increase due to the following:

- Cash decreased by 6% from ₱1,885.5 million as of 31 December 2021 to ₱1,767.7 million as of 31 December 2022 as the cash generated were used primarily for the capital expenditures of new stores, setting up of new head offices and data centers as previous offices were damaged by fire, and refresh of mature stores and software upgrades.

- Trade and other receivables increased by 71% from ₱383.8 million as of 31 December 2021 to ₱655.3 million as of 31 December 2022 due to timing difference in collection for corporate sales.
- Merchandise inventories decreased by 6% from ₱7,055.6 million as of 31 December 2021 to ₱6,629.8 million as of 31 December 2022 due primarily to the flush out sales of slow-moving and non-moving inventories during the period.
- Property and equipment increased by 3% from ₱13,605.5 million as of 31 December 2021 to ₱14,018.9 million as of 31 December 2022 due primarily to capital expenditures spent for new stores, setting up of new head offices and data centers as previous offices were damaged by fire, refresh of mature stores and software upgrades.
- Other assets increased by 27% from ₱2,882.2 million as of 31 December 2021 to ₱3,662.8 million as of 31 December 2022 due primarily to advances to suppliers and contractors.

Total liabilities as of 31 December 2021 were ₱11,186.7 million compared to ₱11,451.7 million as of 31 December 2022, or a 2% increase. This was due to the following:

- Loans payable including the non-current portion increased by 20% from ₱4,944.4 million as of 31 December 2021 to ₱5,941.4 million as of 31 December 2022 due to additional borrowings to fund for newly stores opened during the period.
- Lease liability including the non-current portion decreased by 18% from ₱4,541.7 million as of 31 December 2021 to ₱3,745.8 million as of 31 December 2022 due to lease payments made.
- Income tax payable decreased by 95% from ₱89.7 million as of December 31, 2021 to ₱4.8 million as of 31 December 2022 due to lower tax payable for the period.
- Deferred tax liabilities decreased by 44% from ₱310.8 million as of December 31, 2021 to ₱448.0 million as of 31 December 2022 due to adjustments to temporary tax differences for the period.
- Retirement benefit obligation decreased by 7% from ₱70.4 million as of 31 December 2021 to ₱65.5 million as of 31 December 2022 due to adjustment of provision for the retirement benefit.

Total stockholder's equity increased by 4% from ₱14,626.0 million as of 31 December 2021 to ₱15,282.7 million as of 31 December 2022 due to net income recorded for the period.

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

<b>Key Performance Indicators</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
Revenues (₱ millions)	₱12,564.8	₱14,324.9
Gross Profit (₱ millions)	4,624.1	5,018.7
Gross Profit Margin (%) <sup>(a)</sup>	36.8%	35.0%
Net Profit (₱ millions)	933.8	1,444.3
Net Profit Margin (%) <sup>(b)</sup>	7.4%	10.1%

Notes:

<sup>(a)</sup> Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Revenues

<sup>(b)</sup> Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Revenues

*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.*

Revenues decreased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to the weakened sales in the hard categories since the second quarter this year, Omicron surge in the first quarter, lower foot traffic due to heavy rains and strong typhoons in August and September, and the shift in consumer spending to travel/leisure/entertainment.

Gross Profit decreased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to the decrease in sales. Gross Profit Margin increased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to lower cost of goods as these were purchased in advance at lower cost.

Net Profit and Net Profit Margin decreased for the year ended 31 December 2022 compared to year ended 31 December 2021 due to lower sales; lower support, fees, rentals and other revenues; higher finance costs; and incurrence of loss on damaged assets due to fire loss.

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

Cash decreased by 6% from ₱1,885.5 million as of 31 December 2021 to ₱1,767.7 million as of 31 December 2022 as the cash generated were used primarily for the capital expenditures of new stores, setting up of new head offices and data centers as previous offices were damaged by fire, and refresh of mature stores and software upgrades.

Trade and other receivables increased by 71% from ₱383.8 million as of 31 December 2021 to ₱655.3 million as of 31 December 2022 due to timing difference in collection.

Merchandise inventories decreased by 6% from ₱7,055.6 million as of 31 December 2021 to ₱6,629.8 million as of 31 December 2022 due primarily to the flush out sales of slow-moving and non-moving inventories during the period.

Loans payable including the non-current portion increased by 20% from ₱4,944.4 million as of 31 December 2021 to ₱5,941.4 million as of 31 December 2022 due to additional borrowings to fund for newly stores opened during the period.

Lease liability including the non-current portion decreased by 18% from ₱4,541.7 million as of 31 December 2021 to ₱3,745.8 million as of 31 December 2022 due to lease payments made.

Income tax payable decreased by 95% from ₱89.7 million as of December 31, 2021 to ₱4.8 million as of 31 December 2022 due to lower tax payable for the period.

Deferred tax liabilities decreased by 44% from ₱310.8 million as of December 31, 2021 to ₱448.0 million as of 31 December 2022 due to adjustments to temporary tax differences for the period.

Retirement benefit obligation decreased by 7% from ₱70.4 million as of 31 December 2021 to ₱65.5 million as of 31 December 2022 due to adjustment of provision for the retirement benefit.

#### **Material Changes to the Company's Statement of Income for the 12-month of 2022 compared to the 12-month of 20201 (increase/decrease of 5% or more)**

The company recorded sales of ₱12,564.8 million for the year ended 31 December 2022, a decrease of 12% from ₱14,324.9 million for the year ended 31 December 2021. This was brought about by the weakened sales in the hard categories since the 2nd quarter this year, Omicron surge in the 1st quarter, lower foot traffic due to heavy rains and strong typhoons in August and September, and the shift in consumer spending to travel/leisure/entertainment.

For the year ended 31 December 2022, cost of merchandise sold was at ₱7,940.6 million, a decrease of 15% from the ₱9,306.1 level for the same period in 2021 corresponding to the decrease in sales as well as due to lower cost of goods as these were purchased in advance at lower cost.

Support, fees, rentals, and other revenues decreased by 28% from ₱355.9 million for the year ended 31 December 2021 to ₱254.7 million for the year ended 31 December 2022, primarily due to the decrease in vendor's support with less number of large stores opened during the period.

On January 8, 2022, the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively. The Company received total insurance claims amounting to P69.5 million, which was offset against the losses incurred from the fire incident. Thus, the related net losses from fire amounted to P233.6 million.

Finance income increased from ₱1.2 million for the year ended 31 December 2021 to ₱1.5 million for the year ended 31 December 2022. The increase was primarily attributable to interest income from time deposits.

Other gains increased to ₱66.3 million for the year ended 31 December 2022 from nil for the year ended 31 December 2021 due to gain on reversal of impairment loss amounting to P34.0 million and gain on lease modification amounting to P32.2 million.

Tax expense decreased by 18% from ₱381.4 million for the year ended 31 December 2021 to ₱311.0 million for the year ended 31 December 2022 due to lower taxable income for the period.

As a result of the foregoing, our net income decreased by about 35% from ₱1,444.3 million for the year ended 31 December 2021 to ₱933.8 million for the year ended 31 December 2022.

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

## **COMMITMENTS AND CONTINGENCIES**

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



## **REVIEW OF YEAR END 2021 VS YEAR END 2020**

### **RESULTS OF OPERATIONS**

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

	<b>FY2021</b>	<b>FY2020</b>	<b>Horizontal Analysis</b>	<b>Vertical Analysis</b>	
	(in millions of ₱)		% Change	% of Total Sales	
				FY2021	FY2020
Sales	14,324.9	12,414.1	15%	100%	100%
Cost of Merchandise Sold	9,306.1	8,486.1	10%	65%	68%
Gross Profit	5,018.7	3,928.1	28%	35%	32%
Support, Fess, Rentals and Other Revenues	355.9	397.8	-11%	2%	3%
Gross Profit including Other Revenues	5,374.7	4,325.9	24%	38%	35%
Total Operating Expenses	3,156.4	2,539.7	24%	22%	20%
Operating Profit	2,218.3	1,786.2	24%	15%	14%
Finance Costs (Income) - Net					
Finance costs	393.7	377.8	4%	3%	3%
Finance income	(1.2)	(2.3)	-49%	0%	0%
	392.5	375.5	5%	3%	3%
Profit Before Tax	1,825.8	1,410.7	29%	13%	11%
Tax Expense					
Current	373.9	292.6	28%	3%	2%
Deferred	7.5	130.4	-94%	0%	1%
	381.4	423.0	-10%	3%	3%
Net Profit	1,444.3	987.7	46%	10%	8%

### **Revenues**

The company recorded sales of ₱14,324.9 million for the year ended 31 December 2021, an increase of 15% from ₱12,414.1 million for the year ended 31 December 2020. This was mainly brought about by the same store sales growth of existing 50 stores as of 31 December 2020 as well as the revenues generated from 7 additional stores launched since then until 31 December 2021. The growth over last year's revenues emanated from the low sales generated last year when the pandemic broke out and the strictest lockdown ensued, that have temporarily closed all the company's Luzon stores for two months. The lockdown this year allowed all company stores to continue operation although at shortened hours due to curfew restrictions.

The following table shows the key operating performance indicators relevant to the revenues for the period ended 31 December 2021 and 2020. The company has opened seven (7) stores this year, bringing its total net selling space to 297,469 sqms.

	As of and for the period ended 31 December		Percentage Change
	2021	2020	
Number of stores	57	50	14.0%
Net Selling Area (in sqms)	297,469	331,590	-10.3%

Net Sales (₱ millions)	14,325	12,414	15.4%
SSSG	8.1%	3.5%	131.4%

The pandemic enabled the company to reassess and come up with operational efficiency initiatives such as allotting larger store space for fulfillment/logistics area of increasing E-Commerce sales, increased store warehouse area to minimize DC spare requirement for increased outright buys and for in-house brand expansion, and maximizing store inventory capacity through vertical display efficiency resulting to smaller and optimized selling area.

### **Cost of Merchandise Sold**

For the year ended 31 December 2021, cost of merchandise sold was at ₱9,306.1 million, an increase of 10% from the ₱8,486.1 million level for the same period in 2020 corresponding to the increase in sales in existing stores and the sales contributed by the new stores added during the year.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased by 24% to ₱3,156.4 million for the year ended 31 December 2021 from ₱2,539.7 million for the same period in 2020, primarily due to the following:

- Increase in impairment loss from ₱5.6 million for the year ended 31 December 2020 to ₱50.1 million for the year ended 31 December 2021 as management assessed that additional receivables are no longer collectible.
- Increase in professional fees from ₱7.4 million for the year ended 31 December 2020 to ₱18.0 million for the year ended 31 December 2021 on account of the corporate notes issued during the period.
- Increase in commission expense from ₱2.6 million the year ended 31 December 2020 to ₱4.5 million for the year ended 31 December 2021 due to increase in corporate sales during the period.
- Increase in miscellaneous from ₱16.6 million for the year ended 31 December 2020 to ₱27.6 million for the year ended 31 December 2021 due to loss on disposal of defective assets under property and equipment.
- Increase in rental payments from ₱343.4 million for the year ended 31 December 2020 to ₱467.4 million for the year ended 31 December 2021 primarily due to higher sales base of variable lease in existing stores and the sales contributed by the new stores added during the year.
- Increase in depreciation and amortization from ₱905.2 million for the year ended 31 December 2020 to ₱1,200.7 million for the year ended 31 December 2021 primarily as a result of increase in the number of stores.
- Increase in outside services from ₱288.3 million for the year ended 31 December 2020 to ₱363.4 million for the year ended 31 December 2021 due to the additional manpower from agencies and delivery charges for inventory stocking for new stores and inter-store transfer of inventory stocks.
- Increase in representation and entertainment from ₱5.5 million for the year ended 31 December 2020 to ₱6.8 million for the year ended 31 December 2021 due to increasing physical meetings and some events being held live in the latter part of the year on account of easing up of restrictions.

- Increase in communication and utilities from ₱271.0 million for the year ended 31 December 2020 to ₱333.4 million for the year ended 31 December 2021 primarily as a result of increase in number of stores.
- Increase in salaries and wages from ₱327.7 million for the year ended 31 December 2020 to ₱363.7 million for the year ended 31 December 2021 due to the additional manpower for new stores.
- Increase in taxes and licenses from ₱102.3 million for the year ended 31 December 2020 to ₱107.2 million for the year ended 31 December 2021 due to the increasing number of newly opened stores combined with higher sales of the existing stores.
- Increase in insurance expense from ₱8.9 million for the year ended 31 December 2020 to ₱9.2 million for the year ended 31 December 2021 due to increase in the number of stores.
- Decrease in merchant fee from ₱127.9 million for the year ended 31 December 2020 to ₱120.9 million for the year ended 31 December 2021 primarily due to renegotiated merchant discount rates with debit and credit card acquirers.
- Decrease in office and store supplies from ₱29.4 million for the year ended 31 December 2020 to ₱23.1 million for the year ended 31 December 2021 due to cost-saving measures implemented and transition to more online and electronic transactions.
- Decrease in repairs and maintenance from ₱24.7 million for the year ended 31 December 2020 to ₱19.1 million for the year ended 31 December 2021 due to cost-saving measures implemented.
- Decrease in transportation expense from ₱15.6 million for the year ended 31 December 2020 to ₱9.6 million for the year ended 31 December 2021 due to limited headcount to travel during pandemic and work from home arrangement.
- Decrease in dues and subscription from ₱21.4 million for the year ended 31 December 2020 to ₱11.8 million for the year ended 31 December 2021 due to cost-saving measures implemented.
- Decrease in advertising and promotions from ₱34.9 million for the year ended 31 December 2020 to ₱19.2 million for the year ended 31 December 2021 on account of cost-saving measures implemented and usage of online digital and social media platforms for marketing purposes.

### **Finance Cost**

Finance cost increased from ₱377.8 million for the year ended 31 December 2020 to ₱393.7 million the year ended 31 December 2021. The increase was primarily attributable to the increase of ₱29.9 million in interest on loans payable and slightly offset by decrease of ₱13.0 million in interest expense from lease liability and ₱0.9 million in interest expense from retirement funds.

### **Finance Income**

Finance income decreased from ₱2.3 million for the year ended 31 December 2020 to ₱1.2 million the year ended 31 December 2021. The increase was primarily attributable to the decrease in the interest income on deposits.

### **Support, Fees, Rentals and Other Revenues**

Support, fees, rentals, and other revenues decreased by 11% from ₱397.8 million for the year

ended 31 December 2020 to ₱355.9 million for the year ended 31 December 2021, primarily due to the decrease in vendor's support by 20% from ₱305.8 million to ₱246.0 million for the year ended 31 December 2021.

### **Tax Expense**

Tax expense decreased by 10% from ₱423.0 million for the year ended 31 December 2020 to ₱391.4 million for the year ended 31 December 2021 partially as higher current tax expense for the period was offset by lower deferred tax expense.

### **Net Profit**

As a result of the foregoing, our net income increased by about 46% from ₱987.7 million for the year ended 31 December 2020 to ₱1,444.3 million for the year ended 31 December 2021.

For the 12-month of 2021, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

	FY2021	FY2020	Horizontal Analysis	Vertical Analysis	
	(in millions of ₱)		% Change	% of Total Assets FY2021 FY2020	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1,885.5	1,785.6	6%	7%	8%
Trade and other receivables - net	383.8	517.0	-26%	1%	2%
Merchandise inventories	7,055.6	6,288.8	12%	27%	29%
Other current assets	2,139.5	401.2	433%	8%	2%
Total Current Assets	11,464.5	8,992.6	27%	44%	41%
NON-CURRENT ASSETS					
Property and equipment - net	13,605.5	11,987.8	13%	53%	55%
Other non-current assets	742.7	794.6	-7%	3%	4%
Total Non-current Assets	14,348.2	12,782.4	12%	56%	59%
TOTAL ASSETS	25,812.7	21,775.0	19%	100%	100%
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	1,229.7	1,315.8	-7%	5%	6%
Loans payable - current portion	2,044.4	2,042.9	0%	8%	9%
Lease liabilities - current portion	613.8	384.8	60%	2%	2%
Income tax payable	89.7	111.9	-20%	0%	1%
Total Current Liabilities	3,977.6	3,855.4	3%	15%	18%
NON-CURRENT LIABILITIES					
Lease liabilities - net of current portion	3,927.9	4,180.7	-6%	15%	19%
Loans payable - net of current portion	2,900.0	-	0%	11%	0%
Deferred tax liabilities - net	310.8	299.6	4%	1%	1%
Retirement benefit obligation	70.4	68.3	3%	0%	0%
Total Non-current Liabilities	7,209.1	4,548.6	58%	28%	21%
Total Liabilities	11,186.7	8,404.1	33%	43%	39%
EQUITY					
Capital stock	3,750.0	3,750.0	0%	15%	17%
Additional paid-in capital	7,209.3	7,209.3	0%	28%	33%
Revaluation reserves - net	(0.7)	(9.1)	-92%	0%	0%
Retained earnings	3,667.4	2,420.7	51%	14%	11%
Total Equity	14,626.0	13,370.9	9%	57%	61%
TOTAL LIABILITIES AND EQUITY	25,812.7	21,775.0	19%	100%	100%

### As of 31 December 2021 vs. 31 December 2020

Total assets as of 31 December 2021 were ₱25,812.7 million compared to ₱21,775.0 million as of 31 December 2020, or a 19% increase due to the following:

- Cash increased by 6% from ₱1,785.6 million as of 31 December 2020 to ₱1,885.5 million as of 31 December 2021 as cash used for investing was partially offset by cash generated from operating activities and proceeds from financing activities.

- Trade and other receivables decreased by 26% from ₱517.0 million as of 31 December 2020 to ₱383.8 million as of 31 December 2021 due mainly to collection of receivables during the period as well as due to the recognition of allowance for impairment loss.

- Inventories increased by 12% from ₱6,288.8 million as of 31 December 2020 to ₱7,055.6 million as of 31 December 2021 due primarily to the purchases for new stores, holiday buys and conversion of select concession merchandise to outright to increase GP margin and expansion of in-house brands.

- Property and equipment increased by 14% from ₱11,987.8 million as of 31 December 2020 to ₱13,605.5 million as of 31 December 2021 due primarily to leasehold improvements, acquisition of store equipment, furniture, fixture, and office equipment for new stores, software and computer equipment upgrades.

- Other assets increased by 141% from ₱1,195.8 million as of 31 December 2020 to ₱2,882.2 million as of 31 December 2021 due primarily to increase in advances to contractors, and advances to suppliers related to importation of new inventory orders and advance buys on account of international logistics and supply chain issues.

Total liabilities as of 31 December 2020 were ₱8,404.1 million compared to ₱11,186.7 million as of 31 December 2021, or a 33% increase. This was due to the following:

- Trade and other payables decreased by 7% from ₱1,315.8 million as of 31 December 2020 to ₱1,229.7 million as of 31 December 2021 due to payment for importation in relation to conversion of some concession merchandise to outright to increase GP margin as well as expansion of in-house brands.

- Loans payable including non-current portion increased by 142% from ₱2,042.9 million as of 31 December 2020 to ₱4,944.4 million as of 31 December 2021 due to additional loans secured during the period to fund primarily new stores, expansion of in-house brands, conversion of select concession merchandise to outright to increase GP margins, and software upgrades.

- Lease liability including non-current portion slightly declined by 0.5% from ₱4,565.5 million as of 31 December 2020 to ₱4,541.7 million as of 31 December 2021 due to lease payments made.

- Income tax payable decreased by 20% from ₱111.9 million as of December 31, 2020 to ₱89.7 million as of 31 December 2021 due to the new lower corporate income tax rate.

- Deferred tax liabilities increased by 4% from ₱299.6 million as of December 31, 2020 to ₱310.8 million as of 31 December 2021 due to the adjustments to temporary tax differences for the period.

- Retirement benefit obligation increased by 3% from ₱68.3 million as of 31 December 2020 to ₱70.4 million as of 31 December 2021 due to adjustment of provision for the retirement benefit.

Total stockholder's equity increased by 9% from ₱13,370.9 million as of 31 December 2020 to ₱14,626.0 million as of 31 December 2021 due to net income recorded for the period.

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

<b>Key Performance Indicators</b>	<b>12/31/2021</b>	<b>12/31/2020</b>
Revenues (₱ millions)	₱14,324.9	₱12,414.1
Gross Profit (₱ millions)	5,018.7	3,928.1
Gross Profit Margin (%) <sup>(a)</sup>	35.0%	31.6%
Net Profit (₱ millions)	1,444.3	987.7

Net Profit Margin (%) <sup>(b)</sup>	10.1%	8.0%
--------------------------------------	-------	------

Notes:

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

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

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.

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

Gross Profit increased for the year ended 31 December 2021 compared to year ended 31 December 2020 due to economies of scale achieved resulting from higher purchases made during the period, increased revenue contribution of in-house brands, strategic pricing, and conversion of some concession merchandise to outright.

Net Profit and Net Profit Margin increased for the year ended 31 December 2021 compared to period year ended 31 December 2020 due to improved revenues, gross profit and reduced corporate income tax rate.

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

Cash increased by 6% from ₱1,785.6 million as of 31 December 2020 to ₱1,885.5 million as of 31 December 2021 as cash used for investing was partially offset by cash generated from operating activities and proceeds from financing activities.

Trade and other receivables decreased by 26% from ₱517.0 million as of 31 December 2020 to ₱383.8 million as of 31 December 2021 due mainly to collection of receivables during the period as well as due to the recognition of allowance for impairment loss.

Inventories increased by 12% from ₱6,288.8 million as of 31 December 2020 to ₱7,055.6 million as of 31 December 2021 due primarily to the purchases for new stores, holiday buys and conversion of select concession merchandise to outright to increase GP margin and expansion of in-house brands.

Property and equipment increased by 14% from ₱11,987.8 million as of 31 December 2020 to ₱13,605.5 million as of 31 December 2021 due primarily to leasehold improvements, acquisition of store equipment, furniture, fixture, and office equipment for new stores, software and computer equipment upgrades.

Other assets increased by 141% from ₱1,195.8 million as of 31 December 2020 to ₱2,882.2 million as of 31 December 2021 due primarily to increase in advances to contractors, and advances to suppliers related to importation of new inventory orders and advance buys on account of international logistics and supply chain issues.

Trade and other payables decreased by 7% from ₱1,315.8 million as of 31 December 2020 to ₱1,229.7 million as of 31 December 2021 due to payment for importation in relation to conversion of some concession merchandise to outright to increase GP margin as well as expansion of in-house brands.

Loans payable including non-current portion increased by 142% from ₱2,042.9 million as of 31 December 2020 to ₱4,944.4 million as of 31 December 2021 due to additional loans secured during the period to fund primarily new stores, expansion of in-house brands, conversion of select concession merchandise to outright to increase GP margins, and software upgrades.

Income tax payable decreased by 20% from ₱111.9 million as of December 31, 2020 to ₱89.7 million as of 31 December 2021 due to the new lower corporate income tax rate.

Total stockholder's equity increased by 9% from ₱13,370.9 million as of 31 December 2020 to ₱14,626.0 million as of 31 December 2021 due to net income recorded for the period.

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

Recorded sales increased by 15% to ₱14,324.9 million for the year ended 31 December 2021 from ₱12,414.1 million for the year ended 31 December 2020. This was mainly brought about by the same store sales growth of existing 50 stores as of 31 December 2020 as well as the revenues generated from 7 additional stores launched since then until 31 December 2021.

Cost of merchandise sold increased by 10% to ₱9,306.1 million for the year ended 31 December 2021 from the ₱8,486.1 million for the year ended 31 December 2020 corresponding to the increase in sales in existing stores and the sales contributed by the new stores added during the year.

Selling, general and administrative expenses increased by 24% to ₱3,156.4 million for the year ended 31 December 2021 from ₱2,539.7 million for the same period in 2020 due to increase in impairment loss, professional fees, commission expenses, miscellaneous expenses, rentals, depreciation and amortization, outside services, representation and entertainment, communication and utilities, and salaries, wages and employee benefits.

Finance income decreased by 49% from ₱2.3 million for the year ended 31 December 2020 to ₱1.2 million the year ended 31 December 2021 due primarily to the decrease in the interest income on deposits.

Support, fees, rentals, and other revenues decreased by 11% from ₱397.8 million for the year ended 31 December 2020 to ₱355.9 million for the year ended 31 December 2021 primarily due to the decrease in vendor's support by 20% from ₱305.8 million to ₱246.0 million for the year ended 31 December 2021.

Tax expense decreased by 10% from ₱423.0 million for the year ended 31 December 2020 to ₱391.4 million for the year ended 31 December 2021 partially as higher current tax expense for the period was offset by lower deferred tax expense.

Net income increased by 46% from ₱987.7 million for the year ended 31 December 2020 to ₱1,444.3 million for the year ended 31 December 2021 due to the foregoing movements in the income statement items.

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

**COMMITMENTS AND CONTINGENCIES**

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



## **REVIEW OF YEAR END 2020 VS YEAR END 2019**

### **RESULTS OF OPERATIONS**

	<b>FY2020</b>	<b>FY2019</b>	<b>Horizontal Analysis</b>	<b>Vertical Analysis</b>	
	<b>(in millions of ₱)</b>		<b>% Change</b>	<b>% of Total Sales</b>	
				<b>FY2020</b>	<b>FY2019</b>
Sales	12,414.1	12,060.3	2.9%	100.0%	100.0%
Cost of Merchandise Sold	8,486.1	8,452.2	0.4%	68.4%	70.1%
Gross Profit	3,928.1	3,608.1	8.9%	31.6%	29.9%
Support, Fess, Rentals and Other Revenues	397.8	352.3	12.9%	3.2%	2.9%
Gross Profit including Other Revenues	4,325.9	3,960.4	9.2%	34.8%	32.8%
Total Operating Expenses	2,539.7	2,069.7	22.7%	20.5%	17.2%
Operating Profit	1,786.2	1,890.7	-5.5%	14.4%	15.7%
Finance Costs (Income) - Net					
Finance costs	377.8	412.1	-8.3%	3.0%	3.4%
Finance income	(2.3)	(20.6)	-88.7%	0.0%	-0.2%
	375.5	391.4	-4.1%	3.0%	3.2%
Profit Before Tax	1,410.7	1,499.3	-5.9%	11.4%	12.4%
Tax Expense					
Current	292.6	329.3	-11.2%	2.4%	2.7%
Deferred	130.4	120.2	8.5%	1.1%	1.0%
	423.0	449.5	-5.9%	3.4%	3.7%
Net Profit	987.7	1,049.7	-5.9%	8.0%	8.7%

### **Year Ended December 31, 2020 compared to year ended December 31, 2019**

#### **Revenues**

The company recorded revenues of ₱12,414 million for the year ended 31 December 2020, an increase of 2.93% from ₱12,060 million for the year ended 31 December 2019. This was mainly brought about by the same store sales growth of existing 45 stores as of 31 December 2019 as well as the revenues generated from 5 additional stores launched since then until 31 December 2020.

The following table shows the key operating performance indicators relevant to the revenues for the period ended 31 December 2019 and 2020:

	<b>As of and for the period ended 31 December</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Number of stores	50	45	11.1%
Net Selling Area (in sqms)	331,590	296,772	11.7%
Net Sales (₱ millions)	12,414	12,060	2.9%
SSSG	3.5%	41.7%	-91.6%

### **Cost of Merchandise Sold**

For the year ended 31 December 2020, cost of merchandise sold was at ₱8,486 million, an increase of 0.4% from the ₱8,452 million level for the same period in 2019 corresponding to the increase in sales in existing stores and the sales contributed by the 5 new stores added during the period.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased by 23% to ₱2,540 million for the year ended 31 December 2020 from ₱2,070 million for the same period in 2019, primarily due to the following:

- Increase in depreciation and amortization from ₱708 million for the year ended 31 December 2019 to ₱905 million for the year ended 31 December 2020 due to the increase in the number of stores.
- Increase in rentals from ₱182 million for the year ended 31 December 2019 to ₱343 million for the year ended 31 December 2020 primarily due to new stores.
- Increase in salaries, wages and employee benefits from ₱273 million for the year ended 31 December 2019 to ₱328 million for the year ended 31 December 2020 due to the additional manpower for new stores.
- Increase in outside services from ₱252 million for the year ended 31 December 2019 to ₱288 million for the year ended December 2020 due to the additional manpower for new stores. This was partially offset by the reduction of manpower due to closure of stores during the ECQ in the second quarter of 2020.
- Increase in communication and utilities from ₱220 million for the year ended 31 December 2019 to ₱271 million for the year ended 31 December 2020 attributable to the increase in the number of stores.
- Increase in merchant fee from ₱117 million for the year ended 31 December 2019 to ₱128 million for the year ended 31 December 2020 primarily due to increase in revenues on account of higher store network.
- Increase in taxes and licenses from ₱77 million for the year ended 31 December 2019 to ₱102 million for the year ended 31 December 2020 due to increase in number of stores as well as the increase in revenues.
- Decrease in advertising and promotions from ₱67 million for the year ended 31 December 2019 to ₱35 million for the year ended 31 December 2020 on account of cost-cutting measures implemented and usage of online digital platforms for marketing purposes.
- Decrease in office and store supplies from ₱33 million for the year ended 31 December 2019 to ₱29 million for the year ended 31 December 2020 due to cost-cutting measures implemented.
- Decrease in repairs and maintenance from ₱27 million for the year ended 31 December 2019 to ₱25 million for the year ended 31 December 2020 due to cost-cutting measures implemented.
- Increase in dues and subscription from ₱18 million for the year ended 31 December 2019 to ₱21 million for the year ended 31 December 2020 due to increase in the number of stores.

- Decrease in transportation expense from ₱35 million for the year ended 31 December 2019 to ₱16 million for the year ended 31 December 2020 due to reclassification of transportation expenses related to deliveries under delivery expenses.
- Increase in insurance from ₱7 million for the year ended 31 December 2019 to ₱9 million for the year ended 31 December 2020 due to the increase in the number of stores.
- Decrease in commission expense from ₱6 million for the year ended 31 December 2019 to ₱3 million for the year ended 31 December 2020 as most corporate sales during the period were generated by in-house sales teams.
- Decrease in professional fees from ₱12 million for the year ended 31 December 2019 to ₱7 million for the year ended 31 December 2020 on account of one-time professional fees incurred in 2019 in relation to the company's initial public offering.
- Decrease in impairment loss from ₱11 million for the year ended 31 December 2019 to ₱6 million for the year ended 31 December 2020 as provision for impairment is enough.
- Decrease in representation and entertainment from ₱11 million for the year ended 31 December 2019 to ₱6 million for the year ended 31 December 2020 due to cost-cutting measures, and minimal physical meetings this year.
- Increase in loss on lease modification from nil for the year ended 31 December 2019 to ₱1 million for the year ended 31 December 2020 due to pre-termination of lease on certain warehouse facilities during the year.

### **Finance Cost**

Finance Cost decreased from ₱412 million for the year ended 31 December 2019 to ₱378 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in interest expense during the period from lower balance of interest-bearing loans compared to same period in 2019.

### **Support, Fees, Rentals and Other Revenues**

Support, fees, rentals, and other revenues increased by 13% from ₱352 million for the year ended 31 December 2019 to ₱398 million for the year ended 31 December 2020, primarily due to the increase in vendor's support by 25% from ₱244 million for the year ended 31 December 2019 to ₱306 million for the year ended 31 December 2020. This was brought about by higher volume-based incentives from suppliers based on our levels of sales, and opening support for newly opened stores.

### **Tax Expense**

Tax expense decreased by 6% from ₱450 million for the year ended 31 December 2019 to ₱423 million for the year ended 31 December 2020 primarily due to a lower taxable base for the year.

### **Net Profit**

As a result of the foregoing, our net income decreased by 6% from ₱1,050 million for the year ended 31 December 2019 to ₱988 million for the year ended 31 December 2020.

For the 12-month of 2020, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that

will cause a material change in the relationship between the costs and revenues.

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

## FINANCIAL CONDITION

	<b>FY2020</b>	<b>FY2019</b>	<b>Horizontal Analysis</b>	<b>Vertical Analysis</b>	
	(in millions of ₱)		% Change	% of Total Assets	
				FY2020	FY2019
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1,785.6	2,343.0	-23.8%	8.2%	11.9%
Trade and other receivables - net	517.0	276.7	86.8%	2.4%	1.4%
Merchandise inventories	6,288.8	5,208.9	20.7%	28.9%	26.5%
Other current assets	401.2	295.8	35.6%	1.8%	1.5%
Total Current Assets	<b>8,992.6</b>	<b>8,124.4</b>	10.7%	41.3%	41.3%
<b>NON-CURRENT ASSETS</b>					
Property and equipment - net	11,987.8	11,151.0	7.5%	55.1%	56.6%
Other non-current assets	794.6	409.7	93.9%	3.6%	2.1%
Total Non-current Assets	<b>12,782.4</b>	<b>11,560.7</b>	10.6%	58.7%	58.7%
<b>TOTAL ASSETS</b>	<b>21,775.0</b>	<b>19,685.1</b>	10.6%	100.0%	100.0%
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	1,315.8	2,023.7	-35.0%	6.0%	10.3%
Loans payable - current portion	2,042.9	-	0.0%	9.4%	0.0%
Lease liabilities - current portion	384.8	371.1	3.7%	1.8%	1.9%
Income tax payable	111.9	70.7	58.4%	0.5%	0.4%
Total Current Liabilities	<b>3,855.4</b>	<b>2,465.5</b>	56.4%	17.7%	12.5%
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities - net of current portion	4,180.7	4,571.1	-8.5%	19.2%	23.2%
Loans payable - net of current portion	-	-	0.0%	0.0%	0.0%
Deferred tax liabilities - net	299.6	160.3	86.9%	1.4%	0.8%
Retirement benefit obligation	68.3	73.3	-6.8%	0.3%	0.4%
Total Non-current Liabilities	<b>4,548.6</b>	<b>4,804.7</b>	<b>-5.3%</b>	20.9%	24.4%
Total Liabilities	<b>8,404.1</b>	<b>7,270.2</b>	<b>15.6%</b>	38.6%	36.9%
<b>EQUITY</b>					
Capital stock	3,750.0	3,750.0	0.0%	17.2%	19.0%
Additional paid-in capital	7,209.3	7,209.3	0.0%	33.1%	36.6%
Revaluation reserves - net	(9.1)	(29.9)	-69.6%	0.0%	-0.2%
Retained earnings	2,420.7	1,485.5	63.0%	11.1%	7.5%
Total Equity	<b>13,370.9</b>	<b>12,414.9</b>	7.7%	61.4%	63.1%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>21,775.0</b>	<b>19,685.1</b>	10.6%	100.0%	100.0%

### **As of 31 December 2020 vs. 31 December 2019**

Total assets as of 31 December 2020 were ₱21,775 million compared to ₱19,685 million as of 31 December 2019, or about 11% increase due to the following:

- Cash decreased by 24% from ₱2,343 million as of 31 December 2019 to ₱1,786 million as of 31 December 2020 primarily due to payments made for the inventories and fit-out expenditures for new stores.
- Trade and other receivables increased by 87% from ₱277 million as of 31 December 2019 to ₱517 million as of 31 December 2020 due to increased revenues and timing of collection.
- Inventories increased by 21% from ₱5,209 million as of 31 December 2019 to ₱6,289 million as of 31 December 2020 due primarily to inventory of new stores, additional in- house brands and inventory buys for holidays sales.
- Property and equipment increased by 8% from ₱11,151 million as of 31 December 2019 to ₱11,988 million as of 31 December 2020 due primarily to acquisition of store equipment, furniture, fixture, office equipment and leasehold improvements for new stores.
- Other assets increased by 70% from ₱705 million as of 31 December 2019 to ₱1,196 million as of 31 December 2020 due primarily to down payment made to contractors for fit- out construction of planned 2021 stores.

Total liabilities as of 31 December 2020 were ₱8,404 million compared to ₱7,270 million as of 31 December 2019, or about 16% increase. This was due to the following:

- Trade and other payables decreased by 35% to ₱1,316 million as of 31 December 2020 from ₱2,024 million as of 31 December 2019 as the company settled its trade payables and contractor payables for new stores.
- Loans payable increased from nil as of 31 December 2019 to ₱2,043 million as of 31 December 2020 due to new loans taken during the period to augment working capital.
- Income tax payable increased by 58% from ₱71 million as of December 31, 2019 to ₱112 million as of 31 December 2020 due to tax payable for the period.
- Lease liability including non-current portion decreased from ₱4,942 million as of 31 December 2019 to ₱4,566 million as of 31 December 2020 due to amortization for the period.
- Deferred tax liabilities increased by 87% from ₱160 million as of December 31, 2019 to ₱300 million as of 31 December 2020 due to the adjustments to temporary tax differences for the period.
- Retirement benefit obligation decreased from ₱73 million as of 31 December 2019 to ₱68 million as of 31 December 2020 due to adjustment of provision for the retirement benefit.

Total stockholder's equity increased by 8% from ₱12,415 million as of 31 December 2019 to ₱13,371 million as of 31 December 2020 due to net income recorded for the period.

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

<b>Key Performance Indicators</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Revenues ( ₱ millions)	₱12,414.1	₱12,060.3
Gross Profit ( ₱ millions)	3,928.1	3,608.1
Gross Profit Margin (%) <sup>(a)</sup>	31.6%	29.9%

Net Profit (₱ millions)	987.7	1,049.7
Net Profit Margin (%) <sup>(b)</sup>	8.0%	8.7%

Notes:

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

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

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.

Revenues increased slightly for the year ended 31 December 2020 compared to year ended 31 December 2019 due to additional revenues from new stores.

Gross Profit increased for the year ended 31 December 2020 compared to year ended 31 December 2019 due to the increase in the number of stores. Gross profit margin improved as a result of improved sourcing and better supply terms due to increased store network.

Net Profit and Net Profit Margin decreased for the year ended 31 December 2020 compared to period year ended 31 December 2019 due to fixed operating expenses that were incurred during closure of stores in second quarter.

#### **Material Changes to the Company's Balance Sheet as of 31 December 2020 compared to 31 December 2019 (increase/decrease of 5% or more)**

Cash decreased by 24% from ₱2,343 million as of 31 December 2019 to ₱1,786 million as of 31 December 2020 primarily due to payments made for the inventories and fit-out expenditures for new stores.

Trade and other receivables increased by 87% from ₱277 million as of 31 December 2019 to ₱517 million as of 31 December 2020 due mainly to increased revenues and timing of collections.

Inventories increased by 21% from ₱5,209 million as of 31 December 2019 to ₱6,289 million as of 31 December 2020 due primarily to inventory of new stores, additional in-house brands and inventory buys for holidays sales.

Property and equipment increased by 8% from ₱11,151 million as of 31 December 2019 to ₱11,988 million as of 31 December 2020 due primarily to acquisition of store equipment, furniture, fixture, office equipment and leasehold improvements for new stores.

Other assets increased by 70% from ₱705 million as of 31 December 2019 to ₱1,196 million as of 31 December 2020 due primarily to down payments made to contractors for fit-out construction of planned 2021 stores.

Trade and other payables decreased by 35% to ₱1,316 million as of 31 December 2020 from ₱2,024 million as of 31 December 2019 as the company settled its trade payables and contractor payables for new stores.

Loans payable increased from nil as of 31 December 2019 to ₱2,043 million as of 31 December 2020 due to new loans taken during the period to augment working capital.

Income tax payable increased by 58% from ₱71 million as of 31 December 2019 to ₱112 million as of 31 December 2020 due to tax payable for the period.

Lease liability including non-current portion decreased from ₱4,942 million as of 31 December 2019 to ₱4,566 million as of 31 December 2020 due to amortization for the period.

Deferred tax liabilities increased by 87% from ₱160 million as of December 31, 2019 to ₱300 million as of 31 December 2020 due to the adjustments to temporary tax differences for the period.

Retirement benefit obligation decreased by 7% from ₱73 million as of 31 December 2019 to ₱68 million as of 31 December 2020 due to adjustment of provision for the retirement benefit.

**Material Changes to the Company's Statement of income for the 12-month of 2020 compared to the 12-month of 2019 (increase/decrease of 5% or more)**

Selling, general, and administrative expenses increased by 23% to ₱2,540 million for the year ended 31 December 2020 from ₱2,070 million for the year ended 31 December 2019, primarily due to the increase in depreciation and amortization, salaries, wages and employee benefits, outside services, variable lease payments, communication and utilities, merchant fees, taxes and licenses, dues and subscription, and insurance.

Finance Cost decreased by 8% from ₱412 million for the year ended 31 December 2019 to ₱378 million for the year ended 31 December 2020 primarily due to the decrease in interest expense during the period from lower balance of interest-bearing loans.

Support, fees, rentals, and other revenues increased by 13% from ₱352 million for the year ended 31 December 2019 to ₱398 million for the year ended 31 December 2020 primarily due to the increase in vendor's support.

Income tax expense decreased by 6% from ₱450 million for the year ended 31 December 2019 to ₱423 million for the year ended 31 December 2020 primarily due to a lower taxable base for the year.

As a result of the foregoing, our net income decreased by 6% from ₱1,050 million for the year ended 31 December 2019 to ₱988 million for the year ended 31 December 2020.

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

**COMMITMENTS AND CONTINGENCIES**

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

#### IV. NATURE AND SCOPE OF BUSINESS

**AllHome Corp. (the “Company”)** is a pioneering “one-stop shop” home improvement retailer in the Philippines. Since its incorporation on May 29, 2013, it has grown to 60 stores as of December 31, 2022, having an aggregate net selling space of approximately 295,303 sqm across 17 provinces and 34 cities and municipalities. The Company’s product offering spans seven key categories from over 1,000 local and international brands, including 45 in-house brands. These product categories are furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials.

The Company’s principal office address is LGF Building B, Evia Lifestyle Center, Daanghari Road, Almanza Dos, Las Piñas City, Philippines, with contact number: (+63919) 081-5302 and (+632) 8880-1100, and its corporate website is [www.allhome.com.ph](http://www.allhome.com.ph).

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

##### Market Information

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

Quarter	2023			2022			2021			2020		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1 <sup>st</sup>	3.34	1.64	2.45	9.00	7.40	7.60	9.15	7.61	8.00	4.80	4.49	4.68
2 <sup>nd</sup>				8.40	4.45	4.75	8.20	6.90	7.90	7.50	7.21	7.36
3 <sup>rd</sup>				5.36	3.29	3.29	9.29	7.23	9.10	5.80	5.66	5.80
4 <sup>th</sup>				3.29	1.37	1.65	10.98	8.18	8.39	9.15	8.68	9.15

The market capitalization of HOME as of December 31, 2022, based on the closing price of ₱1.65 per share, was approximately ₱6.19 billion.

As of March 31, 2023, HOME’s market capitalization stood at ₱9.19 billion based on the ₱2.45 per share closing price.

##### Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
25 May 2023	1.81	1.68	1.68

##### Stockholders

There are approximately 33 holders of common equity security of the Company as of March 31, 2023 (based on the number of accounts registered with the Stock Transfer Agent).



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

	<b>Stockholder's Name</b>	<b>Common Shares</b>	<b>Percentage</b>
1	AllValue Holdings Corp.	2,540,108,000	67.74%
2	PCD Nominee Corporation - Filipino	693,408,734	18.49%
3	PCD Nominee Corporation - Non Filipino	516,255,958	13.77%
4	Jharna P. Chandnani	50,000	0.00%
5	Rolando A. Aralar or Myrna I. Aralar or Roland I. Aralar	45,000	0.00%
6	Myra P. Villanueva	25,000	0.00%
7	Jose Domingo Poblete Swann	20,000	0.00%
8	Mike Jerome Paulino Salazar	14,700	0.00%
9	Myrna P. Villanueva	10,000	0.00%
10	Milagros P. Villanueva	10,000	0.00%
11	Raul Galvante Coralde	10,000	0.00%
12	Cherrubin Den Tee Chua	10,000	0.00%
13	Arnold Santillan	5,000	0.00%
14	Joyce Anne malong Coralde	4,500	0.00%
15	Rachel P. Nacion	3,000	0.00%
16	Farida G. De Leon	3,000	0.00%
17	Mylene C. Arnigo	3,000	0.00%
18	Marietta V. Cabreza	2,500	0.00%
19	Juan Carlos V. Cabreza	2,500	0.00%
20	Irvin Dale Pabuaya Valencia	2,000	0.00%
	<b>TOTAL</b>	<b>3,749,994,892</b>	
	Other Stockholders	5,110	0.00%
	<b>Total issued and outstanding common shares as of March 31, 2022</b>	<b>3,750,000,002</b>	<b>100.00%</b>

### **Dividends**

#### **P0.0770 per share Regular Cash Dividend**

Declaration date: November 29, 2022

Record date: December 15, 2022

Payment date: December 29, 2022

#### **P0.0527 per share Regular Cash Dividend**

Declaration date: November 12, 2021

Record date: November 29, 2021

Payment date: December 14, 2021

#### **P0.014 per share Regular Cash Dividend**

Declaration date: November 25, 2020

Record date: December 14, 2020

Payment date: December 28, 2020

#### **P1.2785 per share Regular Cash Dividend**

Declaration Date: May 28, 2019

Record date: June 14, 2019

Payment date: June 28, 2019

### **Dividend Policy**

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

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

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

### **Record Date**

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

### **Recent Sale of Unregistered Securities**

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

### **Stock Options**

None.

## **VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE**

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

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

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

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

and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

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

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

**AllHome Corp.  
Lower Ground Floor, Building B, EVIA Lifestyle  
Center, Vista City, Daanghari, Almanza II, Las  
Piñas City**

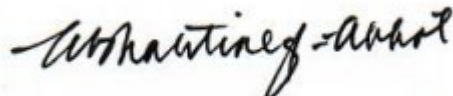
**Attention: Robirose M. Abbot**

**PART III**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Las Piñas on May 26, 2023.

By:

A handwritten signature in black ink, appearing to read "RobiRose M. Abbot", written in a cursive style.

**ROBIROSE M. ABBOT**  
CFO, CRO and Head of IR



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


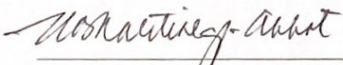
The management of **AllHome Corp.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for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

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

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

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

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

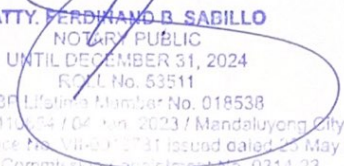
  
\_\_\_\_\_  
**MANUEL B. VILLAR, JR.**  
Chairman of the Board  
\_\_\_\_\_  
**BENJAMARIE THERESE N. SERRANO**  
President and CEO  
\_\_\_\_\_  
**ROBIROSE M. ABBOT**  
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me this APR 14 2023 at  
MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
Manuel B Villar, Jr.	P2529752B	12 JUL 2019 / DFA MANILA
Benjamarie Therese N. Serrano	P7225892B	19 JUL 2021 / DFA MANILA
Robirose M. Abbot	Driver's License No. N26-05-005526	16 AUG 2019 / LTO Alabang

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

Doc No. 249  
Page No. 51  
Book No. IV  
Series of 2023

  
**ATTY. FERDINAND B. SABILLO**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2024  
ICNL No. 53511  
IPL Lifetime Member No. 018538  
PTR No. 5112-54 / 04 Jan. 2023 / Mandaluyong City  
MCLE Compliance No. 5112-54 / 04 Jan. 2023 / Mandaluyong City  
Notarial Commission No. 0314-23  
Vista Corporate Center, Upper Ground Floor  
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

Financial Statements and  
Independent Auditors' Report

**AllHome Corp.**

December 31, 2022, 2021 and 2020



## Report of Independent Auditors

**Punongbayan & Araullo**

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

T +63 2 8988 2288

### **The Board of Directors**

#### **AllHome Corp.**

**(A Subsidiary of AllValue Holdings Corp.)**

Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daang Hari, Almanza II  
Las Piñas City

## Report on the Audit of the Financial Statements

### **Opinion**

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

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

### **Basis for Opinion**

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

**Key Audit Matters**

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

**(a) Revenue Recognition***Description of the Matter*

Revenue is one of the key performance measures used to assess the Company's business performance. Revenue is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Revenue from sale of merchandise is generated through direct sales to customers. For the year ended December 31, 2022, total revenues amounted to P12,564.8 million.

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

The Company's disclosures about its revenues and the related trade receivables, non-trade receivables and accrued interest receivables, and revenue recognition policy are included in Notes 2, 3, 4, 6 and 13.

*How the Matter was Addressed in the Audit*

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

- obtaining an understanding of the Company's revenue transactions by reviewing revenue arrangements and revenue transaction processes;
- evaluating appropriateness of the Company's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;
- testing the information technology (IT) general controls and application controls over the automated system from origination to recording of sales;
- testing the design and operating effectiveness of internal controls related to the Company's sale and receipts processes, which include inquiry and observation, and test of details of revenue transactions, on a sampling basis during the year;
- performing sales cut-off test, including, among others, examining sales transactions near period end, and analysing and reviewing sales returns, credit memos and other receivable adjustments subsequent to period end to determine whether revenues are appropriately recognized in the proper period;

- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers, reporting unresolved difference to appropriate client personnel and projecting errors to the population, to ascertain the testing precision achieved, which further validates the accuracy of revenue recognized by the Company; and,
- performing detailed analysis of revenue segments and related key ratios such as, but not limited to, current year's components of revenues (e.g., by customer and by location) as a percentage of total revenues and analysis of current and prior year's monthly revenue trends.

**(b) Existence and Valuation of Inventories**

*Description of the Matter*

The Company's total inventories amounting to P6,629.8 million as of December 31, 2022 represents 25% of total assets of the Company. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Management uses estimates in assessing whether inventories are valued at the lower of cost and net realizable value. Moreover, the Company's inventories are considered voluminous and majority of these are kept in the Company's stores and warehouses. Relative to these, we determined that existence and valuation of inventories are key audit matters.

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

*How the Matter was Addressed in the Audit*

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

On inventory existence:

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

On inventory valuation:

- determining the method of inventory costing and evaluating appropriateness and consistency of application of the valuation of inventories at lower of cost and net realizable value;
- testing the IT general controls and application controls over the automated system related to updating and changing of prices;
- performing test of design and implementation of key controls on inventory costing;
- performing test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining supplier invoices and other documents supporting movements affecting the moving average unit cost and reporting unresolved difference, if any, to appropriate personnel; and,
- determining whether inventory is stated at the lower of cost and net realizable value by verifying latest selling price, reviewing estimated cost to sell of sample inventory items and comparing the net selling price to the unit cost per books and reporting unresolved differences, if any, to appropriate personnel.

#### ***Other Information***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 25 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### PUNONGBAYAN & ARAULLO

  
**By: Nelson J. Dinio**  
Partner

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

April 14, 2023

**ALLHOME CORP.**  
*(A Subsidiary of AllValue Holdings Corp.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**  
*(Amounts in Philippine Pesos)*

	Notes	2022	2021
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 1,767,714,968	P 1,885,542,985
Trade and other receivables - net	6	655,270,290	383,798,106
Merchandise inventories	7	6,629,751,113	7,055,642,001
Other current assets	8	2,963,691,220	2,139,480,702
Total Current Assets		12,016,427,591	11,464,463,794
<b>NON-CURRENT ASSETS</b>			
Property and equipment - net	9	14,018,904,640	13,605,500,637
Other non-current assets	8	699,086,110	742,744,255
Total Non-current Assets		14,717,990,750	14,348,244,892
<b>TOTAL ASSETS</b>		<b>P 26,734,418,341</b>	<b>P 25,812,708,686</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	P 1,246,259,998	P 1,229,678,273
Loans payable	11	2,931,388,027	2,044,418,931
Lease liabilities	12	489,770,878	613,792,986
Income tax payable		4,794,161	89,718,351
Total Current Liabilities		4,672,213,064	3,977,608,541
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	12	3,256,050,192	3,927,898,004
Loans payable	11	3,010,000,000	2,900,000,000
Deferred tax liabilities - net	17	447,993,801	310,803,000
Retirement benefit obligation	16	65,481,009	70,385,602
Total Non-current Liabilities		6,779,525,002	7,209,086,606
Total Liabilities		11,451,738,066	11,186,695,147
<b>EQUITY</b>			
Capital stock	19	3,750,000,002	3,750,000,002
Additional paid-in capital		7,209,298,114	7,209,298,114
Revaluation reserves		10,949,114	( 698,851 )
Retained earnings		4,312,433,045	3,667,414,274
Total Equity		15,282,680,275	14,626,013,539
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 26,734,418,341</b>	<b>P 25,812,708,686</b>

*See Notes to Financial Statements.*

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

	Notes	2022	2021	2020
<b>SALES</b>	13	<b>P 12,564,760,820</b>	P 14,324,858,249	P 12,414,148,867
<b>COST OF MERCHANDISE SOLD</b>	14	<b>7,940,627,825</b>	9,306,108,486	8,486,055,960
<b>GROSS PROFIT</b>		<b>4,624,132,995</b>	5,018,749,763	3,928,092,907
<b>SUPPORT, FEES, RENTALS AND OTHER REVENUES</b>	13	<b>254,715,152</b>	355,909,344	397,761,576
<b>GROSS PROFIT INCLUDING OTHER REVENUES</b>		<b>4,878,848,147</b>	5,374,659,107	4,325,854,483
<b>OTHER OPERATING EXPENSES</b>				
Selling expenses	14	1,844,664,177	1,946,627,457	1,637,266,601
General and administrative expenses	14	1,215,189,914	1,209,781,380	902,398,889
		<b>3,059,854,091</b>	3,156,408,837	2,539,665,490
<b>OPERATING PROFIT</b>		<b>1,818,994,056</b>	2,218,250,270	1,786,188,993
<b>OTHER INCOME (CHARGES) - Net</b>				
Finance costs	15	( 408,366,914 )	( 393,694,939 )	( 377,796,900 )
Losses from fire - net	15	( 233,605,568 )	-	-
Finance income	5	1,482,701	1,196,741	2,324,230
Other gains	6, 12	66,253,972	-	-
		<b>( 574,235,809 )</b>	<b>( 392,498,198 )</b>	<b>( 375,472,670 )</b>
<b>PROFIT BEFORE TAX</b>		<b>1,244,758,247</b>	1,825,752,072	1,410,716,323
<b>TAX EXPENSE</b>	17			
Current		177,681,330	373,915,538	292,600,282
Deferred		133,308,146	7,534,437	130,400,192
		<b>310,989,476</b>	381,449,975	423,000,474
<b>NET PROFIT</b>		<b>933,768,771</b>	1,444,302,097	987,715,849
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurements of retirement benefit plan	16	15,530,620	12,063,408	29,714,314
Deferred tax expense	17	( 3,882,655 )	( 3,665,613 )	( 8,914,294 )
		<b>11,647,965</b>	8,397,795	20,800,020
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 945,416,736</b>	P 1,452,699,892	P 1,008,515,869
<b>Basic and Diluted Earnings per Share</b>	20	<b>P 0.25</b>	P 0.39	P 0.26

*See Notes to Financial Statements.*



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

	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings	Revaluation Reserves	Total Equity
Balance at January 1, 2022		P 3,750,000,002	P 7,209,298,114	P 3,667,414,274	( P 698,851 )	P 14,626,013,539
Dividends declared	19	-	-	( 288,750,000 )	-	( 288,750,000 )
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>933,768,771</u>	<u>11,647,965</u>	<u>945,416,736</u>
Balance at December 31, 2022		<b><u>P 3,750,000,002</u></b>	<b><u>P 7,209,298,114</u></b>	<b><u>P 4,312,433,045</u></b>	<b><u>P 10,949,114</u></b>	<b><u>P 15,282,680,275</u></b>
Balance at January 1, 2021		P 3,750,000,002	P 7,209,298,114	P 2,420,737,177	( P 9,096,646 )	P 13,370,938,647
Dividends declared	19	-	-	( 197,625,000 )	-	( 197,625,000 )
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>1,444,302,097</u>	<u>8,397,795</u>	<u>1,452,699,892</u>
Balance at December 31, 2021		<b><u>P 3,750,000,002</u></b>	<b><u>P 7,209,298,114</u></b>	<b><u>P 3,667,414,274</u></b>	<b><u>( P 698,851 )</u></b>	<b><u>P 14,626,013,539</u></b>
Balance at January 1, 2020		P 3,750,000,002	P 7,209,298,114	P 1,485,521,328	( P 29,896,666 )	P 12,414,922,778
Dividends declared	19	-	-	( 52,500,000 )	-	( 52,500,000 )
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>987,715,849</u>	<u>20,800,020</u>	<u>1,008,515,869</u>
Balance at December 31, 2020		<b><u>P 3,750,000,002</u></b>	<b><u>P 7,209,298,114</u></b>	<b><u>P 2,420,737,177</u></b>	<b><u>( P 9,096,646 )</u></b>	<b><u>P 13,370,938,647</u></b>

*See Notes to Financial Statements.*

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

	Notes	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,244,758,247	P 1,825,752,072	P 1,410,716,323
Adjustments for:				
Depreciation and amortization	9	1,399,223,674	1,200,742,371	905,163,092
Interest expense	11, 12, 15, 16	408,363,414	393,694,939	377,784,694
Losses from fire - net	7, 9, 15	233,605,568	-	-
Impairment loss (gain on reversal) on trade receivables	6	( 34,032,353 )	50,900,369	5,578,418
Loss (gain) on lease modification	12	( 32,221,619 )	-	1,307,684
Interest income	5	( 1,482,701 )	( 1,196,741 )	( 2,324,230 )
Operating profit before working capital changes		3,218,214,230	3,469,893,010	2,698,225,981
Decrease (increase) in trade and other receivables		( 237,439,831 )	81,546,175	( 237,662,346 )
Decrease (increase) in merchandise inventories		342,064,482	( 766,877,533 )	( 1,079,838,615 )
Increase in other current assets		( 824,210,518 )	( 1,738,263,682 )	( 105,425,245 )
Decrease in trade and other payables		( 64,013,589 )	( 100,259,337 )	( 713,109,269 )
Increase in retirement benefit obligation		7,120,698	12,175,509	12,850,645
Cash generated from operations		2,441,735,472	958,214,142	575,041,151
Cash paid for income taxes		( 262,605,520 )	( 396,119,760 )	( 251,336,461 )
Proceeds from fire insurance	15	69,524,513	-	-
Net Cash From Operating Activities		2,248,654,465	562,094,382	323,704,690
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment	9	( 1,940,420,971 )	( 1,790,481,330 )	( 2,052,003,510 )
Additional security deposits		( 60,400,941 )	( 176,385,614 )	-
Advances paid to contractors		( 25,779,047 )	( 165,078,744 )	( 90,240,940 )
Interest received		1,482,701	1,196,741	2,324,230
Net Cash Used in Investing Activities		( 2,025,118,258 )	( 2,130,748,947 )	( 2,139,920,220 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans	11	3,331,388,027	6,777,505,782	2,042,913,149
Repayment of loans	11	( 2,334,418,931 )	( 3,876,000,000 )	-
Repayment of lease liabilities	12	( 528,577,005 )	( 468,344,132 )	( 362,633,572 )
Dividends paid	19	( 253,750,000 )	( 197,625,000 )	( 52,500,000 )
Interest paid for lease liabilities	12	( 280,456,937 )	( 312,222,849 )	( 325,233,511 )
Interest paid for loans payable	11	( 275,549,378 )	( 254,722,692 )	( 43,716,108 )
Net Cash From (Used in) Financing Activities		( 341,364,224 )	1,668,591,109	1,258,829,958
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		( 117,828,017 )	99,936,544	( 557,385,572 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>1,885,542,985</u>	<u>1,785,606,441</u>	<u>2,342,992,013</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>P 1,767,714,968</u>	<u>P 1,885,542,985</u>	<u>P 1,785,606,441</u>

**Supplemental Information on Non-cash Investing and Financing Activities:**

- (1) In 2022 and 2021, the Company capitalized borrowing costs amounting to P196.7 million and P190.1 million based on capitalization rate ranging from 5.00% to 7.09% in 2022 and from 5.00% to 6.75% in 2021 for specific borrowings in those periods (see Notes 9 and 11). There was no borrowing cost capitalized in 2020.
- (2) In 2022, 2021 and 2020, the Company has unpaid interest arising from loans payable amounting to P26.3 million, P19.3 million and P5.2 million, respectively, which is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Notes 10 and 11).
- (3) In 2022, 2021 and 2020, certain construction materials and supplies under Non-current Assets amounting to (P49.8 million), P90.1 million and P294.7 million, respectively, were reclassified from (to) Construction-in-progress under Property and Equipment in the statements of financial position (see Notes 8 and 9).
- (4) In 2022 and 2021, certain advances to suppliers under Non-current Assets amounting to P80.0 million and P483.4 million, respectively, were reclassified to Construction-in-progress under Property and Equipment in the statements of financial position (see Notes 8 and 9). There was no similar transaction in 2020.
- (5) In 2021 and 2020, the Company transferred certain employees to (from) related parties under common ownership, which resulted to a reduction of the net obligation amounting to P0.8 million in 2021 and additional obligation amounting to P8.2 million in 2020. The outstanding receivable as at December 31, 2021 and 2020 is presented as part of Others under Trade and Other Receivables in the 2021 statement of financial position (see Notes 6 and 16). There was no similar transaction in 2022.

*See Notes to Financial Statements.*

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

**1. GENERAL INFORMATION**

***1.1 Corporate Information***

AllHome Corp. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 29, 2013. The Company is primarily engaged in buying, selling, distributing, marketing, at wholesale and retail, of all kinds of goods, commodities, wares and merchandise.

The Company's shares were listed in the Philippine Stock Exchange (PSE) on September 27, 2019 (see Note 19.1).

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 address and principal place of business of the Company is located at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The registered office address and principal places of business of AllValue and FPI are located at 3<sup>rd</sup> Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

***1.2 Impact of Russia - Ukraine Conflict on the Company's Business***

On February 24, 2022, Russia started its invasion of Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict has introduced a wide range of sanctions against Russia, including certain Russian entities and individual and led to significant casualties, dislocation of population, damage to infrastructure, slowdown of business operations in both countries, disruption of supply chains and commodity flows that impact commodity prices such as gas, petrol, cereals, iron and steel.

The Company, which in the retail business, is affected by the significant changes in fuel and commodity prices in the global market which resulted to increase in its overhead costs and other operating expenses. The Company has put in place risk management measures to mitigate the impact of the prolonged conflict, including initiatives to diversify its supply chain for importation of inventory and active monitoring of inventory levels. However, management assessed that the impact of this event is not continuing and therefore will not affect the ability of the Company to continue as a going concern.

### **1.3 Approval of Financial Statements**

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on April 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 below and in the succeeding pages. The policies have been consistently applied to all the periods presented, unless otherwise stated.

### **2.1 Basis of Preparation of Financial Statements**

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

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

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

#### *(b) Presentation of Financial Statements*

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

The Company presents a third statement of financial position as of 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*

The financial statements are presented in Philippine peso (P), 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.

(d) *Reclassification of Accounts*

In 2022, the Company showed a breakdown of the movements of Other Non-current Assets presented under Investing activities of the statement of cash flows, which resulted to the reclassification of the 2021 and 2020 figures to conform to the presentation of such movements in the current year but such did not affect the amounts of cash flows for each of the activities as previously reported.

The reclassification did not result in any adjustment to the Company's statements of financial position, statements of comprehensive income, and statements of changes in equity for the years ended December 31, 2021 and 2020. Since the reclassification had no material impact on the Company's financial statements, the Company did not present a third statement of financial position.

## 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 amendments.

- (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 and which are effective from January 1, 2022, 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:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter
PAS 41 (Amendments)	:	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, unless otherwise stated, 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 tax assets and deferred 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 Company 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: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

### (i) *Classification and Measurement of Financial Assets*

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

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

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

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

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

For purpose of cash flows reporting and presentation, cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of change 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 as Finance income under Other Income (Charges) – Net section of the statement of comprehensive income.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses and recognizes allowance for ECL on its financial assets measured at amortized cost. The measurement involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and security deposits. 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 trade receivables and security deposits on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 22.2(b) and Note 22.2(c)].

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

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

The amount of ECL required to be recognized during the year, if any, is presented as Impairment loss under General and Administrative Expenses in the statement of comprehensive income. Reversal of loss allowance, if applicable, is recognized as part of Finance income under Other Income (Charges) – Net section of the statement of comprehensive income.

(iii) *Derecognition of Financial Assets*

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

(b) *Financial Liabilities*

Financial liabilities, which include trade and other payables (except tax-related liabilities), lease liabilities and loans payable, are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for 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 section of 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.

(c) *Offsetting of Financial Instruments*

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

**2.5 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 current assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are initially 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 the Other Current Assets account in the statement of financial position. On the other hand, advances to suppliers that will be applied as payment for future acquisition or construction of property and equipment are classified and presented under the Other Non-current Assets account in the statement of financial position. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

## ***2.7 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; expenditures for repairs and maintenance are charged to expense as incurred.

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

Store equipment	15 to 18 years
Right-of-use assets – store outlets	7 to 16 years
Furniture, fixtures and office equipment	5 to 15 years
Right-of-use assets – warehouse	2 to 15 years
Transportation equipment	8 to 10 years

Leasehold improvements are amortized over their estimated useful lives of 18 years or the lease term, whichever is shorter.

Right-of-use assets are depreciated 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 assets or the end of the lease term (see Note 2.11).

Construction-in-progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs and other direct costs (see Note 2.14). The account is not depreciated until such time that the assets are completed and available-for-use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

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

If there is an indication that there has been a significant change in the useful life, residual value of an asset, or method of depreciation or amortization, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment including the related accumulated depreciation and amortization, and impairment losses, if any, 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 period the item is derecognized.

## **2.8 Segment Reporting**

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

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

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

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

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

## **2.9 Provisions and Contingencies**

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

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

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

## ***2.10 Revenue and Expense Recognition***

Revenue arises mainly from the sale of merchandise.

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

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

For Step 1 to be achieved, the following five criteria must be 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 construction materials, home improvement, furnishings and décor products. In addition, the Company also recognizes vendors' support and marketing fees in relation to the vendors' participation in the marketing/promotional activities of the Company.

The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). 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 goods have been transferred to the customer, being the point when the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.
- (b) *Vendors' support and marketing fees* – Vendors' support and marketing fees arise from the vendors' participation in the marketing/promotional activities of the Company such as product exhibits, launch of new stores support and product features in various media platforms. The duration of contracts are generally short-term, and the related revenue are recognized over time as the performance of the contractually agreed tasks are rendered.
- (c) *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.
- (d) *Miscellaneous* – Miscellaneous income comprise of support received from supplier for store opening and clearance sales. Miscellaneous income is recognized at a point in time when support is received from the 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 revenue 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 revenue is also immediately adjusted as of the end of the reporting periods.

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

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c).

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 to the pattern of rights exercised by customers.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria, which, if met, result in capitalization:

- (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,
- (iii) the costs are expected to be recovered.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of any related qualifying assets (see Note 2.14).

## **2.11 Leases**

The Company accounts for its leases as follows:

### **(a) Company as 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 the 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 (see Note 2.7). The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

On the other hand, the Company measures the lease liability 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, 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 under Property and Equipment, and separately from Other Liabilities, respectively.

(b) *Company as Lessor*

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

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

**2.12 Impairment of Non-financial Assets**

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

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

**2.13 Employee Benefits**

The Company's employee benefits are recognized and measured as discussed below and in the succeeding page.

(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. 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 statements of financial position.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(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 statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

**2.14 *Borrowing Costs***

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

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

**2.15 *Income Taxes***

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

Current tax assets or 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 according to 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 current tax liabilities are note

Deferred tax is accounted for using the liability method, on temporary differences at the end of the 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 or deferred tax 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.

## ***2.16 Related Party Transactions and Relationships***

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; and (b) 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.

### ***2.17 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 account pertains to remeasurements of post-employment defined benefit plan (see Note 2.13).

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

### ***2.18 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 20).

### ***2.19 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 Judgments 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 and Termination 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 revenue 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 comprise of support received from supplier for store opening and clearance sales. Miscellaneous income is recognized at a point in time when support are received from supplier.

On the other hand, revenue from vendors' support, marketing fees and 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 of Transaction Price of Contract with Customer*

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.

(d) *Determination of ECL on Trade and Other Receivables and Security Deposits*

The Company uses a provision matrix to calculate ECL for trade and other receivables and security deposits. 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 trade and other receivables and security deposits are disclosed in Note 22.2(b) and Note 22.2(c).



(e) *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.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provisions and contingencies are discussed in Notes 2.8 and 21.

**3.2 Key Sources of Estimation Uncertainty**

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

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

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

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 22.2(b) and Note 22.2(c).

(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 and Right-of-use Assets*

The Company estimates the useful lives of property and equipment and right-of-use assets based on the period over which the assets are expected to be available-for-use. The estimated useful lives of property and equipment and right-of-use assets 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.

The carrying amounts of property and equipment and right-of-use assets are analyzed in Note 9. Based on management's assessment as at December 31, 2022 and 2021, there is no change in estimated useful lives of property and equipment and right-of-use assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

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

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.12). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements 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.

Management has assessed that no impairment losses are required to be recognized on non-financial assets in 2022, 2021 and 2020.

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

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying values of deferred tax assets netted against deferred tax liabilities as of those reporting periods are disclosed in Note 17.

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

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

The amounts of post-employment benefit obligation and expense, and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 16.2.

#### 4. SEGMENT REPORTING

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

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

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

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2022</u>	<u>2021</u>
Cash in banks	<b>P 1,682,384,968</b>	P 1,790,302,985
Short-term placements	<b>80,000,000</b>	90,000,000
Cash on hand	<b><u>5,330,000</u></b>	<u>5,240,000</u>
	<b><u>P 1,767,714,968</u></b>	<b><u>P 1,885,542,985</u></b>

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements have maturity of one to 180 days and earn effective interest rates of 0.55% in 2022 and ranging from 0.41% to 1.65% in 2021.

Interest income amounting to P1.5 million, P1.2 million and P2.3 million in 2022, 2021 and 2020, respectively, are presented as Finance income under Other Income (Charges) – Net section of the statements of comprehensive income.

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2022	2021
Trade receivables	18.1	P 456,870,429	P 169,575,587
Non-trade receivables		221,614,570	247,961,788
Others	16	629,749	24,137,542
		679,114,748	441,674,917
Allowance for impairment losses		( 23,844,458 )	( 57,876,811 )
		P 655,270,290	P 383,798,106

Trade receivables are due from various customers and have credit terms ranging from 30 days to 60 days. The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

Non-trade receivables comprise of the Company's receivables from suppliers arising from vendors' support, marketing fees and miscellaneous income.

Others pertain to accrued interest receivable and receivable for the transferred retirement benefit obligation from a related party under common ownership (see Note 16.2).

All of the Company's trade and other receivables have been assessed for ECL in 2022, 2021 and 2020. In 2021 and 2020, the Company recognized an impairment loss amounting to P50.9 million and P5.6 million, respectively. The impairment loss recognized is presented as Impairment loss under General and Administrative Expenses in the 2021 and 2020 statements of comprehensive income (see Note 14.2). In 2022, the Company recognized a gain on reversal of impairment loss amounting to P34.0 million and is presented as part of Other gains under Other Income (Charges) – Net account in the 2022 statement of comprehensive income.

In 2021, the Company wrote-off certain receivables that are fully provided with allowance amounting to P9.6 million, as the management assessed that those receivables are no longer collectible. There was no similar write-off in 2022 and 2020.

A reconciliation of the allowance for impairment of trade receivables at beginning and end of 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	P 57,876,811	P 16,539,620
Reversal of impairment loss	( 34,032,353 )	-
Impairment losses	-	50,900,369
Write-offs	-	( 9,563,178 )
Balance at end of year	P 23,844,458	P 57,876,811

## 7. MERCHANDISE INVENTORIES

Merchandise inventories pertain to goods owned by the Company, which include construction materials, home improvements, furnishings and décor products, among others, that are traded under the normal course of business, and amounted to P6,629.8 million and P7,055.6 million as of December 31, 2022 and 2021, respectively (see Note 14.1). The Company did not provide any allowance for inventory obsolescence as the merchandise inventories are deemed saleable. Merchandise inventories were all stated at cost, which is lower than net realizable value, as of December 31, 2022 and 2021.

Cost of merchandise inventories charged to operations are presented as Cost of Merchandise Sold in the statements of comprehensive income (see Note 14.1).

As a result to the fire incident in its Alabang store on January 8, 2022, the Company wrote-off certain inventories amounting to P83.8 million (see Note 15.2). There was no similar event in 2021 and 2020.

## 8. OTHER ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current:			
Advances for purchases		<b>P 2,885,712,043</b>	P 2,007,698,453
Prepaid rent		<b>42,051,683</b>	95,127,299
Deferred input value-added taxes (VAT)		<b>7,436,856</b>	9,376,906
Others		<b>28,490,638</b>	27,278,044
		<b><u>2,963,691,220</u></b>	<u>2,139,480,702</u>
Non-current:			
Materials and supplies	9	<b>334,986,840</b>	384,787,523
Security deposits	12	<b>236,786,555</b>	176,385,614
Advances to suppliers		<b>127,312,715</b>	181,571,118
		<b><u>699,086,110</u></b>	<u>742,744,255</u>
		<b><u>P 3,662,777,330</u></b>	<b><u>P 2,882,224,957</u></b>

Advances for purchases pertain to mobilization funds made to various third party suppliers, including service providers, which are primarily used in the purchase of merchandise inventories subsequent to December 31, 2022 and 2021.

Advances to suppliers pertain to mobilization funds made to various contractors for the construction of several items under property and equipment.

Prepaid rent pertains to advance payment for the rental of new stores in accordance with the lease agreements.

Materials and supplies pertain to construction materials intended for store fit-out.

Security deposits include deposits made to lessors arising from the lease of retail spaces which will be refunded at the end of the lease term or be applied to the last months' rentals on the related contracts and deposits made to a distribution utility as a guarantee for the electric meters installed in the Company's stores.

Others consist of prepaid taxes and licenses, repairs, supplies, insurance, advertising, and dues and subscriptions.

## 9. PROPERTY AND EQUIPMENT

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

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction - in - Progress	Total
December 31, 2022								
Cost	P 3,449,979,760	P 1,772,464,582	P 151,989,912	P 8,044,058,302	P 4,673,328,612	P 264,792,594	P 131,545,136	P 18,488,158,898
Accumulated depreciation and amortization	( 881,671,190 )	( 495,615,809 )	( 86,843,884 )	( 1,077,978,126 )	( 1,738,629,173 )	( 188,516,076 )	-	( 4,469,254,258 )
Net carrying amount	<u>P 2,568,308,570</u>	<u>P 1,276,848,773</u>	<u>P 65,146,028</u>	<u>P 6,966,080,176</u>	<u>P 2,934,699,439</u>	<u>P 76,276,518</u>	<u>P 131,545,136</u>	<u>P 14,018,904,640</u>
December 31, 2021								
Cost	P 3,099,516,830	P 1,135,094,594	P 152,686,138	P 6,698,191,627	P 4,802,663,990	P 477,153,101	P 477,012,330	P 16,842,318,610
Accumulated depreciation and amortization	( 716,464,106 )	( 296,118,945 )	( 75,664,243 )	( 710,423,641 )	( 1,336,311,763 )	( 101,835,275 )	-	( 3,236,817,973 )
Net carrying amount	<u>P 2,383,052,724</u>	<u>P 838,975,649</u>	<u>P 77,021,895</u>	<u>P 5,987,767,986</u>	<u>P 3,466,352,227</u>	<u>P 375,317,826</u>	<u>P 477,012,330</u>	<u>P 13,605,500,637</u>
January 1, 2021								
Cost	P 3,025,912,287	P 578,479,482	P 169,297,547	P 4,381,685,258	P 4,802,663,990	P 76,087,201	P 1,043,981,176	P 14,078,106,941
Accumulated depreciation and amortization	( 534,823,954 )	( 159,929,862 )	( 70,055,894 )	( 420,239,634 )	( 871,697,520 )	( 33,559,774 )	-	( 2,090,306,638 )
Net carrying amount	<u>P 2,491,088,333</u>	<u>P 418,549,620</u>	<u>P 99,241,653</u>	<u>P 3,961,445,624</u>	<u>P 3,930,966,470</u>	<u>P 42,527,427</u>	<u>P 1,043,981,176</u>	<u>P 11,987,800,303</u>

The reconciliation of the net carrying amount of property and equipment at the beginning and end of 2022, 2021 and 2020 is shown below.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction - in - Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 2,383,052,724	P 838,975,649	P 77,021,895	P 5,987,767,986	P 3,466,352,227	P 375,317,826	P 477,012,330	P 13,605,500,637
Additions -								
Other property and equipment	402,924,232	643,704,165	3,429,433	673,472,546	-	-	543,472,271	2,267,002,647
Reclassifications	39,546,189	9,998,698	-	839,394,578	-	-	888,939,465	-
Disposals	( 73,142,270 )	( 5,492,493 )	( 1,662,485 )	( 139,006,427 )	( 75,800,915 )	( 159,270,380 )	-	( 454,374,970 )
Depreciation and amortization charges for the year	( 184,072,305 )	( 210,337,246 )	( 13,642,815 )	( 395,548,507 )	( 455,851,873 )	( 139,770,928 )	-	( 1,399,223,674 )
Balance at December 31, 2022, net of accumulated depreciation and amortization	<b>P 2,568,308,570</b>	<b>P 1,276,848,773</b>	<b>P 65,146,028</b>	<b>P 6,966,080,176</b>	<b>P 2,934,699,439</b>	<b>P 76,276,518</b>	<b>P 131,545,136</b>	<b>P 14,018,904,640</b>
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 2,491,088,333	P 418,549,620	P 99,241,653	P 3,961,445,624	P 3,930,966,470	P 42,527,427	P 1,043,981,176	P 11,987,800,303
Additions:								
Other property and equipment	73,604,543	556,615,112	652,190	636,926,411	-	-	1,202,741,263	2,470,539,519
Right-of-use assets (see Note 12)	-	-	-	-	-	444,514,786	-	444,514,786
Reclassifications	-	-	-	1,679,579,958	-	-	( 1,769,710,109 )	( 90,130,151 )
Disposals	-	-	( 6,481,449 )	-	-	-	-	( 6,481,449 )
Depreciation and amortization charges for the year	( 181,640,152 )	( 136,189,083 )	( 16,390,499 )	( 290,184,007 )	( 464,614,243 )	( 111,724,387 )	-	( 1,200,742,371 )
Balance at December 31, 2021, net of accumulated depreciation and amortization	<b>P 2,383,052,724</b>	<b>P 838,975,649</b>	<b>P 77,021,895</b>	<b>P 5,987,767,986</b>	<b>P 3,466,352,227</b>	<b>P 375,317,826</b>	<b>P 477,012,330</b>	<b>P 13,605,500,637</b>
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 2,225,524,905	P 261,945,231	P 82,943,016	P 2,549,752,655	P 4,395,580,713	P 99,373,658	P 1,535,860,218	P 11,150,980,396
Additions:								
Other property and equipment	12,599,103	128,188,389	9,180,667	74,487,245	-	-	1,827,548,106	2,052,003,510
Right-of-use assets (see Note 12)	-	-	-	-	-	5,575,953	-	5,575,953
Reclassifications	412,434,884	90,000,000	21,216,472	1,501,118,420	-	-	( 2,319,427,148 )	( 294,657,372 )
Disposals	-	-	-	-	-	( 20,939,092 )	-	( 20,939,092 )
Depreciation and amortization charges for the year	( 159,470,559 )	( 61,584,000 )	( 14,098,502 )	( 163,912,696 )	( 464,614,243 )	( 41,483,092 )	-	( 905,163,092 )
Balance at December 31, 2020, net of accumulated depreciation and amortization	<b>P 2,491,088,333</b>	<b>P 418,549,620</b>	<b>P 99,241,653</b>	<b>P 3,961,445,624</b>	<b>P 3,930,966,470</b>	<b>P 42,527,427</b>	<b>P 1,043,981,176</b>	<b>P 11,987,800,303</b>



The gross carrying amounts and accumulated depreciation of racks and gondola, which are part of store equipment, subject to operating lease at the beginning and end of 2022, 2021 and 2020 are shown below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cost	<b>P 1,276,774,147</b>	P 1,203,830,607	P 1,135,159,904
Accumulated depreciation and amortization	( <u>247,286,983</u> )	( <u>190,394,042</u> )	( <u>127,659,756</u> )
Net carrying amount	<b><u>P 1,029,487,164</u></b>	<b><u>P 1,013,436,565</u></b>	<b><u>P 1,007,500,148</u></b>

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

	<u>2022</u>	<u>2021</u>
Beginning, net of accumulated depreciation	<b>P 1,013,436,565</b>	P 1,007,500,148
Additions	<b>107,607,439</b>	68,670,703
Reclassifications from materials and supplies	<b>13,990,857</b>	-
Disposals	( <b>42,073,041</b> )	-
Depreciation and amortization charges for the year	( <u><b>63,474,656</b></u> )	( <u>62,734,286</u> )
Ending, net of accumulated depreciation and amortization	<b><u>P 1,029,487,164</u></b>	<b><u>P 1,013,436,565</u></b>

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores. The ongoing projects as of December 31, 2021 were fully completed in 2022 while the remaining ongoing projects as of December 31, 2022 are expected to be completed by 2023. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing projects.

In 2022 and 2021, certain construction materials and supplies under Non-current Assets amounting to (P49.8 million) and P90.1 million, respectively, were reclassified from (to) Construction-in-progress under Property and Equipment in the statements of financial position (see Note 8).

The Company's right-of-use assets pertain to store and warehouse facilities with terms ranging from 2 to 16 years, inclusive of reasonably certain extension period [refer also to Note 3.1(a)], and an average remaining lease term of five years as of December 31, 2022 (see Note 12). In addition, there are leases with extension options and with variable consideration. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. There are no leases with options to purchase or terminate. The Company has no low-value leases.

In 2022, the Company wrote-off certain property and equipment, including right-of-use assets, as a result of the fire incident in its Alabang store outlets on January 8, 2022, with total cost and accumulated depreciation of P350.7 million and P78.6 million, respectively (see Notes 12.1 and 15.2). There was no similar transaction in 2021 and 2020.

In 2021, the Company wrote-off certain property and equipment with total cost and accumulated depreciation of P17.3 million and P10.8 million, respectively. The related loss arising from this transaction is presented as part of Miscellaneous expenses under General and Administrative Expenses in the 2021 statement of comprehensive income (see Note 14.2). There was no similar transaction in 2022 and 2020.

In 2022 and 2021, borrowing costs amounting to P196.7 million and P190.1 million, respectively, based on capitalization rate ranging from 5.00% to 7.09% in 2022 and 5.50% to 6.75% in 2021 for specific borrowing in those years, were capitalized as part of construction-in-progress (see Note 11). There was no borrowing cost capitalized in 2020.

The amount of depreciation and amortization is presented as part of General and Administrative Expenses in the statements of comprehensive income (see Note 14.2).

As of December 31, 2022 and 2021, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operations is P95.9 million and P58.9 million, respectively.

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

The Company also recognized rental income from its operating leases as lessor amounting to P18.1 million, P24.8 million and P13.3 million in 2022, 2021 and 2020, respectively, and is presented as part of Support, Fees, Rentals and Other Revenues in the statements of comprehensive income (see Note 13).

## 10. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2022	2021
Trade payables		<b>P 962,426,065</b>	P 1,090,217,999
Non-trade payables	19.3	<b>178,477,327</b>	81,149,019
Accrued expenses	11	<b>58,743,224</b>	19,319,828
VAT payable		<b>18,118,286</b>	10,498,035
Withholding taxes payable		<b>17,985,483</b>	24,994,456
Others		<b>10,509,613</b>	3,498,936
		<b><u>P 1,246,259,998</u></b>	<b><u>P 1,229,678,273</u></b>

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 30 days to 60 days.

Accrued expenses are liabilities arising from unpaid interest on loans, rent, utilities, salaries and other costs.

Non-trade payables arise from the Company's capital asset acquisitions and other operating expenditures not yet paid as of the end of the year.

Retention payable pertains to the amount withheld from service contractors which shall be refunded at the end of the contract.

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. In 2022 and 2021, the Company recognized deferred revenue for the unredeemed points amounting to P7.2 million and P0.6 million, respectively, which is presented as part of Others.

## 11. LOANS AND BORROWINGS

Loans and borrowings are presented in the statements of financial position as follows:

	Note	2022	2021
Current	11.1	<b>P 2,931,388,027</b>	P 2,044,418,931
Non-current	11.2	<b>3,010,000,000</b>	2,900,000,000
		<b><u>P 5,941,388,027</u></b>	<b><u>P 4,944,418,931</u></b>

### *11.1 Short-term Loans*

The Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 4.87% to 9.50% in 2022 and 5.50% to 8.25% in 2021, and with terms of 150 to 360 days. The short-term loans in 2022 are rolled-over upon maturity. There are no loan covenants on the Company's short-term loans.

### *11.2 Long-term Loans*

In 2022, the Company obtained a four-year corporate loan, from a local bank, to partially finance the construction and expansion of the Company's stores and refinance existing loan obligation, with a fixed interest rate of 7.09%. As of December 31, 2022, the outstanding balance from this loan amounts to P400.0 million.

In 2021, the Company obtained four-year corporate loans, from various local banks, to partially finance the construction and expansion of the Company's stores and refinance existing loan obligation, with fixed interest rates ranging from 5.00% to 5.85%. The outstanding balance from these loans was P2,610.0 million and P2,900.0 million in 2022 and 2021, respectively.

Certain loans of the Company with local banks are subject to covenants. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of not more than 2.50 and a minimum debt-service coverage ratio of at least 1.00. The ratios are computed on the basis of the Company's annual audited financial statements. The Company has properly complied with the loans covenants as of December 31, 2022 and 2021 (see Note 24).

Interest expense incurred on these loans, which is presented as part of Finance costs under Other Income (Charges) – Net section of the statements of comprehensive income, amounted to P124.4 million, P78.7 million and P48.9 million in 2022, 2021 and 2020, respectively (see Note 15). On the other hand, capitalized borrowing costs amounting to P196.7 million and P190.1 million in 2022 and 2021, respectively, based on capitalization rate ranging from 5.00% to 7.09% in 2022 and 5.00% to 6.75% in 2021 for specific borrowing in those periods, were included as part of construction-in-progress (see Note 9). There was no borrowing cost recognized in 2020.

Interest payable from these loans amounted to P26.3 million and P19.3 million as of December 31, 2022 and 2021, respectively, and is presented as part of Accrued expenses under Trade and Other Payables in the statements of financial position (see Note 10). There were no assets used as collateral for any of the Company's loans.

A reconciliation of the carrying amounts of short-term and long-term loans at the beginning and end of December 31, 2022, 2021 and 2020 is presented below.

		<b>Short-term Loans</b>	<b>Long-term Loans</b>	<b>Total</b>
Balance as of January 1, 2022	P	2,044,418,931	P 2,900,000,000	P 4,944,418,931
Cash flows from financing activities –				
Additional borrowings		2,931,388,027	400,000,000	3,331,388,027
Repayment of borrowings	(	<u>2,044,418,931</u> )	<u>(290,000,000)</u>	<u>(2,334,418,931)</u>
Balance as of December 31, 2022	<b>P</b>	<b><u>2,931,388,027</u></b>	<b><u>P 3,010,000,000</u></b>	<b><u>P 5,941,388,027</u></b>
Balance as of January 1, 2021	P	2,042,913,149	P -	P 2,042,913,149
Cash flows from financing activities –				
Additional borrowings		3,877,505,782	2,900,000,000	6,777,505,782
Repayment of borrowings	(	<u>3,876,000,000</u> )	<u>-</u>	<u>(3,876,000,000)</u>
Balance as of December 31, 2021	<b>P</b>	<b><u>2,044,418,931</u></b>	<b><u>P 2,900,000,000</u></b>	<b><u>P 4,944,418,931</u></b>
Balance as of January 1, 2020	P	-	P -	P -
Cash flows from financing activities –				
Additional borrowings		<u>2,042,913,149</u>	<u>-</u>	<u>2,042,913,149</u>
Balance as of December 31, 2020	<b>P</b>	<b><u>2,042,913,149</u></b>	<b><u>P -</u></b>	<b><u>P 2,042,913,149</u></b>

## 12. LEASES

The Company is a lessee under non-cancellable operating leases covering its store outlets and warehouse facilities (see Note 9). These lease contracts include extension and variable lease payments. With the exception of leases with variable consideration, each lease is reflected on the statement of financial position as a right-of-use asset presented under Property and Equipment and a lease liability presented separately from other liabilities.

The security deposits paid in connection with the leases amounting to P236.8 million and P176.4 million as of December 31, 2022 and 2021, respectively, is presented as Security deposits under Other Non-current Assets in the statements of financial position (see Note 8). Management believes that no allowance for ECL is required for security deposits since there has been no significant change in the credit quality of the accounts [see Note 22.2(c)].

### 12.1 Lease Liabilities

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

	<u>2022</u>	<u>2021</u>
Current	<b>P 489,770,878</b>	P 613,792,986
Non-current	<u><b>3,256,050,192</b></u>	<u>3,927,898,004</u>
	<u><b>P 3,745,821,070</b></u>	<u>P 4,541,690,990</u>

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	<u>2022</u>	<u>2021</u>
Balance as of January 1	<b>P 4,541,690,990</b>	P 4,565,520,336
Cash flows from financing activities –		
Repayment of lease liabilities	( 528,577,005 )	( 468,344,132 )
Non-cash financing activities:		
Lease pre-termination	( 267,292,915 )	-
Additional lease liabilities	<u>-</u>	<u>444,514,786</u>
Balance as of December 31	<u><b>P 3,745,821,070</b></u>	<u>P 4,541,690,990</u>

The use of termination option to certain lease contracts gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location. The future cash outflows to which the Company is potentially exposed to that are not reflected in the measurement of lease liabilities represent the amount of remaining utility bills until clearance from the contract, other damages to the premises, if any, and the security deposits and advance rentals to be forfeited. An option is only exercised when consistent with the Company's business strategy and the economic benefits of exercising such option exceeds the expected overall cost.

With the exception of lease with variable consideration, the lease contracts have a remaining lease term of six years as of December 31, 2022.

In 2022, the Company derecognized right-of-use assets with total carrying amount of P235.1 million, as a result of the pre-termination of leases on certain store outlets and warehouse facilities, including the lease in Alabang store affected by the fire incident (see Note 9). The corresponding lease liabilities derecognized amounted to P267.3 million. Gain on lease pre-termination amounting to P32.2 million was recognized and is presented as part of Other gains under Other Income (Charges) – Net in the 2022 statement of comprehensive income. There was no similar transaction in 2021 and 2020.

In 2020, the Company derecognized right-of-use assets with a carrying amount of P20.9 million, as a result of the pre-termination of leases on certain warehouse facilities (see Note 9). The corresponding lease liabilities derecognized amounted to P19.6 million. Loss on lease modification amounting to P1.3 million was recognized and is presented as part of General and Administrative Expenses in the 2020 statement of comprehensive income (see Note 14.2). There was no similar transaction in 2022 and 2021.

As of December 31, 2022, the Company has no commitments for leases entered into which had not yet commenced.

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

		2022		
		Lease Payments	Finance Charges	Net Present Values
Within 1 year	P	731,052,135	P 241,281,257	P 489,770,878
1 to 2 years		682,658,467	209,721,118	472,937,349
2 to 3 years		697,100,554	176,245,485	520,855,069
3 to 4 years		712,568,581	138,949,520	573,619,061
4 to 5 years		700,507,251	97,941,745	602,565,506
5 to 16 years		1,182,324,535	96,251,328	1,086,073,207
Total	<b>P</b>	<b>4,706,211,523</b>	<b>P 960,390,453</b>	<b>P 3,745,821,070</b>

	2021		
	Lease Payments	Finance Charges	Net Present Values
Within 1 year	P 906,983,762	P 293,190,776	P 613,792,986
1 to 2 years	840,803,775	249,980,914	590,822,861
2 to 3 years	700,490,106	214,611,164	485,878,942
3 to 4 years	714,932,194	180,190,024	534,742,170
4 to 5 years	730,400,221	142,014,998	588,385,223
5 to 13 years	<u>1,925,489,946</u>	<u>197,421,138</u>	<u>1,728,068,808</u>
Total	<u>P 5,819,100,004</u>	<u>P 1,277,409,014</u>	<u>P 4,541,690,990</u>

### ***12.2 Lease Payments Not Recognized as Liabilities***

The Company also entered into lease agreements that contain variable payment linked to sales generated from certain stores. The expenses relating to these leases amounting to P317.5 million, P467.4 million and P343.4 million in 2022, 2021 and 2020, respectively, are presented as Rentals under Selling Expenses in the statements of comprehensive income (see Notes 12.3 and 14.2).

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, +/- P3.3 million and +/- P2.4 million in 2022, 2021 and 2020, respectively.

### ***12.3 Additional Profit or Loss and Cash Flow Information***

The total cash outflow in respect of leases, including payments in lease agreements that contain variable payment linked to sales as mentioned in Note 12.2, amounted to P1,126.5 million, P1,248.0 million and P1,031.3 million in 2022, 2021 and 2020, respectively.

The expenses recognized in the statements of comprehensive income are as follows:

	Notes	2022	2021	2020
Depreciation expense of right-of-use assets	9	<b>P 595,622,801</b>	P 576,338,630	P 506,097,335
Variable lease payments	12.2	<b>317,482,870</b>	467,391,457	343,367,773
Interest expense on lease liabilities	15	<u>280,456,937</u>	<u>312,222,849</u>	<u>325,233,511</u>
		<u><b>P 1,193,562,608</b></u>	<u>P 1,355,952,936</u>	<u>P 1,174,698,619</u>

### 13. REVENUES

The Company's main revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to P12,564.8 million, P14,324.9 million and P12,414.1 million in 2022, 2021 and 2020, respectively.

The 2022, 2021, and 2020 disaggregation on revenue recognition whether point in time or over time, excluding rental income subject to PFRS 16, is shown below.

	Note		Point in time		Over time		Total
<b><u>2022:</u></b>							
Sales	18.4	P	12,564,760,820	P	-	P	12,564,760,820
Vendors' support			-		171,152,464		171,152,464
Delivery fees			-		15,580,119		15,580,119
Marketing fees			-		25,596,962		25,596,962
Miscellaneous			24,238,569		-		24,238,569
			<b><u>P 12,588,999,389</u></b>		<b><u>P 212,329,545</u></b>		<b><u>P 12,801,328,934</u></b>
<b><u>2021:</u></b>							
Sales	18.4	P	14,324,858,249	P	-	P	14,324,858,249
Vendors' support			-		246,047,552		246,047,552
Delivery fees			-		46,990,832		46,990,832
Marketing fees			-		33,941,251		33,941,251
Miscellaneous			4,143,250		-		4,143,250
			<b><u>P 14,329,001,499</u></b>		<b><u>P 326,979,635</u></b>		<b><u>P 14,655,981,134</u></b>
<b><u>2020:</u></b>							
Sales	18.4	P	12,414,148,867	P	-	P	12,414,148,867
Vendors' support			-		305,798,124		305,798,124
Delivery fees			-		39,849,564		39,849,564
Marketing fees			-		36,858,074		36,858,074
Miscellaneous			1,909,178		-		1,909,178
			<b><u>P 12,416,058,045</u></b>		<b><u>P 382,505,762</u></b>		<b><u>P 12,798,563,807</u></b>

The Company also recognized rental income from its operating leases as lessor amounting to P18.1 million, P24.8 million and P13.3 million in 2022, 2021 and 2020, respectively (see Note 9).

Vendors' support, delivery fees, marketing fees, rentals and miscellaneous are presented as Support, Fees, Rental and Other Revenues in the statements of comprehensive income. Miscellaneous income comprise of support received from supplier for store opening and clearance sales.



## 14. COST AND EXPENSES

### 14.1 Cost of Merchandise Sold

The details of cost of merchandise sold are shown below.

	Note	2022	2021	2020
Merchandise inventories				
at beginning of year	7	P 7,055,642,001	P 6,288,764,468	P 5,208,925,853
Purchases during the year		<u>7,514,736,937</u>	<u>10,072,986,019</u>	<u>9,565,894,575</u>
Cost of goods available for sale		<u>14,570,378,938</u>	<u>16,361,750,487</u>	<u>14,774,820,428</u>
Merchandise inventories at end of year	7	<u>6,629,751,113</u>	<u>7,055,642,001</u>	<u>6,288,764,468</u>
		<u>P 7,940,627,825</u>	<u>P 9,306,108,486</u>	<u>P 8,486,055,960</u>

### 14.2 Other Operating Expenses

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

	Notes	2022	2021	2020
Depreciation and amortization	9	P 1,399,223,674	P 1,200,742,371	P 905,163,092
Salaries, wages and employee benefits	16.1	384,428,180	363,650,663	327,703,794
Rentals	12.2, 12.3	317,482,870	467,391,457	343,367,773
Outside services		281,742,157	363,357,600	288,314,976
Communications and utilities		267,561,206	333,380,774	271,037,432
Merchant fee		149,904,728	120,940,971	127,854,588
Taxes and licenses		105,621,879	107,109,986	102,253,048
Repairs and maintenance		25,040,365	19,120,266	24,704,735
Office and store supplies		24,967,000	23,097,193	29,450,690
Advertising and promotions		17,046,433	19,177,276	34,920,525
Transportation expense		16,526,909	9,555,468	15,613,039
Insurance expense		13,167,886	9,219,369	8,917,756
Dues and subscription		12,895,480	11,759,732	21,385,283
Professional fees		12,893,647	18,016,299	7,422,415
Commission expense		7,102,609	4,492,859	2,556,971
Representation and entertainment		6,810,931	6,809,386	5,512,471
Impairment loss	6	-	50,900,369	5,578,418
Loss on lease modification	12	-	-	1,307,684
Miscellaneous	9	<u>17,438,137</u>	<u>27,686,798</u>	<u>16,600,800</u>
		<u>P 3,059,854,091</u>	<u>P 3,156,408,837</u>	<u>P 2,539,665,490</u>

These expenses are classified as follows:

		<u>2022</u>	<u>2021</u>	<u>2020</u>
Selling	P	1,844,664,177	P 1,946,627,457	P 1,637,266,601
General and administrative		<u>1,215,189,914</u>	<u>1,209,781,380</u>	<u>902,398,889</u>
	P	<u>3,059,854,091</u>	P <u>3,156,408,837</u>	P <u>2,539,665,490</u>

## 15. OTHER INCOME (CHARGES) – Net

### 15.1 Finance Costs

Finance costs include the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest expense from:				
Lease liabilities	12.3	P 280,456,937	P 312,222,849	P 325,233,511
Loans payable	11	124,401,148	78,742,890	48,888,597
Retirement benefit obligation	16.2	3,505,329	2,729,200	3,662,586
Others		<u>3,500</u>	<u>-</u>	<u>12,206</u>
		<u>P 408,366,914</u>	P <u>393,694,939</u>	P <u>377,796,900</u>

### 15.2 Losses from Fire – Net

On January 8, 2022, the Company's store outlets located at Alabang, Muntinlupa City were severely damaged by fire. As a result, the Company wrote-off certain inventories and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively (see Notes 7 and 9). The Company received total insurance claims amounting to P69.5 million, which was offset against the losses incurred from the fire incident. The related net loss amounting to P233.6 million is presented as Losses from fire under Other Income (Charges) – Net in the 2022 statement of comprehensive income. There was no similar event in 2021 and 2020.

## 16. SALARIES, WAGES AND EMPLOYEE BENEFITS

### 16.1 Salaries, Wages and Employee Benefits

Expenses recognized for salaries, wages and employee benefits in 2022, 2021 and 2020 are presented below.

	Notes	2022	2021	2020
Salaries and wages		<b>P 331,564,980</b>	P 312,634,814	P 282,250,805
Post-employment benefit	16.2	<b>10,920,698</b>	12,175,509	12,850,645
Other employee benefits		<b>41,942,502</b>	38,840,340	32,602,344
	14.2	<b>P 384,428,180</b>	P 363,650,663	P 327,703,794

## 16.2 Post-employment Defined Benefit Plan

### (a) Characteristics of the Defined Benefit Plan

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

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

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

The most recent actuarial valuation in 2022 and 2021 dated March 31, 2023 and March 9, 2022, respectively, was performed by a professionally qualified external actuary.

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

	2022	2021
Balance at beginning of year	<b>P 70,385,602</b>	P 68,318,864
Current service cost	<b>10,920,698</b>	12,175,509
Interest expense	<b>3,505,329</b>	2,729,200
Benefits paid from Company operating funds	<b>( 3,800,000 )</b>	-
Transferred liability	-	( 774,563 )
Actuarial losses (gains) arising from:		
Changes in financial assumptions	<b>736,217</b>	( 11,176,623 )
Experience adjustments	<b>( 16,266,837 )</b>	( 886,785 )
Balance at end of year	<b>P 65,481,009</b>	P 70,385,602

In 2021 and 2020, the Company transferred certain employees to (from) related parties under common ownership. This resulted to a reduction of the net obligation amounting to P0.8 million in 2021 and additional obligation amounting to P8.2 million in 2020. The outstanding receivable is presented as part of Others under Trade and Other Receivables in the 2021 statement of financial position (see Notes 6 and 18). There was no similar transaction in 2022.

The amounts of post-employment benefit recognized in profit or loss and in other comprehensive loss in respect of the defined benefit post-employment plan are as follows (see Note 16.1):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current service cost	<b>P 10,920,698</b>	P 12,175,509	P 12,850,645
Interest expense	<u>3,505,329</u>	<u>2,729,200</u>	<u>3,662,586</u>
	<b><u>P 14,426,027</u></b>	<b><u>P 14,904,709</u></b>	<b><u>P 16,513,231</u></b>
<i>Reported in other comprehensive income:</i>			
Actuarial losses (gains) arising from:			
Experience adjustments	( P 16,266,837 )	( P 886,785 )	( P 32,195,182 )
Changes in financial assumptions	736,217	( 11,176,623 )	8,937,510
Changes in demographic assumptions	<u>-</u>	<u>-</u>	( <u>6,456,642</u> )
	( <b><u>P 15,530,620</u></b> )	( <b><u>P 12,063,408</u></b> )	( <b><u>P 29,714,314</u></b> )

The interest expense is included as part of Finance costs under Other Income (Charges) – Net section of the statements of comprehensive income (see Note 15).

Amounts recognized in other comprehensive income (loss) 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 year ended December 31:

	<u>2022</u>	<u>2021</u>
Discount rates	<b>7.37%</b>	5.18%
Expected rate of salary increases	<b>10.00%</b>	7.75%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 28 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Interest Rate Risk*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan as of 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 Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
<b><u>2022:</u></b>			
Discount rate	+/- 1%	( P 8,595,720 )	P 10,372,352
Salary growth rate	+/- 1%	10,317,126	( 8,716,765 )
<b><u>2021:</u></b>			
Discount rate	+/- 1%	( P 8,175,215 )	P 9,837,972
Salary growth rate	+/- 1%	9,839,299	( 8,343,738 )

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 2022 statement of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded by P65.5 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk that the Company may be exposed to if several employees retire within the same year.

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

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

	<u>2022</u>	<u>2021</u>
Within five years	<b>P 8,708,897</b>	P 13,483,085
More than five years to 10 years	<b>35,006,257</b>	41,582,053
More than 10 years	<b><u>1,063,616,434</u></b>	<u>698,829,085</u>
	<b><u>P 1,107,331,588</u></b>	<b><u>P 753,894,223</u></b>

Management expects that a substantial portion of the undiscounted expected benefit payments is probable after 10 years from the end of the reporting period. The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.32 years.

## 17. INCOME TAXES

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

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

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, were lower by P24.3 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 liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a net decline in the recognized deferred tax liabilities in 2020 by P50.0 million and such was recognized in the 2021 profit or loss (P50.6 million) and in other comprehensive (P0.6 million).

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25% in 2022			
and 2021 and 30% in 2020	<b>P 177,510,740</b>	P 398,020,810	P 292,135,436
Final tax at 20%	<b>170,590</b>	239,348	464,846
Effect of the change			
in income tax rate	<u>-</u>	( <u>24,344,620</u> )	<u>-</u>
	<u><b>177,681,330</b></u>	<u>373,915,538</u>	<u>292,600,282</u>
Deferred tax expense			
arising from:			
Origination and reversal			
of temporary differences	<b>133,308,146</b>	58,118,023	130,400,192
Effect of the change			
in income tax rate	<u>-</u>	( <u>50,583,586</u> )	<u>-</u>
	<u><b>133,308,146</b></u>	<u>7,534,437</u>	<u>130,400,192</u>
	<u><b>P 310,989,476</b></u>	<u>P 381,449,975</u>	<u>P 423,000,474</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax expense			
arising from:			
Origination and reversal			
of temporary differences	( <b>P 3,882,655</b> )	( P 3,015,852 )	( P 8,914,294 )
Effect of the change			
in income tax rate	<u>-</u>	( <u>649,761</u> )	<u>-</u>
	( <u><b>P 3,882,655</b></u> )	( <u>P 3,665,613</u> )	( <u>P 8,914,294</u> )

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 25%			
in 2022 and 2021 and			
30% 2020	<b>P 311,189,562</b>	P 456,438,018	P 423,214,897
Adjustment for income			
subjected to lower tax rate	( <b>200,086</b> )	( 59,837 )	( 232,423 )
Effect of the change			
in income tax rate	<u>-</u>	( <u>74,928,206</u> )	<u>-</u>
Tax effect on			
non-deductible expenses	<u>-</u>	<u>-</u>	<u>18,000</u>
Tax expense	<u><b>P 310,989,476</b></u>	<u>P 381,449,975</u>	<u>P 423,000,474</u>

The Company is subject to MCIT computed at 1% in 2022 and 2021 and 2% in 2020, of gross income, net of allowable deductions as defined under the tax regulations, or to RCIT, whichever is higher. The Company reported RCIT in 2022, 2021 and 2020 as RCIT was higher than MCIT in those years.

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

	Statements of Financial Position		Statements of Comprehensive Income					
			Profit or Loss			Other Comprehensive Income		
	2022	2021	2022	2021	2020	2022	2021	2020
Deferred tax assets:								
Leases - PFRS 16	P 192,007,991	P 183,301,947	( P 8,706,044 )	P 4,262,040	( P 43,039,129 )	P -	P -	P -
Impairment loss	5,961,115	14,469,203	8,508,088	( 9,507,317 )	( 1,673,525 )	-	-	-
Post-employment defined obligation	11,285,869	11,562,017	( 3,606,507 )	( 2,205,600 )	( 4,953,971 )	3,882,655	3,665,613	8,914,294
Reward liability	1,801,805	147,133	( 1,654,672 )	29,427	( 176,560 )	-	-	-
	<u>211,056,780</u>	<u>209,480,300</u>	<u>( 5,459,135 )</u>	<u>( 7,421,450 )</u>	<u>( 49,843,185 )</u>	<u>3,882,655</u>	<u>3,665,613</u>	<u>8,914,294</u>
Deferred tax liabilities:								
Tax depreciation	( 456,542,361 )	( 328,801,921 )	127,740,440	73,644,249	107,935,240	-	-	-
Borrowing costs	( 192,704,967 )	( 153,047,348 )	39,657,619	18,163,530	( 8,265,134 )	-	-	-
Uncollected income	( 9,803,253 )	( 38,434,031 )	( 28,630,778 )	( 76,851,892 )	80,573,271	-	-	-
	<u>( 659,050,581 )</u>	<u>( 520,283,300 )</u>	<u>138,767,281</u>	<u>14,955,887</u>	<u>180,243,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities - net	( P 447,993,801 )	( P 310,803,000 )						
Deferred tax expense (income)			<u>P 133,308,146</u>	<u>P 7,534,437</u>	<u>P 130,400,192</u>	<u>P 3,882,655</u>	<u>P 3,665,613</u>	<u>P 8,914,294</u>

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

## 18. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others, as described in Note 2.16. The summary of the Company's transactions with its related parties and the related outstanding balances as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 are discussed below and in the succeeding page.

Notes	Amount of Transactions			Outstanding Balances Receivables (Payables)	
	2022	2021	2020	2022	2021
<b>Related Parties Under Common Ownership:</b>					
Lease liability (PFRS 16)	12	P -	P -	P -	( P 3,049,982,309 )
Right-of-use asset (PFRS 16)	9, 12	-	-	-	3,483,024,073 )
Depreciation (PFRS 16)	9, 12	404,977,243	412,097,079	421,033,483	2,920,674,530
Interest (PFRS 16)	12, 15	226,125,154	252,861,046	274,986,387	-
Sale of merchandise	6, 18.1	97,510,230	96,819,297	88,875,368	43,953,695
Transferred retirement benefit obligation	6, 16.2	-	( 774,563 )	8,195,857	-
Rentals	12	316,198,441	454,157,242	325,946,167	-
<b>Key Management Personnel – Compensation</b>	18.2	48,846,000	40,860,000	65,540,791	-

Management determines possible impairment based on the related parties' ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties. Management assessed that the outstanding receivables from related parties as of December 31, 2022 and 2021 are recoverable since these related parties have the capacity to pay the advances upon demand. There were no impairment losses recognized for these receivables from related parties in 2022, 2021 and 2020.



### 18.1 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Revenues in the statements of comprehensive income (see Note 13). The related receivables are presented as part of Trade Receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

### 18.2 Key Management Personnel Compensation

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

	2022	2021	2020
Short-term benefits	P 44,938,320	P 39,195,142	P 56,436,000
Post-employment defined benefits	3,907,680	1,664,858	9,104,791
	<u>P 48,846,000</u>	<u>P 40,860,000</u>	<u>P 65,540,791</u>

## 19. EQUITY

### 19.1 Capital Stock

Details of this account for years 2022, 2021 and 2020 are shown below.

	Shares	Amount
Authorized - par value –		
Common – P1.00 par value	5,900,000,000	P 5,900,000,000
Preferred – P0.10 par value	1,000,000,000	1,000,000,000
Issued and outstanding:		
Common shares:		
Balance at beginning and end of year	<u>3,750,000,002</u>	<u>P 3,750,000,002</u>

On July 8, 2019, the SEC approved the Company's application for the increase of authorized capital stock from P2,000.0 million to P6,000.0 million divided into 5,900,000,000 common shares with par value of P1.00 per common share and 1,000,000,000 preferred shares with par value of P0.10 per preferred share. On the same date, the Company issued 1,000,000,000 common shares for the payment of certain advances from its parent company that were converted into equity and two common shares for a consideration of P2.00 to independent directors.

On October 10, 2019, the Company, by way of a primary offering (IPO), sold 750,000,000 shares of its common stock (Offer Share) at an offer price of P11.50 per Offer Share, and generated proceeds of P7,959.3 million from such IPO, net of IPO expenses amounting to P665.7 million (see Note 19.2).

As of December 31, 2022, 2021 and 2020, the Company's number of shares registered totaled 3,750,000,002 with par value of P1.00 per share and closed at a price of P1.65 in 2022. The total number of stockholders is 32 as of December 31, 2022 and 2021, with the shares held in the name of PCD Nominee Corporation belonging to 128 participants. The public float lodged with PCD Nominee Corporation is counted only as one stockholder.

### ***19.2 Additional Paid-In Capital***

Additional paid-in capital consists of P7,209.3 million from the initial public offering in 2019, net of P665.7 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 19.1).

### ***19.3 Dividends Declaration***

In 2022, the Company's BOD approved the declaration of cash dividends amounting to P288.8 million (P0.0770 per share) on November 29, 2022, payable to stockholders of record as of December 15, 2022. The outstanding dividends payable amounting to P35.0 million is presented as part of Non-trade Payables under Trade and Other Payables in the 2022 statement of financial position (see Note 10).

In 2021 and 2020, the Company's BOD approved the declaration of cash dividends amounting to P197.6 million (P0.0527 per share) and P52.5 million (P0.0140 per share) on November 12, 2021 and November 25, 2020, respectively, and payable to stockholders of record as of November 19, 2021 and December 14, 2020, respectively. The cash dividends were settled on December 14, 2021 and December 28, 2020, respectively.

### ***19.4 Revaluation Reserves***

The component and reconciliation of items under Revaluation Reserves account in the statements of financial position are shown below.

	Notes	2022	2021
Balance at beginning of year		( P 698,851 )	( P 9,096,646 )
Remeasurement on post-employment defined benefit obligation	16.2	( 15,530,620 )	12,063,408
Tax expense	17	3,882,655	( 3,015,852 )
Effect of the change in income tax rate		-	( 649,761 )
Balance at end of year		( P 12,346,816 )	( P 698,851 )

## 20. EARNINGS PER SHARE

EPS were computed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net profit	<b>P 933,768,771</b>	P 1,444,302,097	P 987,715,849
Divided by weighted average number of outstanding common shares	<u><b>3,750,000,002</b></u>	<u>3,750,000,002</u>	<u>3,750,000,002</u>
Basic and diluted EPS	<u><b>P 0.25</b></u>	<u>P 0.39</u>	<u>P 0.26</u>

The Company has no potential dilutive common shares as of December 31, 2022, 2021 and 2020.

## 21. COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies involving the Company are presented below.

### ***21.1 Legal Claims***

The Company is a party to certain case from the normal course of business. The Company and its legal counsel believe that any eventual liabilities under this case will not have a material effect on the financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as of December 31, 2022 and 2021.

### ***21.2 Others***

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of December 31, 2022 and 2021, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

## 22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of operational and financial risks in relation to financial instruments. The Company's risk management is coordinated with its parent company, in close cooperation with the Company's BOD.

The Company does not normally engage in the trading of financial assets for speculative purposes nor does it write options. The most significant operational and financial risks to which the Company is exposed to are described in the succeeding pages.

## 22.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2022, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash in banks and short-term placements, which are subject to variable interest 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 long-term bank loans are subject to fixed rates ranging from 5.00% to 7.09% per annum in 2022 and 5.00% to 5.85% per annum in 2021 (see Note 11). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2022 and 2021. There was no long-term bank loan in 2020.

## 22.2 Credit Risk

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting receivables to customers and related parties, and placing deposits.

The Company continuously monitors defaults of other counterparties, identified individually, and incorporates 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 in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2022	2021
Cash and cash equivalents (excluding cash on hand)	5	<b>P 1,762,384,968</b>	P 1,880,302,985
Trade and other receivables	6	<b>655,270,290</b>	383,798,106
Security deposits	8	<b>236,786,555</b>	176,385,614
		<b><u>P 2,654,441,813</u></b>	<b><u>P 2,440,486,705</u></b>

Except for cash in banks, none of the Company's financial assets are secured by collateral or other credit enhancements.

### (a) Cash and Cash Equivalents

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks 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) Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for trade and other 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 5 years before December 31, 2022 and 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the Philippine gross domestic product in 2022 and 2021 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 30 to 60 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.

The table below summarizes the loss allowance of the Company based on the past due months of trade receivables:

		Not yet due/ Within 1 year		1 to 2 years		2 to 3 years		More than 3 years		Total
2022:										
Expected loss rate		0.00%		27.18%		35.86%		53.93%		
Gross carrying amount	P	372,726,437	P	76,174,377	P	6,396,772	P	1,572,843	P	456,870,429
Loss allowance		-		20,702,096		2,294,059		848,303		23,844,458
2021:										
Expected loss rate		0.00%		84.74%		94.88%		100.00%		
Gross carrying amount	P	106,343,848	P	20,881,134	P	42,350,605		-	P	169,575,587
Loss allowance		-		17,695,599		40,181,212		-		57,876,811

On the other hand, based on the analysis, there is no loss allowance provided as at December 31, 2022 and 2021, on the Company's non-trade receivables as the Company does not have any non-trade receivables which has been outstanding for more than three months. The Company's management continues to monitor counterparties default rates and macroeconomic factors affecting the counterparties' ability to settle the receivables. Management considers the credit quality of non-trade receivables that are not past due or impaired to be good.

(c) *Security Deposits*

The Company is not exposed to any significant credit risk exposure, since the counterparties are reputable lessors with sound liquid position. The Company can apply such deposits to future payments in case it defaults.

### 22.3 Liquidity Risk

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

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. 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 of December 31, 2022 the Company's financial liabilities have contractual maturities which are summarized below.

	Notes	Current		Non-current	
		Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
Trade and other payables	10	P 1,210,156,229	P -	P -	P -
Loans payable	11	3,048,074,991	82,872,500	2,871,715,342	415,073,534
Lease liabilities	12	393,995,173	337,056,962	1,379,759,021	2,595,400,367
		<b>P 4,652,226,393</b>	<b>P 419,929,462</b>	<b>P 4,251,474,363</b>	<b>P 3,010,473,901</b>

This compares to the contractual maturities of the Company's financial liabilities as of December 31, 2021 as follows:

	Notes	Current		Non-current	
		Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
Trade and other payables	10	P 1,194,185,782	P -	P -	P -
Loans payable	11	2,155,325,494	76,325,000	305,300,000	2,982,526,389
Lease liabilities	12	450,489,232	456,494,530	2,448,277,643	3,370,822,361
		<b>P 3,800,000,508</b>	<b>P 532,819,530</b>	<b>P 2,753,577,643</b>	<b>P 6,353,348,750</b>

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

## 23. CATEGORIES AND FAIR VALUE MEASUREMENTS

### ***23.1 Carrying Amounts and Fair Values Category***

The Company has no financial assets and financial liabilities carried at fair value.

For the Company's financial assets and liabilities carried at amortized cost as at December 31, 2022 and 2021, management considers that the carrying values of these financial instruments approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those maturities of more than one year is not material, hence, no further comparison between the carrying amounts and fair values is presented.

See Note 2.4 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

### ***23.2 Offsetting of Financial Assets and Financial Liabilities***

The Company has not set-off financial instruments in 2022 and 2021. For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties (i.e. related parties including parent company and companies under common ownership) allows for the net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

As of December 31, 2022 and 2021, the Company does not have any financial assets that may be potentially set-off against its outstanding liabilities to related parties.

### ***23.3 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and 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 purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There are no financial assets and financial liabilities measured at fair value as of December 31, 2022 and 2021. Neither was there transfers among fair value levels in those years.

### ***23.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed***

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Note 23.1).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2022</u></b>				
<i>Financial assets:</i>				
Cash and cash equivalents	P 1,767,714,968	P -	P -	P 1,767,714,968
Trade and other receivables	-	-	655,270,290	655,270,290
Security deposits	-	-	236,786,555	236,786,555
	<b><u>P 1,767,714,968</u></b>	<b><u>P -</u></b>	<b><u>P 892,056,845</u></b>	<b><u>P 2,659,771,813</u></b>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 1,210,156,229	P 1,210,156,229
Loans payable	-	-	5,941,388,027	5,941,388,027
Lease liabilities	-	-	3,745,821,070	3,745,821,070
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 10,897,365,326</u></b>	<b><u>P 10,897,365,326</u></b>
<b><u>December 31, 2021</u></b>				
<i>Financial assets:</i>				
Cash and cash equivalents	P 1,885,542,985	P -	P -	P 1,885,542,985
Trade and other receivables	-	-	383,798,106	383,798,106
Security deposits	-	-	176,385,614	176,385,614
	<b><u>P 1,885,542,985</u></b>	<b><u>P -</u></b>	<b><u>P 560,183,720</u></b>	<b><u>P 2,445,726,705</u></b>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 1,194,185,782	P 1,194,185,782
Loans payable	-	-	4,944,418,931	4,944,418,931
Lease liabilities	-	-	4,541,690,990	4,541,690,990
	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 10,680,295,703</u></b>	<b><u>P 10,680,295,703</u></b>

## **24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

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



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

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total liabilities	<b>P 11,451,738,066</b>	P 11,186,695,147	P 8,404,068,168
Total equity	<b><u>15,282,680,275</u></b>	<u>14,626,013,539</u>	<u>13,370,938,647</u>
Debt-to-equity ratio	<b><u>0.75 : 1.00</u></b>	<u>0.76 : 1.00</u>	<u>0.63 : 1.00</u>

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. In 2022 and 2021, 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 the loans' covenants as of December 31, 2022 and 2021 (see Note 11). The Company did not have any loan covenants to comply with as of December 31, 2020.

## 25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below and in the succeeding pages is the supplementary information on taxes, duties and licenses fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulations 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

In 2022, the Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of merchandise	P 12,564,760,820	P 1,507,771,298
Other income:		
Vendors' support	171,152,464	20,538,296
Marketing fees	15,580,119	1,869,614
Delivery fees	25,596,962	3,071,635
Rentals	18,147,038	2,177,645
Miscellaneous	<u>24,238,569</u>	<u>2,908,628</u>
	<b><u>P 12,819,475,972</u></b>	<b><u>P 1,538,337,116</u></b>

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 revenue reported in the 2022 statement of comprehensive income.

The outstanding output VAT payable amounting to P18,118,286 as of December 31, 2022 is presented as part of Trade and Other Payables in the 2022 statement of financial position.

(b) *Input VAT*

The movements in input VAT in 2022 are summarized below.

Balance at beginning of year	P	-
Goods for resale/manufacture or further processing		1,115,982,558
Services lodged under other accounts		234,971,373
Capital goods subject to amortization		59,599,068
Capital goods not subject to amortization		1,161,765
Applied against output VAT	(	<u>1,411,714,764)</u>
Balance at end of year	P	<u>-</u>

(c) *Excise Tax*

The Company did not have any transaction in 2022, which is subject to excise tax.

(d) *Documentary Stamp Tax (DST)*

In 2022, the Company paid documentary stamp tax amounting to P10,994,610 pertaining to the interest-bearing loans availed during the year.

(e) *Taxes and Licenses*

The details of taxes and licenses account in 2022 are shown below.

Municipal license and permits	P	94,221,932
DST		10,994,610
Real property tax		<u>405,337</u>
	P	<u>105,621,879</u>

The amount of taxes and licenses are presented as part of General and Administrative Expenses in the 2022 statement of comprehensive income.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P	82,049,709
Compensation and benefits		18,259,401
Final		<u>10,799,377</u>
	P	<u>111,108,487</u>

The outstanding balances of expanded withholding tax, withholding tax on compensation and final withholding tax amounting to P6.2 million, P1.0 million and P10.8 million, respectively, are recorded as Withholding taxes payable under Trade and Other Payables in the 2022 statement of financial position.

(g) *Deficiency Tax Assessments*

As of December 31, 2022, the Company does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

# **Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements**

**Punongbayan & Araullo**

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

T +63 2 8988 2288

## **The Board of Directors**

**AllHome Corp.**

*(A Subsidiary of AllValue Holdings Corp.)*

Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daang Hari, Almanza II  
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the year ended December 31, 2022, on which we have rendered our report dated April 14, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **PUNONGBAYAN & ARAULLO**

  
By: **Nelson J. Dimio**  
Partner

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

April 14, 2023

**ALLHOME CORP.**  
*(A Subsidiary of AllValue Holdings Corp.)*  
**List of Supplementary Information**  
**December 31, 2022**

<b>Schedule</b>	<b>Content</b>	<b>Page No.</b>
<b>Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68</b>		
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	N/A
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	1
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	2
<b>Others Required Information</b>		
	Reconciliation of Retained Earnings Available for Dividend Declaration	3
	Map Showing the Relationship Between the Company and its Related Entities	4

**ALLHOME CORP.**  
*(A Wholly Owned Subsidiary of AllValue Holdings Corp.)*  
**SCHEDULE D - LONG TERM DEBT**  
**December 31, 2022**  
*(Amounts in Philippine Pesos)*

Title of Issue and type of obligation	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Term Loans	P <u>2,931,388,027</u>	P <u>3,010,000,000</u>

**ALLHOME CORP.**  
*(A Subsidiary of AllValue Holdings Corp.)*  
**SCHEDULE G - CAPITAL STOCK**  
**DECEMBER 31, 2022**

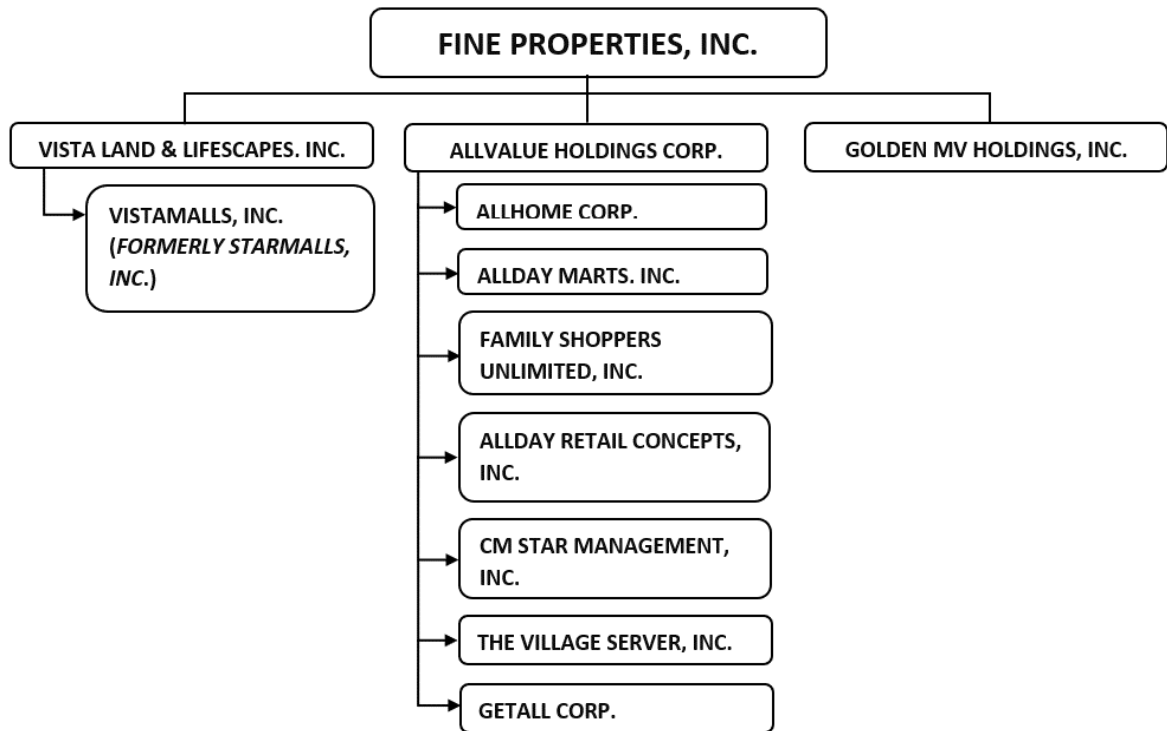
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares at P1.00 par value	<u>5,900,000,000</u>	<u>3,750,000,002</u>	<u>-</u>	<u>2,540,108,000</u>	<u>502</u>	<u>1,209,891,500</u>
Preferred Shares at P0.10 par value	<u>1,000,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ALLHOME CORP.**  
*(A Subsidiary of AllValue Holdings Corp.)*  
Lower Ground Floor, Building B, Evia Lifestyle Centre  
Almanza II, Las Piñas City  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2022**

<b>Unappropriated Retained Earnings at Beginning of Year</b>		P	3,667,414,274
<b>Prior Year's Outstanding Reconciling Items</b>			
Deferred tax asset – gross			<u>219,564,868</u>
<b>Unappropriated Retained Earnings Available for</b>			
<b>Dividend Declaration at Beginning of Year, as Adjusted</b>			3,886,979,142
<b>Net profit per audited financial statements</b>	933,768,771		
<b>Less: Non-actual/unrealized income</b>			
Deferred tax income related to deferred tax assets			
recognized in profit or loss during the year	<u>4,901,581</u>		938,670,352
<b>Dividend Declarations During the Year</b>		(	<u>288,750,000</u> )
<b>Unappropriated Retained Earnings Available for</b>			
<b>Dividend Declaration at End of the Year</b>		<b>P</b>	<b><u>4,536,899,494</u></b>



**ALLHOME CORP.**  
*(A Subsidiary of AllValue Holdings Corp.)*  
**SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP**  
**ULTIMATE PARENT COMPANY AND PARENT COMPANY**



# **Report of Independent Auditors on Components of Financial Soundness Indicators**

**Punongbayan & Araullo**

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

T +63 2 8988 2288

## **The Board of Directors**

**AllHome Corp.**

*(A Subsidiary of AllValue Holdings Corp.)*

Lower Ground Floor, Building B  
EVIA Lifestyle Center, Vista City  
Daang Hari, Almanza II  
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 14, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as of December 31, 2022 and 2021 and for each of the two years in the period ended December 31, 2022 and no material exceptions were noted.

## **PUNONGBAYAN & ARAULLO**



By: **Nelson J. Dinio**  
Partner

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

April 14, 2023

**ALLHOME CORP.**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2022 and 2021**

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets P 12,016,427,591 Divide by: Total Current Liabilities 4,672,213,064 Current ratio 2.57	2.57	Total Current Assets divided by Total Current Liabilities  Total Current Assets P 11,464,463,794 Divide by: Total Current Liabilities 3,977,608,541 Current ratio 2.88	2.88
Acid test ratio	Quick assets (Total Current Assets less Merchandise Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets P 12,016,427,591 Less: Merchandise Inventories ( 6,629,751,113) Other Current Assets ( 2,963,691,220) Quick Assets 2,422,985,258 Divide by: Total Current Liabilities 4,672,213,064 Acid test ratio 0.52	0.52	Quick assets (Total Current Assets less Merchandise Inventories and Other Current Assets) divided by Total Current Liabilities  Total Current Assets P 11,464,463,794 Less: Merchandise Inventories ( 7,055,642,001) Other Current Assets ( 2,139,480,702) Quick Assets 2,269,341,091 Divide by: Total Current Liabilities 3,977,608,541 Acid test ratio 0.57	0.57
Solvency ratio	Total Liabilities divided by Total Assets  Total Liabilities P 11,451,738,066 Divide by: Total Assets 26,734,418,341 Solvency ratio 0.43	0.43	Total Liabilities divided by Total Assets  Total Liabilities P 11,186,695,147 Divide by: Total Assets 25,812,708,686 Solvency ratio 0.43	0.43
Debt-to-equity ratio	Total Liabilities divided by Total Equity  Total Liabilities P 11,451,738,066 Divide by: Total Equity 15,282,680,275 Debt-to-equity ratio 0.75	0.75	Total Liabilities divided by Total Equity  Total Liabilities P 11,186,695,147 Divide by: Total Equity 14,626,013,539 Debt-to-equity ratio 0.76	0.76
Assets-to-equity ratio	Total Assets divided by Total Equity  Total Assets P 26,734,418,341 Divide by: Total Equity 15,282,680,275 Assets-to-equity ratio 1.75	1.75	Total Assets divided by Total Equity  Total Assets P 25,812,708,686 Divide by: Total Equity 14,626,013,539 Assets-to-equity ratio 1.76	1.76
Interest rate coverage	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT P 1,818,994,056 Divide by: Interest expense 408,366,914 Interest rate coverage ratio 4.45	4.45	Earnings before interest and taxes (EBIT) divided by Interest expense  EBIT P 2,218,250,270 Divide by: Interest expense 393,694,939 Interest rate coverage ratio 5.63	5.63
Return on equity	Net Profit divided by Total Equity  Net Profit P 933,768,771 Divide by: Total Equity 15,282,680,275 Return on equity 0.06	0.06	Net Profit divided by Total Equity  Net Profit P 1,444,302,097 Divide by: Total Equity 14,626,013,539 Return on equity 0.10	0.10
Return on assets	Net Profit divided by Total Assets  Net Profit P 933,768,771 Divide by: Total Assets 26,734,418,341 Return on assets 0.03	0.03	Net Profit divided by Total Assets  Net Profit P 1,444,302,097 Divide by: Total Assets 25,812,708,686 Return on assets 0.06	0.06
Net profit margin	Net Profit divided by Total Revenue  Net Profit P 933,768,771 Divide by: Total Revenue 12,564,760,820 Net profit margin 0.07	0.07	Net Profit divided by Total Revenue  Net Profit P 1,444,302,097 Divide by: Total Revenue 14,324,858,249 Net profit margin 0.10	0.10

# COVER SHEET

C	S	2	0	1	3	1	0	1	7	9
---	---	---	---	---	---	---	---	---	---	---

[illegible]

(Company's Full Name)

[illegible]

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

Robirose M. Abbot

Contact Person

09190815302

Company Telephone Number

1	2
---	---

3	1
---	---

Month      Day  
Calendar Year

17-Q

FORM TYPE

--	--	--	--

<i>Month</i>	<i>Day</i>
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

LCU

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

Document I.D.

---

Cashier

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: March 31, 2023
2. SEC Identification number: CS-201310179
3. BIR Tax Identification No: 008-541-952
4. AllHome Corp.  
Exact name of issuer as specified in its charter:
5. Philippines  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. LGF Bldg B, EVIA Lifestyle Center, Daanghari, Almanza Dos, Las Piñas City 1747  
Address of issuer's principal office Postal Code
8. +63 (919) 081-5302  
Issuer's telephone number, including area code
9. N/A  
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding And amount of debt outstanding
Common stock (as of 03/31/2022 net of nil treasury shares)	3,750,000,002

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

Yes [ x ] 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 [ x ] No [ ]

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

Yes [ x ] No [ ]

## **TABLE OF CONTENTS**

### **PART I - FINANCIAL STATEMENTS**

#### **Item 1. Financial Statements**

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

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

- 3-month of 2023 vs. 3-month of 2022
- Top Five (5) Key Performance Indicators
- Material Changes (5% or more)- Statement of Financial Position
- Material Changes (5% or more)- Statement of Comprehensive Income
- Commitments and Contingencies

### **PART II-OTHER INFORMATION**

#### **Item 3. 3-months of 2023 Developments**

#### **Item 4. Other Notes to 3-months of 2023 Operating and Financial Results**



**AllHome Corp.**  
**Statements of Financial Position**  
**As of March 31, 2023 and December 31, 2022**  
*(Amounts in Philippine Peso)*

	Note	Unaudited Mar 31, 2023	Audited Dec 31, 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	₱1,636,473,207	₱1,767,714,968
Trade and other receivables - net	6	487,767,321	655,270,290
Merchandise inventories	7	6,497,245,220	6,629,751,113
Other current assets	8	3,107,564,714	2,963,691,220
Total Current Assets		11,729,050,462	12,016,427,591
<b>Non-current Assets</b>			
Property and equipment - net	9	13,862,583,985	14,018,904,640
Other non-current assets	8	787,324,631	699,086,110
Total Non-current Assets		14,649,908,617	14,717,990,750
<b>TOTAL ASSETS</b>		<b>26,378,959,079</b>	<b>26,734,418,341</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	1,109,746,036	1,246,259,998
Loans payable	11	2,612,757,168	2,931,388,027
Lease liability	12	470,270,434	489,770,878
Income tax payable		27,618,723	4,794,161
Total Current Liabilities		4,220,392,361	4,672,213,064
<b>Non-current Liabilities</b>			
Loans payable	11	2,965,000,000	3,010,000,000
Lease liability	12	3,142,907,935	3,256,050,192
Deferred tax liabilities - net	17	486,612,539	447,993,801
Retirement benefit obligation	16	69,087,516	65,481,009
Total Non-current Liabilities		6,663,607,990	6,779,525,002
Total liabilities		10,884,000,352	11,451,738,066
<b>Equity</b>			
Capital stock	19	3,750,000,002	3,750,000,002
Additional paid-in capital		7,209,298,114	7,209,298,114
Revaluation reserves		10,949,114	10,949,114
Retained earnings		4,524,711,498	4,312,433,045
Total Equity		15,494,958,729	15,282,680,275
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱26,378,959,079</b>	<b>₱26,734,418,341</b>

*See accompanying Notes to Financial Statements.*



**AllHome Corp.**  
**Statements of Comprehensive Income**  
**For the three months ended March 31, 2023 and 2022**  
*(Amounts in Philippine Peso)*

	Note	Unaudited Jan-Mar Q1-2023	Unaudited Jan-Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan-Mar 2022
<b>SALES</b>	13	<b>P2,921,186,089</b>	<b>P2,921,186,089</b>	P3,238,565,509	P3,238,565,509
<b>COST OF MERCHANDISE SOLD</b>	14	<b>(1,823,571,089)</b>	<b>(1,823,571,089)</b>	(2,070,275,920)	(2,070,275,920)
<b>GROSS PROFIT</b>		<b>1,097,615,001</b>	<b>1,097,615,001</b>	1,168,289,589	1,168,289,589
<b>SUPPORT FEES, RENTALS AND OTHER REVENUES</b>	13	<b>58,423,722</b>	<b>58,423,722</b>	64,726,056	64,726,056
<b>GROSS PROFIT INCLUDING OTHER REVENUES</b>		<b>1,156,038,722</b>	<b>1,156,038,722</b>	1,233,015,645	1,233,015,645
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	14	<b>(763,852,003)</b>	<b>(763,852,003)</b>	(765,589,458)	(765,589,458)
<b>OPERATING PROFIT</b>		<b>392,186,720</b>	<b>392,186,720</b>	467,426,187	467,426,187
<b>FINANCE INCOME (COSTS)</b>					
Finance costs	15	(109,413,263)	(109,413,263)	(100,784,872)	(100,784,872)
Finance income	5	247,951	247,951	298,380	298,380
		<b>(109,165,312)</b>	<b>(109,165,312)</b>	(100,486,492)	(100,486,492)
<b>PROFIT BEFORE EXTRAORDINARY ITEM</b>		<b>283,021,048</b>	<b>283,021,048</b>	366,939,695	366,939,695
<b>LOSSES FROM FIRE DAMAGE</b>		<b>-</b>	<b>-</b>	(303,130,081)	(303,130,081)
<b>PROFIT BEFORE TAX</b>		<b>283,021,048</b>	<b>283,021,048</b>	63,809,614	63,809,614
<b>TAX EXPENSE (INCOME)</b>	17				
Current		(32,124,217)	(32,124,217)	(73,297,715)	(73,297,715)
Deferred		(38,618,738)	(38,618,738)	(18,422,291)	(18,422,291)
		<b>(70,742,954)</b>	<b>(70,742,954)</b>	(91,720,006)	(91,720,006)
<b>NET PROFIT (LOSS)</b>		<b>212,278,453</b>	<b>212,278,453</b>	(27,910,392)	(27,910,392)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P212,278,453</b>	<b>P212,278,453</b>	(P27,910,392)	(P27,910,392)
Basic and Diluted earnings (loss) per share		<b>P0.06</b>	<b>P0.06</b>	(P0.01)	(P0.01)

See accompanying Notes to Financial Statements.





**AllHome Corp.**  
**Statements of Changes in Equity**  
**For the three months ended March 31, 2023 and 2022**  
*(Amounts in Philippine Peso)*

	Note	Unaudited Mar 31, 2023	Unaudited Mar 31, 2022
<b>CAPITAL STOCK</b>	19	<b>₱3,750,000,002</b>	₱3,750,000,002
<b>ADDITIONAL PAID-IN CAPITAL</b>	19	<b>7,209,298,114</b>	7,209,298,114
<b>REVALUATION RESERVES</b>	19	<b>10,949,114</b>	(698,851)
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		<b>4,312,433,045</b>	3,667,414,274
Net profit (loss) for the period		<b>212,278,453</b>	(27,910,392)
<b>Balance at end of period</b>		<b>4,524,711,498</b>	3,639,503,882
<b>TOTAL EQUITY</b>		<b>₱15,494,958,729</b>	₱14,598,103,147

**AllHome Corp.**  
**Statements of Cash Flows**  
**For the three months ended March 31, 2023 and 2022**  
*(Amounts in Philippine Peso)*

	Notes	Unaudited Jan-Mar Q1-2023	Unaudited Jan to Mar 2023	Unaudited Jan-Mar Q1-2022	Unaudited Jan to Mar 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>₱283,021,408</b>	<b>₱283,021,408</b>	₱63,809,614	₱63,809,614
Adjustments for:					
Losses due to fire		-	-	303,130,081	303,130,081
Depreciation and amortization	9	<b>371,295,006</b>	<b>371,295,006</b>	388,813,630	388,813,630
Finance costs	12, 15, 16	<b>109,413,263</b>	<b>109,413,263</b>	100,784,372	100,784,372
Gain on lease modification	17	-	-	(21,376,737)	(21,376,737)
Finance income	5	<b>(247,951)</b>	<b>(247,951)</b>	(298,380)	(298,380)
Operating profit before working capital changes		<b>763,481,726</b>	<b>763,481,726</b>	834,862,580	834,862,580
Decrease/(Increase) in:					
Trade and other receivables		<b>167,502,970</b>	<b>167,502,970</b>	(95,479,050)	(95,479,050)
Inventories		<b>132,505,893</b>	<b>132,505,893</b>	(188,437,053)	(188,437,053)
Other current assets		<b>(143,873,492)</b>	<b>(143,873,492)</b>	54,557,539	54,557,539
Increase/(Decrease) in:					
Trade and other payables		<b>(130,788,740)</b>	<b>(130,788,740)</b>	(283,137,335)	(283,137,335)
Retirement benefit obligation	16	<b>2,730,175</b>	<b>2,730,175</b>	2,695,411	2,695,411
Cash generated from operations		<b>791,558,532</b>	<b>791,558,532</b>	325,062,092	325,062,092
Cash paid for income taxes		<b>(9,299,655)</b>	<b>(9,299,655)</b>	(5,765,913)	(5,765,913)
<b>Net cash from Operating activities</b>		<b>782,258,877</b>	<b>782,258,877</b>	319,296,179	319,296,179
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	9	<b>(218,601,270)</b>	<b>(218,601,270)</b>	(283,863,304)	(283,863,304)
Increase in other non-current assets		<b>(39,652,332)</b>	<b>(39,652,332)</b>	(383,607,791)	(383,607,791)
Interest received		<b>247,951</b>	<b>247,951</b>	298,380	298,380
<b>Net cash used in Investing activities</b>		<b>(258,005,651)</b>	<b>(258,005,651)</b>	(667,172,715)	(667,172,715)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from availment of loans	11	<b>1,102,869,141</b>	<b>1,102,869,141</b>	418,000,000	418,000,000
Repayment of loans payable	11	<b>(1,466,500,000)</b>	<b>(1,466,500,000)</b>	(418,000,000)	(418,000,000)
Payments of principal portion of lease liability	12	<b>(132,642,701)</b>	<b>(132,642,701)</b>	(145,500,579)	(145,500,579)
Interest paid for lease liabilities	12	<b>(63,577,664)</b>	<b>(63,577,664)</b>	(76,020,741)	(76,020,741)
Interest paid for loans payable	11	<b>(95,643,765)</b>	<b>(95,643,765)</b>	(72,734,696)	(72,734,696)
<b>Net cash (used in) from financing activities</b>		<b>(655,494,989)</b>	<b>(655,494,989)</b>	(294,256,016)	(294,256,016)
<b>NET DECREASE IN CASH</b>		<b>(131,241,763)</b>	<b>(131,241,763)</b>	(642,132,552)	(642,132,552)
<b>CASH AT BEGINNING OF PERIOD</b>		<b>1,767,714,969</b>	<b>1,767,714,969</b>	1,885,542,985	1,885,542,985
<b>CASH AT END OF PERIOD</b>		<b>₱1,636,473,207</b>	<b>₱1,636,473,207</b>	₱1,243,410,433	₱1,243,410,433

See accompanying Notes to Financial Statements.

# ALLHOME CORP.

## NOTES TO FINANCIAL STATEMENTS

---

### 1. Corporate Information

AllHome Corp. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on May 29, 2013. The Company is primarily engaged in buying, selling, distributing, marketing, at wholesale and retail, of all kinds of goods, commodities, wares and merchandise.

The Company's shares were listed in the Philippine Stock Exchange (PSE) on September 27, 2019 (see note 19.1).

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 Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza, 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.

---

### 2. Summary of Significant Accounting Policies

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

#### Basis of Preparation of Financial Statements

The interim condensed financial statements as at March 31, 2023 and for the three-months ended March 31, 2023 and 2022 have been prepared on a historical basis, except for financial assets which have been measured at fair value.

The financial statements are presented in Philippine pesos (₱), the Company's functional and presentation currency, and all values represent absolute amounts, unless otherwise indicated.

#### Statement of Compliance

The interim condensed financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2022 which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of previous financial year, except that the Company has adopted the following new pronouncements starting January 1, 2022. Adoption of these pronouncement did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- (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 capable operating the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost producing those items, in profit or loss. The application of these amendments had no significant impact of 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 depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision of the Company's policy to include both incremental costs and 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 onerous after applying the amendments.
- (iii) PFRS 9 (Amendments), Financial Instruments, PFRS 7 (Amendments), Financial Instruments: Disclosures, and PFRS 16 (Amendments), Leases – Interest Rate Benchmark Reform Phase 2. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments have no impact to the Company's financial statements as the Company did not have any financial instruments subject to LIBOR.
- (iv) PFRS 16, Leases – COVID-19-Related Rent Concessions beyond June 30, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Company's financial statements as the Company did not receive any rent concession from its lessors in 2021.

### Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. 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: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

### *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are at amortized cost, at FVOCI and at fair value through profit or loss (FVTPL).

The financial assets category that is currently relevant to the Company is financial assets at amortized cost.

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

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

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

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables and Security Deposits presented as part of Other Non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

#### *Impairment of Financial Assets*

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

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade 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 trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 22.2(b)].

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.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *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.

#### 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 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, inventories are assessed for impairment, i.e., the carrying amount is fully recoverable due to damage, obsolescence or declining selling prices.

#### Other Assets

Other assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. They are derecognized, charged to profit or loss, or reclassified to another asset account upon consumption or use.

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

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

An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

#### Property and Equipment

All items of property and equipment are stated at cost less accumulated depreciation, accumulated 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; expenditures for repairs and maintenance are charged to expense as incurred.

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

Store equipment	15 to 18 years
Furniture, fixtures and office equipment	5 to 15 years
Transportation equipment	8 to 10 years
Rights-of-use assets	2 to 16 years

Leasehold improvements are amortized over their estimated useful lives of 18 years or the lease term, whichever is shorter.

Right-of-use assets are depreciated 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 assets or the end of the lease term.

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

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

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.

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.

If there is an indication that there has been a significant change in the useful life, residual value of an asset, or method of depreciation or amortization, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment including the related accumulated depreciation and amortization, and impairment losses, if any, 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 period the item is derecognized.

#### Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), Loans Payable, Lease Liability and Due to Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as Finance costs under Finance Income (Costs) in the statement of comprehensive income.

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

Trade and other payables, and due to related parties are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

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

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

#### 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. The right of offset occurs 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.

#### Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors (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.

#### Provisions and Contingencies

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

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

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets;



hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

#### 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.

For Step 1 to be achieved, the following five gating criteria must be 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 construction materials, home improvement, furnishings and décor products. In addition, the Company also recognizes vendors' support and marketing fees in relation to the vendors' participation in the marketing/promotional activities of the Company. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3. 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 (see Note 3).

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 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) *Vendors' support and marketing fees* – Vendors' support and marketing fees arise from the vendors' participation in the marketing/promotional activities of the Company such as product exhibits, launch of new stores support and product features in various media platforms. The duration of contracts is generally short-term, and the related revenue are recognized over time as the performance of the contractually agreed tasks are rendered.
- c) *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.
- d) *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 is 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 is also immediately adjusted as of the end of the reporting periods.

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

The Company operates a customer loyalty incentive programme where individual customers accumulate points for purchases made which entitle them for award credits on future purchases. The Company allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.

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 to the pattern of rights exercised by customers.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfilment costs, the Company applies the following criteria, which, if met, result in capitalization:

- (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,
- (iii) the costs are expected to be recovered.

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

### Leases

The Company accounts for its leases as follows:

#### *(a) Company as 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 on 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.

On the other hand, the Company measures the lease liability 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, 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 under Property and Equipment, and separately from other liabilities, respectively, in the statement of financial position.

*(b) Company as 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.

Impairment of Non-Financial Assets

The Company's property and equipment, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount 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, some assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized 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. 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.

Employee Benefits

The Company's employee benefits are recognized and measured as discussed below.

*(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 annually 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. Interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the defined benefit liability during the period as a result of benefit payments.

The calculation also takes into account of any changes in the defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Finance Costs under Finance Income (Costs) – 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. 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) Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the

offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

*(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.

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.

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 according to 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 current tax 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 the 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 carry forward 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 or deferred tax 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.

#### 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.

#### 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 account pertains to remeasurements of post-employment defined benefit plan.

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

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 19).

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

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options (see Note 20).

Events After the End of the Reporting Period

Any post-period 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-period events that are not adjusting events, if any, are disclosed when material to the financial statements.

---

### 3. Significant Accounting Judgments and Estimates

The significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed financial statements are consistent with those used in the annual financial statements as at and for the year ended December 31, 2022.

---

### 4. Segment Reporting

The Company has only one reportable segment, i.e., its trading business, which caters to individual and corporate customers.

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.

---

### 5. Cash and Cash Equivalents

Cash and cash equivalents includes the following components:

	<b>Unaudited Mar 31, 2023</b>	Audited Dec 31, 2022
Cash in banks	<b>₱1,551,079,032</b>	₱1,682,384,968
Cash on hand	<b>5,394,175</b>	5,330,000
Short-term placements	<b>80,000,000</b>	80,000,000
	<b>₱1,636,473,207</b>	₱1,767,714,968

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements have maturity of 1 to 180 days and earn effective interest rates ranging from 0.55% to 1.65% in 2023 and 2022.



Finance income on these bank deposits and short-term placements for the three months ended March 31, 2023 and 2022, amounted to ₱0.2 million and ₱0.3 million, respectively.

---

## 6. Trade and Other Receivables - net

This account is composed of the following:

	Note	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Trade receivables- third parties		<b>₱283,597,504</b>	₱456,870,429
Non-trade receivables		<b>227,330,404</b>	221,614,570
Others	18	<b>683,872</b>	629,749
		<b>511,611,779</b>	679,114,748
Allowance for impairment losses		<b>(23,844,458)</b>	(23,844,458)
		<b>₱487,767,321</b>	₱655,270,290

Trade receivables are due from various customers and have credit terms ranging from 30 days to 60 days. The carrying amounts of the receivables are considered a reasonable approximation of fair values due to their short duration.

Non-trade receivables comprise of the Company's receivables from suppliers arising from vendors' support, marketing fees, miscellaneous income.

Others pertain to receivable for the transferred retirement benefit obligation from a related party under common ownership (see Note 18).

All of the Company's trade and other receivables have been assessed for ECL. The Company assessed that the existing allowance for impairment losses is sufficient as of March 31, 2023.

---

## 7. Merchandise Inventories

Merchandise inventories pertain to goods owned by the Company, which include construction materials, home improvements, furnishings and décor products, among others, that are traded under the normal course of business, and amounted to ₱6.5 billion and ₱6.6 billion as of March 31, 2023 and December 31, 2022, respectively (see Note 14.1).

The Company did not provide any allowance for inventory obsolescence as the inventories are deemed saleable. Merchandise inventories were all stated at cost, which is lower than net realizable value, as of March 31, 2023 and December 31, 2021. Cost of inventories charged to operations are presented as Cost of Merchandise Sold in the statements of comprehensive income (see Note 14.1)

## 8. Other Assets

The composition of this account is shown below:

	Note	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Current:			
Advances for purchases		<b>P2,900,888,940</b>	P2,885,712,043
Prepaid rent		<b>69,689,394</b>	42,051,683
Deferred input value-added taxes (VAT)		<b>6,951,844</b>	7,436,856
Others		<b>130,034,535</b>	28,490,638
		<b>3,107,564,713</b>	2,963,691,220
Non-current:			
Advances to suppliers		<b>164,514,448</b>	334,986,840
Materials and supplies	9	<b>383,573,030</b>	236,786,555
Security deposit		<b>239,237,154</b>	127,312,715
		<b>787,324,631</b>	699,086,110
		<b>P3,894,889,344</b>	P3,662,777,330

Advances for purchases pertaining to mobilization funds made to various third party suppliers, which are primarily used in the purchase of inventories subsequent to March 31, 2023 and December 31, 2022 are presented as part of Other Current Assets in the statements of financial position.

Advances to suppliers pertaining to mobilization funds made to various contractors for the construction of several items under property and equipment are presented as Other Non-Current Asset in the statements of financial position.

Materials and supplies represent unused consumable construction materials (see Note 9).

Security deposits include deposits made to lessors arising from the lease of retail spaces. This will be refunded at the end of the lease term or be applied to the last months' rentals on the related contracts.

Others consist of prepaid repairs, supplies, insurance and advertising.

## 9. Property and Equipment

The roll forward analyses of this account are as follows:

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Right-of-use Assets	Construction- in-Progress	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	₱2,568,308,570	₱1,276,848,773	₱65,146,028	₱6,966,080,176	₱3,010,975,957	₱131,545,136	₱14,018,904,640
Additions - Other property and Equipment	35,305,066	57,065,196	4,998,027	26,787	—	117,579,276	214,974,350
Disposals (Note 21)	—	—	—	—	—	—	—
Reclassification	—	—	—	131,545,136	—	(131,545,136)	—
Lease modifications (Note 12)	—	—	—	—	—	—	—
Depreciation and amortization changes for the period	(51,618,815)	(61,706,414)	(3,539,212)	(111,319,789)	(143,110,775)	—	(371,295,005)
<b>Balance at March 31, 2023, net of accumulated depreciation</b>	<b>₱2,551,994,821</b>	<b>₱1,272,207,555</b>	<b>₱66,604,843</b>	<b>₱6,986,332,310</b>	<b>₱2,867,865,182</b>	<b>₱117,579,276</b>	<b>₱13,862,583,985</b>
	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Right-of-use Assets	Construction- in-Progress	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	₱2,383,052,724	₱838,975,649	₱77,021,895	₱5,987,767,986	₱3,841,670,053	₱470,012,330	₱13,605,500,637
Additions							
Other property and equipment	402,924,232	643,704,165	3,429,433	673,472,546	—	543,472,271	2,267,002,647
Right-of-use asset	—	—	—	—	—	—	—
Reclassification	39,546,189	9,998,698	—	839,394,578	—	(889,939,465)	—
Disposals	(73,142,270)	(5,492,493)	(1,662,485)	(139,006,427)	(235,071,295)	—	(454,374,970)
Depreciation and amortization changes for the year	(184,072,305)	(210,337,246)	(13,642,815)	(395,548,507)	(595,622,801)	—	(1,399,223,674)
Balance at December 31, 2022, net of accumulated depreciation	₱2,568,308,570	₱1,276,848,773	₱65,146,028	₱6,966,080,176	₱3,010,975,957	₱131,545,136	₱14,018,904,640

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores.

The amount of depreciation and amortization is presented as part of Selling, General and Administrative Expenses in the statements of comprehensive income (see Note 14.2).

As of March 31, 2023 and December 31, 2022, borrowing cost amounting to ₱45.0 million and ₱196.7 million, respectively, based on capitalization rate ranging from 5.00% to 7.09%, were capitalized as part of construction-in-progress (see Note 11).

In March 31, 2023, the Company reclassified certain Construction-in-progress amounting to ₱131.5 million as part of the Leasehold Improvement.

As of March 31, 2023 and December 31, 2022, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operations is ₱95.9 million.

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

---

## 10. Trade and Other Payables

This account consists of:

	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Trade payables	₱752,548,048	₱962,426,065
Non-trade payables	272,022,640	178,477,327
Accrued expenses	44,090,345	58,743,224
VAT payable	28,573,049	18,118,286
Withholding tax payable	8,820,265	17,985,483
Others	3,691,689	10,509,613
	<b>₱1,109,746,036</b>	<b>₱1,246,259,998</b>

Trade payables arise from the Company's purchases of inventories and other direct costs. These are noninterest-bearing and have credit terms ranging from 30 to 60 days.

Non-trade payables arise from the Company's capital asset acquisitions and other operating expenditures not yet paid as of the end of the period.

Accrued expenses are liabilities arising from unpaid interest on loans, rent, utilities, salaries and other costs.

Retention payable pertains to the amount withheld from service contractors which shall be refunded at the end of the contract.

Others consist of payable to government agencies, retention payable and rewards liability.

## 11. Loans and Borrowings

The account consists of:

	<b>Unaudited Mar 31, 2023</b>	<b>Audited Dec 31, 2022</b>
Current:		
Short-term loans	<b>₱2,612,757,168</b>	₱2,931,388,027
Non-Current:		
Long-term loans	<b>2,965,000,000</b>	₱3,010,000,000
	<b>₱5,577,757,168</b>	₱5,941,388,027

### 11.1 Short-term Loans

The Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 5.00% to 9.50% in 2023 and 4.87% to 9.50% in 2022, and with terms of 150 to 360 days. These loans are rolled-over upon maturity. There are no loan covenants on the Company's short-term loans.

### 11.2 Long-term Loans

In 2022, the Company obtained four-year corporate loans, from various local banks, to partially finance the construction and expansion of the Company's stores and refinance existing loan obligation, with fixed interest rate of 7.09%.

Certain loans of the Company with local banks are subject to covenants. The Company has to maintain a minimum current ratio of at least 1.00, maximum debt-to-equity ratio of not more than 2.50 and a minimum debt-service coverage ratio of at least 1.00. The ratios are computed on the basis of the Company's annual audited financial statements. The Company has properly complied with the loans covenants as of March 31, 2023 and December 31, 2022. The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions.

Interest expense incurred on these loans, which is presented as part of Finance costs under Other Income (Charges) in the statements of comprehensive income, amounted to ₱45 million and ₱23.9 million for the three months period ended March 31, 2023 and 2022, respectively (see Note 15). On the other hand, capitalized borrowing costs amounting to ₱45.0 million and ₱196.7 million, respectively, as of March 31, 2023 and December 31, 2022, were included as part of construction-in-progress based on capitalization rate ranging from 5.00% to 7.09% for specific borrowing in this period (see Note 9).

Interest payable from these loans amounted to ₱17.6 million and ₱26.3 million as of March 31, 2023 and December 31, 2022, respectively, and is presented as part of Accrued expenses under Trade and Other Payables in the statement of financial position (see Note 10).

## 12. Leases

### 12.1 Lease Liability

Lease liability is presented in the statement of financial position as of March 31, 2023 and December 31, 2022 as follows:

	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Current	<b>₱470,270,434</b>	₱489,770,878
Non-current	<b>3,142,907,935</b>	3,256,050,192
	<b>₱3,613,178,369</b>	₱3,745,821,070

### 12.2 Additional Profit or Loss

Expenses recognized for the period are as follows:

	Note	Unaudited Mar 31, 2023	Audited Mar 31, 2022
Depreciation expense of right-of-use assets	9	<b>₱143,110,775</b>	₱209,866,479
Interest expense on lease liabilities	15	<b>63,577,660</b>	76,020,741
Variable lease payments	14.2	<b>75,099,836</b>	70,898,373
		<b>₱281,788,271</b>	₱356,785,593

The total cash outflow in respect of leases, including payment in lease agreements that contain variable payment linked to sales as mentioned in Note 12.2, amounted to ₱249.8 million ₱1,126.5 million, and ₱1,248.0 million in March 31, 2023, 2022 and 2021, respectively.

## 13. Sales

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to ₱2.9 billion and ₱3.2 billion for the three-months period ended March 31, 2023 and 2022, respectively.

The disaggregation on revenue recognition whether point in time or over time for period ended March 31, 2023 is shown below:

	Point in time	Over time	Total
Sale of merchandise (Note 18.1)	₱2,921,186,089	₱—	₱2,921,186,089
Vendors' support	—	45,070,182	45,070,182
Marketing fees	—	4,540,250	4,540,250
Delivery fees	—	3,178,777	3,178,777
Miscellaneous	1,386,757	—	1,386,757
	<b>₱2,922,572,846</b>	<b>₱52,789,209</b>	<b>₱2,975,362,055</b>

This compares to the disaggregation on revenue recognition whether point in time or over time for period ended March 31, 2022 as follows:

	Point in time	Over time	Total
Sale of merchandise (Note 18.1)	P3,238,565,509	P—	P3,238,565,509
Vendors' support	—	50,077,980	50,077,980
Delivery fees	—	4,549,987	4,549,987
Marketing fees	—	2,583,901	2,583,901
Miscellaneous	3,099,897	—	3,099,897
	<b>P3,241,665,406</b>	<b>P57,211,868</b>	<b>P3,298,877,274</b>

The Company also recognized rental income from its operating lessor amounting to P4.2 million and P4.4 million in 2023 and 2022, respectively

Vendors' support, marketing fees, delivery fees, rentals and miscellaneous are presented as part of Support fees, rentals and other revenues account in the statements of comprehensive income.

Miscellaneous revenues represent supports received from suppliers for store opening and clearance sales.

---

#### 14. Cost of Merchandise Sold and Selling, General and Administrative Expenses

##### 14.1 Cost of Merchandise Sold

The details of cost of merchandise sold are shown below:

	Note	Unaudited Mar 31, 2023	Unaudited Mar 31, 2022
Inventories at beginning of period	7	<b>P6,629,751,113</b>	P7,055,642,001
Purchases during the period		<b>1,691,065,196</b>	2,258,712,973
Cost of goods available for sale		<b>8,320,816,309</b>	9,314,354,974
Inventory losses due to fire	7	-	83,826,406
Inventories at end of period	7	<b>6,497,245,220</b>	7,160,252,648
		<b>P1,823,571,089</b>	P2,070,275,920

## 14.2 Selling, General and Administrative Expenses

	Note	Unaudited Mar 31, 2023	Unaudited Mar 31, 2022
Depreciation and amortization	9	<b>P371,295,005</b>	<b>P388,813,630</b>
Salaries, wages and employee benefits	16	<b>91,296,203</b>	<b>95,164,568</b>
Outside services		<b>64,860,664</b>	<b>77,306,025</b>
Rentals	12.2	<b>75,099,836</b>	<b>70,898,373</b>
Communication and utilities		<b>71,817,679</b>	<b>70,705,079</b>
Merchant fee		<b>31,593,895</b>	<b>30,898,034</b>
Taxes and licenses		<b>23,023,504</b>	<b>28,390,141</b>
Office and store supplies		<b>5,537,613</b>	<b>5,391,759</b>
Repairs and maintenance		<b>9,399,621</b>	<b>5,193,629</b>
Professional fees		<b>3,206,143</b>	<b>3,520,209</b>
Advertising and promotions		<b>2,958,949</b>	<b>2,575,981</b>
Dues and subscriptions		<b>2,077,162</b>	<b>2,480,651</b>
Transportation expense		<b>3,112,213</b>	<b>1,270,791</b>
Insurance expense		<b>3,710,381</b>	<b>1,022,046</b>
Representation and entertainment		<b>1,204,822</b>	<b>613,279</b>
Commission expense		<b>1,203,535</b>	<b>528,530</b>
Gain on lease modification	12	<b>-</b>	<b>(21,376,737)</b>
Miscellaneous		<b>2,454,777</b>	<b>2,102,470</b>
		<b>P763,852,003</b>	<b>P765,589,458</b>

## 15. Finance Costs

Finance costs include the following:

	Note	Unaudited Mar 31, 2023	Unaudited Mar 31, 2022
Interest expense from:			
Lease liability	12.2	<b>P63,577,660</b>	<b>P76,020,741</b>
Loans payable	11	<b>44,959,271</b>	<b>23,887,299</b>
Retirement benefit obligation	16.2	<b>876,332</b>	<b>876,332</b>
Bank service charge		<b>-</b>	<b>500</b>
		<b>P109,413,263</b>	<b>P100,784,872</b>

## 16. Salaries, Wages and Employee Benefits

Expenses recognized for salaries, wages and employee benefits in 2023 and 2022 are presented below.

### 16.1 Salaries, Wages and Employee Benefits

	Note	Unaudited Mar 31, 2023	Unaudited Mar 31, 2022
Salaries and wages		<b>P78,986,224</b>	<b>P82,070,877</b>
Post-employment benefit	16.2	<b>2,730,175</b>	<b>2,695,411</b>
Other employee benefits		<b>9,579,805</b>	<b>10,398,280</b>
		<b>P91,296,203</b>	<b>P95,164,568</b>



## 16.2 *Post-employment Defined Benefit Plan*

### (a) *Characteristics of the Defined Benefit Plan*

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

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

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

The most recent actuarial valuation dated March 31, 2023 was performed by a professionally qualified external actuary.

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

	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Balance at beginning of the period	<b>P65,481,009</b>	P70,385,602
Current service cost	<b>2,730,175</b>	10,920,698
Interest expense	<b>876,332</b>	3,505,329
Benefits paid from Company operating fund		(3,800,000)
Transferred liability	—	—
Actuarial losses (gains) arising from:	—	(12,063,408)
Changes in financial Assumptions		736,217
Experience adjustments		(16,266,837)
Balance at the end of the period	<b>P69,087,516</b>	P65,481,009

The interest expense is included as part of Finance Costs under Finance Income (Costs) in the statements of comprehensive income (see Note 15).

Amounts recognized in other comprehensive income (loss) 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 period ended March 31, 2023 and December 31, 2022:

Discount rate	7.37%
Expected rate of salary increases	10.00%

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

#### *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.

*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.

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 March 31, 2023 and December 31, 2022 are discussed below risk.

	Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/-1%	(8,595,720)	10,372,352
Salary growth rate	+/-1%	10,317,126	(8,716,765)

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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

The plan is currently unfunded by ₱65.5 million based on the latest actuarial valuation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk that the Company may be exposed to if several employees retire within the same year. The Company has yet to determine when to establish a retirement fund and how much to contribute.

The maturity profile of the undiscounted expected benefit payments as of March 31, 2023 and December 31, 2022 from the plan follows:

Within five years	₱8,708,897
More than five years to 10 years	35,006,257
More than 10 years	1,063,616,434
	<u>₱1,107,331,588</u>

Management expects that a substantial portion of the undiscounted expected benefit payments is probable after 10 years from the end of the reporting period. The weighted average duration of the defined benefit obligation at the end of the reporting period is 19.32 years.

---

## 17. Income Taxes

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

	<b>Unaudited Mar 31, 2023</b>	<b>Unaudited Mar 31, 2022</b>
Regular corporate income tax (RCIT)	<b>₱30,074,626</b>	₱73,238,039
Final tax at 20%	<b>49,590</b>	59,676
Deferred tax expense relating to originating and reversal of other temporary differences	<b>38,618,738</b>	18,422,291
	<b>₱70,742,954</b>	<b>₱91,720,006</b>

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

	<b>Unaudited Mar 31, 2023</b>	<b>Unaudited Mar 31, 2022</b>
Tax on pretax profit at statutory rate	<b>₱70,755,352</b>	₱15,952,405
Adjustment for income subjected to lower tax rate	<b>(12,398)</b>	(14,919)
Tax effects of non-deductible expense	<b>-</b>	75,782,520
Tax expense	<b>₱70,742,954</b>	<b>₱91,720,006</b>

The Company is subject to the Minimum Corporate Income Tax (MCIT) as defined under the tax regulations, or RCIT, whichever is higher. The Company reported RCIT for the period ended March 31, 2023 and 2022.

The deferred tax liabilities as of March 31, 2023 and December 31, 2022 relate to the following:

	<b>Statements of Financial Position</b>		<b>Statements of Comprehensive Income</b>	
	<b>Unaudited Mar 31, 2023</b>	<b>Audited Dec 31, 2022</b>	<b>Unaudited Mar 31, 2023</b>	<b>Unaudited Mar 31, 2022</b>
Deferred tax assets:				
Leases - PFRS 16	<b>₱194,625,009</b>	₱192,007,991	<b>(₱2,617,018)</b>	(₱16,091,475)
Retirement obligation	<b>12,187,496</b>	11,285,869	<b>(901,627)</b>	(892,936)
Impairment loss	<b>5,961,115</b>	5,961,115	-	-
Reward liability	<b>1,801,805</b>	1,801,805	-	-
	<b>214,575,425</b>	211,056,780	<b>(3,518,645)</b>	(16,984,411)
Deferred tax liabilities:				
Depreciation	<b>(490,505,129)</b>	(456,542,361)	<b>33,962,769</b>	29,424,656
Borrowing costs	<b>(200,879,581)</b>	(192,704,967)	<b>8,174,614</b>	9,360,403
Uncollected income	<b>(9,803,251)</b>	(9,803,253)	-	(3,378,357)
	<b>(701,187,961)</b>	(659,050,581)	<b>42,137,383</b>	(35,406,702)
Deferred tax liabilities – net	<b>₱486,612,539</b>	₱447,993,801		
Deferred tax expense (income)			<b>₱38,618,738</b>	(₱18,422,291)

The Company claimed itemized deductions for 2023 and 2022 in computing for its income tax due.

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

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

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, were lower by P24.3 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

## 18. Related Party Transactions

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties for the three months ended March 31, 2023 and 2022, and the related outstanding balances as of March 31, 2023 and December 31, 2022 are discussed in the succeeding pages.

Related Party Category	Amount of Transactions		Outstanding Balance	
	For the three months period		Unaudited	Audited
	Mar 31, 2023	Mar 31, 2022	Mar 31, 2023	Dec 31, 2022
<b>Common Ownership:</b>				
Depreciation (PFRS 16)	101,244,311	101,244,311	—	—
Interest (PFRS 16)	52,451,628	58,486,962	—	—
Sale of merchandise	6,297,525	19,477,080	—	43,953,695
Rentals	67,335,427	59,219,887	—	—
<b>Common Ownership:</b>				
Lease liability	94,424,342	74,182,187	3,322,522,511	3,049,982,309
Right-of-use Asset (PFRS 16)	—	18,392,909	2,902,281,621	2,515,697,287
Transferred retirement obligation	—	—	24,137,542	—
<b>Key Management Personnel –</b>				
Compensation	12,211,500	12,561,000	—	—

All outstanding balances from related parties are noninterest-bearing, unsecured and payable/collectible in cash on demand, unless otherwise stated.

### 18.1 Sale of Merchandise

The Company sells various merchandise items to its related parties with similar transaction price and terms under exact business circumstance with third parties. These transactions are presented as part of Sales in the statements of comprehensive income (see Note 13). The related receivables are presented as part of Trade Receivables under Trade and Other Receivables in the statements of financial position (see Note 6).

## 18.2 Key Management Personnel Compensation

For the period ended March 31, 2023, the total key management personnel compensation which includes short-term and post-employment benefits amounted to ₱12.2 million.

## 19. Equity

### 19.1 Capital Stock

The details of the Company's capital stocks as of March 31, 2023 and December 31, 2022 are as follows:

	Unaudited Mar 31, 2023		Audited Dec 31, 2022	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorized shares:</b>				
Common	5,900,000,000	5,900,000,000	5,900,000,000	5,900,000,000
Preferred	1,000,000,000	100,000,000	1,000,000,000	100,000,000
<b>Issued and outstanding shares:</b>				
Common - Par value of P1 per share	3,750,000,002	3,750,000,002	3,750,000,002	3,750,000,002
Balance at the end of the period	3,750,000,002	3,750,000,002	3,750,000,002	3,750,000,002

### 19.2 Additional Paid-In Capital

Additional paid-in capital consists of ₱7,209.3 million from the initial public offering in 2019, net of ₱668.4 million stock issuance costs incurred such as underwriting fees and commissions, taxes and filing fees (see Note 19.1).

### 19.3 Dividend Declaration

The Company's BOD approved the declaration of cash dividends amounting to ₱288.8 million (₱0.0770 per share) on November 29, 2022, payable to stockholders of record on December 15, 2022. The outstanding dividends payable amounting to ₱35.0 million is presented as part of Non-trade Payables under Trade and Other Payables in the 2022 statement of financial position and were paid on February 25, 2023. (see Note 10).

### 19.4 Revaluation Reserves

The component and reconciliation of items under Revaluation Reserves account in the statement of financial position are shown below.

	Unaudited Mar 31, 2023	Audited Dec 31, 2022
Balance at beginning of period	₱10,949,114	(₱698,851)
Remeasurement on post-employment defined benefit obligation	—	(15,530,620)
Tax expense	—	3,882,655
Effect of the change in income tax rate	—	—
Balance at the end of the period	₱10,949,114	(₱12,346,816)

---

**20. Earnings (Loss) Per Share**

Earnings (loss) per share were computed as follows:

	<b>Unaudited Mar 31, 2023</b>	<b>Unaudited Mar 31, 2022</b>
Net (loss) profit	<b>₱212,278,453</b>	(₱27,910,392)
Divided by weighted average number of outstanding common shares	<b>3,750,000,002</b>	3,750,000,002
Basic and diluted EPS	<b>₱0.06</b>	(₱0.01)

The Company has no potential dilutive common shares as of March 31, 2023 and 2022.

---

**21. Commitments and Contingencies**

The significant commitments and contingencies involving the Company are presented below:

**21.1 Legal Claims**

The Company is a party to certain case from the normal course of business. The Company and its legal counsel believe that any eventual liabilities under this case will not have a material effect on the financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as of March 31, 2023 and 2022.

**21.2 Others**

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of March 31, 2023 and December 31, 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.

---

**22. Risk Management Objectives and Policies**

The Company is exposed to a variety of operational and financial risks in relation to financial instruments. The Company's risk management is coordinated with its parent company, in close cooperation with the Company's BOD.

The Company does not normally engage in the trading of financial assets for speculative purposes nor does it write options. The most significant operational and financial risks to which the Company is exposed to are described below.

**22.1 Interest Rate Risk**

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

**22.2 Credit Risk**

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting receivables to customers and related parties, and placing deposits.

The Company continuously monitors defaults of other counterparties, identified individually, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Except for cash in banks, none of the Company's financial assets are secured by collateral or other credit enhancements.

*(a) Cash*

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱0.5 million for every depositor per banking institution.

*(b) Trade and Other Receivables*

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

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 60 months before March 31, 2023 and December 31, 2022, and the corresponding historical actual default losses experienced within such period.

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 30 to 60 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, the loss allowance as at March 31, 2023 and December 31, 2022 was determined based on months past due, for trade receivables, excluding advances to officers and employees, as follows:

<b>Unaudited Mar 31, 2023</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Expected loss rate	0.00%	26.12%	32.67%	53.93%	
Gross carrying amount	180,193,697	84,080,070.35	3,970,728.36	1,085,250.35	269,329,746
Loss allowance	—	<b>21,961,793.39</b>	<b>1,297,341.82</b>	<b>585,323.24</b>	23,844,458

<b>Audited Dec 31, 2022</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Expected loss rate	0.00%	27.18%	35.86%	53.93%	
Gross carrying amount	372,726,437	76,174,377	6,396,772	1,572,843	456,870,429
Loss allowance	—	20,702,096	2,294,059	848,303	23,844,458

(c) *Security deposits*

The Company is not exposed to any significant credit risk exposure, since the counterparties are reputable lessors with sound liquid position. The Company can apply such deposits to future payments in case it defaults.

### 22.3 *Liquidity Risk*

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

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. 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.

---

## 23. Categories and Fair Value Measurements

Management considers that the carrying values of the Company's financial assets and financial liabilities, measured at amortized costs, approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Note 2 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 22.

### 23.1 *Fair Value Hierarchy*

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and 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 purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There are no financial assets and financial liabilities measured at fair value as of March 31, 2023 and December 31, 2022. Neither was there transfers among fair value levels in those years.

---

## 24. Capital Management Objectives, Policies and Procedures

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

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

The Company monitors capital on the ratios on its covenants with certain financial institutions. Capital for the reporting periods is summarized as follows:

	<b>Unaudited Mar 31, 2023</b>	Audited Dec 31, 2022
Total liabilities	<b>₱10,884,000,352</b>	₱11,451,738,066
Total equity	<b>15,494,958,729</b>	15,282,680,275
Debt-to-equity ratio	<b>0.70 : 1.00</b>	0.75 : 1:00

**ALLHOME CORP.**

**Supplemental Schedule of Financial Soundness Indicators**

March 31, 2023 and March 31, 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities	2.78	Total Current Assets divided by Total Current Liabilities	2.91
	Total Current Assets                      ₱11,729,050,462		Total Current Assets                      ₱10,967,863,400	
	Divide by:		Divide by:	
	Total Current Liabilities                      4,220,392,361		Total Current Liabilities                      3,766,171,766	
	Current Ratio                      2.78		Current Ratio                      2.91	
Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.50	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.46
	Total Current Assets                      ₱11,729,050,462		Total Current Assets                      ₱10,967,863,400	
	Less: Merchandise Inventories                      (6,497,245,220)		Less: Merchandise Inventories                      (7,160,252,648)	
	Other Current Assets                      (3,107,564,714)		Other Current Assets                      (2,084,923,163)	
	Quick Assets                      2,124,240,528		Quick Assets                      1,722,687,589	
	Divide by:		Divide by:	
	Total Current Liabilities                      4,220,392,361		Total Current Liabilities                      3,766,171,766	
	Acid Test Ratio                      0.50		Acid Test Ratio                      0.46	
Solvency ratio	Total Liabilities divided by Total Assets	0.41	Total Liabilities divided by Total Assets	0.42
	Total Liabilities                      ₱10,884,000,352		Total Liabilities                      ₱10,771,523,364	
	Divide by: Total Assets                      26,378,959,079		Divide by: Total Assets                      25,369,626,511	
	Solvency Ratio                      0.41		Solvency Ratio                      0.42	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.70	Total Liabilities divided by Total Equity	0.74
	Total Liabilities                      ₱10,884,000,352		Total Liabilities                      ₱10,771,523,364	
	Divide by: Total Equity                      15,494,958,729		Divide by: Total Equity                      14,598,103,147	
	Debt-to-Equity Ratio                      0.70		Debt-to-Equity Ratio                      0.74	
Asset-to-equity ratio	Total Assets divided by Total Equity	1.70	Total Assets divided by Total Equity	1.74
	Total Assets                      ₱26,378,959,079		Total Assets                      ₱25,369,626,512	
	Divide by: Total Equity                      15,494,958,729		Divide by: Total Equity                      14,598,103,147	
	Asset-to-equity ratio                      1.70		Asset-to-equity ratio                      1.74	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest Expense	3.58	Earnings before interest and taxes (EBIT) divided by Interest Expense	4.64
	EBIT                      ₱392,186,720		EBIT                      ₱467,426,187	
	Divide by: Interest Expense                      109,413,263		Divide by: Interest Expense                      100,784,872	
	Interest Coverage Ratio                      3.58		Interest Coverage Ratio                      4.64	
Return on equity	Net Profit divided by Total Equity	0.01	Net Profit divided by Total Equity	(0.002)
	Net Profit                      ₱212,278,453		Net Loss                      (₱27,910,392)	
	Divide by: Total Equity                      15,494,958,729		Divide by: Total Equity                      14,598,103,147	
	Return on equity                      0.01		Return on equity                      (0.002)	
Return on assets	Net Profit divided by Total Assets	0.008	Net Profit divided by Total Assets	(0.001)
	Net Profit                      ₱212,278,453		Net Loss                      (₱27,910,392)	
	Divide by: Total Assets                      26,378,959,079		Divide by: Total Assets                      25,369,626,511	
	Return on assets                      0.008		Return on assets                      (0.001)	
Net profit margin	Net profit divided by Total Revenue	0.07	Net profit divided by Total Revenue	(0.01)
	Net Profit                      ₱212,278,453		Net Loss                      (₱27,910,392)	
	Divide by: Total Revenue                      2,921,186,089		Divide by: Total Revenue                      3,238,565,509	
	Net Profit Margin                      0.07		Net Profit Margin                      (0.01)	

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### REVIEW OF FIRST QUARTER END 2023 VS FIRST QUARTER END 2022

#### RESULTS OF OPERATIONS

Three Months ended March 31, 2023 compared to Three Months ended March 31, 2022

##### Sales

The company recorded sales of ₱2,921.2 million for the three months ended March 31, 2023, a decrease of about 10% from ₱3,238.6 million for the three months ended March 31, 2022. This was brought about by the continued weakened sales in the hard categories as customers, who are primarily end-consumers, shift their spending of disposable income to travel / leisure / food, and entertainment to address their pent-up demands during the pandemic.

The following table shows the key operating performance indicators relevant to the revenues for the period ended March 31, 2023 and 2022.

	As of and for the period ended 31 March		
	<i>2023</i>	2022	% change
Number of Stores	60*	54*	11.11%
Net Selling Area (in sqm)	295,303	284,552	3.78%
Net Sales (Php millions)	2,921.2	3,238.6	-9.80%
SSSG**	-12.1%	-9.8%	-2.3%

\*Excluding 3 Alabang stores

##### Cost of Merchandise Sold

For the three months ended March 31, 2023, cost of merchandise sold was at ₱1,823.6 million, a decrease of 12% from the ₱2,070.3 million for the same period in 2022 corresponding to the decrease in sales as well as due to lower cost of goods as these were purchased in advance in the previous quarters at lower cost.

##### Support, Fees, Rentals and Other Revenues

Support, Fees, Rentals and Other Revenues decreased by 10% from ₱64.7 million for the three months ended March 31, 2022 to ₱58.4 million for the three months ended March 31, 2023, primarily due to the decrease in vendor's support with no store opened during the period.

##### Selling, General and Administrative Expenses

Selling, General and Administrative Expenses decreased by 0.2% to ₱763.9 million for the three months ended March 31, 2023 from ₱765.6 million for the same period in 2022, primarily due to the following reason:

- Decrease in depreciation and amortization from ₱388.8 million in March 31, 2022 to ₱371.3 million in March 31, 2023 attributed to the closure of a rented warehouse.
- Decrease in salaries, wages, and employee benefits from ₱95.2 million in March 31, 2022 to ₱91.3 million in March 31, 2022 due to the continuous rationalization of manpower.
- Decrease in outside services from ₱77.3 million in March 31, 2022 to ₱64.9 million in March 31, 2023 due to the manpower rationalization being implemented as well as decline in customers' delivery charges due to lower sales for the period.
- Increase in rentals from ₱70.9 million in March 31, 2022 to ₱75.1 million in March 31, 2023 as rent-free period of new stores opened starting second quarter of 2022 has been completed and rent charges commenced in 2023.
- Increase in communication and utilities from ₱70.7 million in March 31, 2022 to ₱71.8 million in March 31, 2023 primarily due to the increase in the number of stores.
- Increase in merchant fee from ₱30.9 million in March 31, 2022 to ₱31.6 million in March 31, 2023 due to higher debit/credit card and installment sales for the period.
- Decrease in taxes and licenses from ₱28.4 million in March 31, 2022 to ₱23.0 million in March 31, 2023 due to lower sales.
- Increase in repairs and maintenance from ₱5.2 million in March 31, 2022 to ₱9.4 million in March 31, 2023 due to the additional disinfection and sanitation protocols implemented in the stores as well as due to weatherproofing maintenance services done in the stores.
- Increase in office and store supplies from ₱5.4 million in March 31, 2022 to ₱5.5 million in March 31, 2023 due primarily to timing of purchases of supplies in the head office and due to increase in the number of stores.
- Decrease in professional fees from ₱3.5 million in March 31, 2022 to ₱3.2 million in March 31, 2023 due to timing difference in the payment of audit fees, BOD fees, and consultancy fees.
- Increase in advertising and promotions from ₱2.6 million in March 31, 2022 to ₱3.0 million in March 31, 2023 due to social media boostings as well as flyer/banner print-outs for marketing purposes.
- Decrease in dues and subscriptions from ₱2.5 million in March 31, 2022 to ₱2.1 million in March 31, 2023 due to cost-saving measures implemented.
- Increase in transportation expense from ₱1.3 million in March 31, 2022 to ₱3.1 million in March 31, 2023 due to increasing fuel prices and also due to increase in deliveries from distribution centers to stores as well as inter-stores stock transfer.

- Increase in insurance expense from ₱1.0 million in March 31, 2022 to ₱3.7 million in March 31, 2023 to cover the newly opened stores and adjustment in coverages.
- Increase in representation and entertainment from ₱613.3 thousand in March 31, 2022 to ₱1.2 million in March 31, 2023 due to the increase in the number of physical meetings during the period.
- Increase in commission expense from ₱528.5 thousand in March 31, 2022 to ₱1.2 million in March 31, 2023 as most corporate sales during the period were generated by external or third party sales teams.
- Decrease in impairment gain on lease modification from ₱21.4 million in March 31, 2022 to nil in March 31, 2023 due to the derecognition and termination of rent of the Alabang stores, accounted under PFRS 16, due to the fire incident in 2022.
- Increase in miscellaneous expense from ₱2.1 million in March 31, 2022 to ₱2.5 million in March 31, 2023 due to loss on disposal of defective assets under property and equipment and other minor expenses.

#### **Finance Cost, net**

Finance cost, net increased from ₱100.5 million for the three months ended March 31, 2022 to ₱109.2 million for the three months ended March 31, 2023 due primarily to the increase in interest on loans payable and slightly offset by the decrease in interest expense from lease liability.

#### **Tax Expense**

Tax expense decreased by 23% from ₱91.7 million for the three months ended March 31, 2022 to ₱70.7 million for the three months ended March 31, 2023 due to lower taxable income for the period.

#### **Fire Loss**

The Company recorded fire losses in 2022 when the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories, and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively. Thus, the total losses from fire amounted to P303.1 million, not taking into account the insurance claims which were received in the latter part of 2022.

#### **Net Profit**

As a result of the foregoing, our net income increased by 861% from ₱27.9 million net loss for the three months ended March 31, 2022 to ₱212.3 million net profit for the three months ended March 31, 2023.

## FINANCIAL CONDITION

### *As of 31 March 2023 vs. 31 December 2022*

Total assets amounting to ₱26,379.0 million as of March 31, 2023 recorded a decrease of 1% from the reported amount of ₱26,734.4 million in December 31, 2022 due to the following:

- Cash amounting to ₱1,636.5 million as of March 31, 2023 recorded a decrease of 7% from the reported amount of ₱1,767.7 million in December 31, 2022 due to lower sales generated for the period, advances for purchases, and construction-in-progress for new stores.
- Trade and Other Receivables amounting to ₱487.8 million as of March 31, 2023 recorded a decrease of 26% from the reported amount of ₱655.3 million reported in December 31, 2022 due to timing difference in collection.
- Merchandise Inventory amounting to ₱6,497.2 million as of March 31, 2023 recorded a decrease of 2% from the ₱6,629.8 million reported in December 31, 2022 due primarily to the flush-out sales of slow-moving and non-moving inventories during the period.
- Property and Equipment amounting to ₱13,862.6 million as of March 31, 2023 recorded a decrease of 1% from the ₱14,018.9 million reported in December 31, 2022 primarily due to depreciation.
- Other Assets amounting to ₱3,894.9 million, as of March 31, 2023, recorded an increase of 6% from the amount ₱3,662.8 million reported in December 31, 2022 due primarily to security deposit for new warehouse, and advances for purchases.

Total liabilities amounting to ₱10,884.0 million as of March 31, 2023 recorded a decrease of 5% from the reported amount of ₱11,451.7 million in December 31, 2022. This was due to the following:

- Trade and other payables amounting to ₱1,109.7 million, as of March 31, 2023, recorded a decrease of 11% from the ₱1,246.3 million reported in December 31, 2022 due to payments of payables for the purchase of inventories.
- Loans payable including non-current portion amounting to ₱5,577.8 million, as of March 31, 2023, recorded a decrease of 6% from the ₱5,941.4 million reported in December 31, 2022 due to loan payments made.
- Lease liability including non-current portion amounting to ₱3,613.2 million, as of March 31, 2023, recorded a decrease of 4% from the ₱3,745.8 million reported in December 31, 2022 due to lease payments made.
- Income tax payable amounting to ₱27.6 million, as of March 31, 2023, recorded an increase of 476% from the ₱4.8 million reported in December 31, 2022 due to tax payable for the period.

- Deferred Tax Liability amounting to ₱486.6 million, as of March 31, 2023, recorded an increase of 9% from the amount ₱448.0 million reported in December 31, 2022 due to the adjustment to temporary tax differences for the period.
- Retirement benefit obligation amounting to ₱69.1 million, as of March 31, 2023, recorded an increase of 6% from the ₱65.5 million reported in December 31, 2022 due to adjustment of provision for the retirement benefit.

Total stockholder's equity amounting to ₱15,495.0 million, as of March 31, 2023, recorded an increase of 1% from the ₱15,282.7 million reported in December 31, 2022 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	<i>3/31/2023</i>	3/31/2022
Revenue (₱ millions)	₱2,921.2	₱3,238.6
Gross Profit (₱ millions)	1,097.6	1,168.3
Gross Profit Margin (%) <sup>(a)</sup>	37.6%	36.1%
Net Profit or Loss (₱ millions)	212.3	(27.9)
Net Profit Margin (%) <sup>(b)</sup>	7.3%	(0.9%)

<sup>(a)</sup> Gross Profit Margin: This ratio is obtained by dividing the Gross Profit of the Company by its Revenue

<sup>(b)</sup> Net Profit Margin: This ratio is obtained by dividing the Net Profit of the Company by its Revenue

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

Revenues decreased for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 due to weakened sales in the hard categories as customers, who are primarily end-consumers, shift their spending of disposable income to travel / leisure / food, and entertainment to address their pent-up demands during the pandemic.

Gross Profit decreased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to the decrease in sales.

Gross Profit Margin increased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to lower cost of goods sold as these were purchased in advance in the previous quarters at lower cost.

Net Profit or Loss, and Net Profit Margin increased for the three months ended March 31, 2023 compared to three months ended March 31, 2022 due to lower total operating expenses, and incurrence of loss on damaged assets due to fire in 2022.

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

- Cash amounting to ₱1,636.5 million as of March 31, 2023 recorded a decrease of 7% from the reported amount of ₱1,767.7 million in December 31, 2022 due to lower sales for the period, advances for purchases, and construction-in-progress for new stores.
- Trade and Other Receivables amounting to ₱487.8 million as of March 31, 2023 recorded a decrease of 26% from the reported amount of ₱655.3 million reported in December 31, 2022 due to timing difference in collection.
- Other Assets amounting to ₱3,894.9 million, as of March 31, 2023, recorded an increase of 6% from the amount ₱3,662.8 million reported in December 31, 2022 due primarily to security deposit for new warehouse, and advances for purchases.
- Trade and other payables amounting to ₱1,109.7 million, as of March 31, 2023, recorded a decrease of 11% from the ₱1,246.3 million reported in December 31, 2022 due to payments of payables for the purchase of inventories.
- Loans payable including non-current portion amounting to ₱5,577.8 million, as of March 31, 2023, recorded a decrease of 6% from the ₱5,941.4 million reported in December 31, 2022 due to loan payments made.
- Income tax payable amounting to ₱27.6 million, as of March 31, 2023, recorded an increase of 476% from the ₱4.8 million reported in December 31, 2022 due to tax payable for the period.
- Deferred Tax Liability amounting to ₱486.6 million, as of March 31, 2023, recorded an increase of 9% from the amount ₱448.0 million reported in December 31, 2022 due to the adjustment to temporary tax differences for the period.
- Retirement benefit obligation amounting to ₱69.1 million, as of March 31, 2023, recorded an increase of 6% from the ₱65.5 million reported in December 31, 2022 due to adjustment of provision for the retirement benefit.

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

- The company recorded sales of ₱2,921.2 million for the three months ended March 31, 2023, a decrease of about 10% from ₱3,238.6 million for the three months ended March 31, 2022. This was brought about by the weakened sales in the hard categories due to shift in consumer spending to travel / leisure / food, and entertainment.
- For the three months ended March 31, 2023, cost of merchandise sold was at ₱1,823.6 million, a decrease of 12% from the ₱2,070.3 million for the same period in 2022 corresponding to the



decrease in sales as well as due to lower cost of goods as these were purchased in advance in the previous quarters at lower cost.

- Support, Fees, Rentals and Other Revenues decreased by 10% from ₱64.7 million for the three months ended March 31, 2022 to ₱58.4 million for the three months ended March 31, 2023, primarily due to the decrease in vendor's support with no new store opened during the period.
- Finance cost, net increased from ₱100.5 million for the three months ended March 31, 2022 to ₱109.2 million for the three months ended March 31, 2023 due primarily to the increase in interest on loans payable and slightly offset by the decrease in interest expense from lease liability.
- Tax expense decreased by 23% from ₱91.7 million for the three months ended March 31, 2022 to ₱70.7 million for the three months ended March 31, 2023 due to lower taxable income for the period.
- The Company recorded fire losses in 2022 when the Company's store outlets located at Alabang, Muntinlupa City, were severely damaged by fire. As a result, the Company wrote-off certain inventories, and property and equipment with net carrying value amounting to P83.8 million and P219.3 million, respectively. Thus, the total losses from fire amounted to P303.1 million, not taking into account the insurance claims which were received in the latter part of 2022.
- As a result of the foregoing, our net income increased by 861% from ₱27.9 million net loss for the three months ended March 31, 2022 to ₱212.3 million net profit for the three months ended March 31, 2023.

## **COMMITMENTS AND CONTINGENCIES**

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

For the 3-month of 2023, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

## **PART II – OTHER INFORMATION**

### **Item 3. 3-month of 2023 Development**

**A.** New Projects or Investments in another line of business or comparison.

*None*

**B.** Composition of Board of Directors.

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

**C.** Performance of the corporation or result/progress of operation.

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

**D.** Declaration of Dividends.

**P 0.0770 per share Regular Cash Dividend**

Declaration date: November 29, 2022

Record date: December 15, 2022

Payment date: December 29, 2022

**P 0.0527 per share Regular Cash Dividend**

Declaration date: November 12, 2021

Record date: November 29, 2021

Payment date: December 14, 2021

**P 0.014 per share Regular Cash Dividend**

Declaration date: November 25, 2020

Record date: December 14, 2020

Payment date: December 28, 2020

**P 1.2785 per share Regular Cash Dividend**

Declaration date: May 28, 2019

Record date: June 14, 2019

Payment date: June 28, 2019

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

*None.*

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

*None.*

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

*Not Applicable*

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

*None.*

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

*None.*

Item 4. Other Notes as of 3-month of 2023 Operations and Financials.

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

*None.*

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

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

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

*See Notes to Financial Statements and Management's 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's Discussion and Analysis.*

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

*None.*

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

*None.*

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

*None.*

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

*None.*

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

*None.*

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

*Material commitments for capital expenditures contracted were attributed to the store fixtures and equipment being put up for the upcoming new stores.*

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

*As of March 31, 2023, no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 3-month of 2023 financial statement.*

- 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 aspect that had material effect on the financial condition or results of operations.

*None.*

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

*None.*

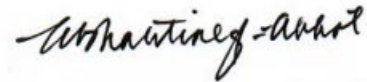
## **SIGNATURES**

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.

**ALLHOME CORP.**

Issuer

By:

A handwritten signature in black ink, appearing to read "Robi Rose M. Abbot", written in a cursive style.

**ROBIROSE M. ABBOT**

CFO / CRO and Head of IR

Date: **May 22, 2023**