

COVER SHEET

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S.E.C. Registration Number										

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(Company's Full Name)

L	G	F		B	L	D	G		B	,		E	V	I	A		L	I	F	E	S	T	Y	L	E		C	E	N
T	E	R	,		D	A	A	N	G	H	A	R	I	,		A	L	M	A	N	Z	A		D	O	S	,		L
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(Business Address: No. Street/City/Province)

Contact Person

Company Telephone Number

1	2
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Month

3	1
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Day

Calendar Year

17-Q

FORM TYPE

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Month

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Day

Annual Meeting

Secondary License Type, If
Applicable

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Dept. Requiring this Doc.

Amended Articles
Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2021
2. SEC Identification Number CS-201310179
3. BIR Tax Identification No. 008-541-952
4. AllHome Corp.
Exact name of the registrant as specified in its charter
5. Philippines
Province, country or other jurisdiction of incorporation
6. Industry Classification Code (SEC Use Only)
7. LGF Bldg B, EVIA Lifestyle Center, Daanghari, Almanza Dos, Las Piñas City 1747
Address of Principal Office Postal Code
8. (632) 8880-1199
Registrant's telephone number, including area code
9. N/A
Former name, former address and former fiscal year, if change since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock (as of 03/31/2021 net of nil treasury shares)	3,750,000,002
11. Are any of the registrant's securities listed on the Philippine Stock Exchange?
 Yes ☒ No ☐
12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period of the registrant was required to file such reports.)
 Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days.
 Yes ☒ No ☐

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AllHome Corp.
Statements of Financial Position
As of March 31, 2021 and December 31, 2020
(Amounts in Philippine Peso)

	Note	Unaudited Mar 31, 2021	Audited Dec 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	P1,622,652,580	P1,785,606,441
Trade and other receivables - net	6	689,546,877	517,019,213
Inventories	7	6,561,937,827	6,288,764,468
Other current assets	8	626,707,970	401,217,020
Total Current Assets		9,500,845,254	8,992,607,142
Non-current Assets			
Property and equipment - net	9	12,760,343,975	11,987,800,303
Other non-current assets	8	1,298,061,427	794,599,370
Total Non-current Assets		14,058,405,402	12,782,399,673
TOTAL ASSETS		23,559,250,656	21,775,006,815
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	1,209,791,351	1,315,790,296
Loans payable	11	3,566,913,149	2,042,913,149
Lease liability	12	388,100,468	384,798,495
Income tax payable		240,232,156	111,922,573
Total Current Liabilities		5,405,037,124	3,855,424,513
Non-current Liabilities			
Lease liability	12	4,083,884,924	4,180,721,841
Deferred tax liabilities - net	17	283,410,519	299,602,950
Retirement benefit obligation	16	71,770,630	68,318,864
Total Non-current Liabilities		4,439,066,073	4,548,643,655
Total liabilities		9,844,103,197	8,404,068,168
Equity			
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		(9,096,646)	(9,096,646)
Retained earnings		2,764,945,989	2,420,737,177
Total Equity		13,715,147,459	13,370,938,647
TOTAL LIABILITIES AND EQUITY		P23,559,250,656	P21,775,006,815

See accompanying Notes to Financial Statements.



AllHome Corp.
Statements of Comprehensive Income
For the three months ended March 31, 2021 and 2020
(Amounts in Philippine Peso)

	Note	Unaudited Jan-Mar Q1-2021	Unaudited Jan-Mar 2021	Unaudited Jan-Mar Q1-2020	Unaudited Jan-Mar 2020
SALES	13	P3,591,771,977	P3,591,771,977	P3,365,904,859	P3,365,904,859
COST OF MERCHANDISE SOLD	14	2,447,494,156	2,447,494,156	2,334,255,021	2,334,255,021
GROSS PROFIT		1,144,277,821	1,144,277,821	1,031,649,838	1,031,649,838
SUPPORT FEES, RENTALS AND OTHER REVENUES	13	70,453,159	70,453,159	106,029,513	106,029,513
GROSS PROFIT INCLUDING OTHER REVENUES		1,214,730,980	1,214,730,980	1,137,679,351	1,137,679,351
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	14	673,725,418	673,725,418	668,547,498	668,547,498
OPERATING PROFIT		541,005,562	541,005,562	469,131,853	469,131,853
FINANCE INCOME (COSTS)					
Finance costs	15	(82,459,588)	(82,459,588)	(84,113,224)	(84,113,224)
Finance income	5	374,164	374,164	880,752	880,752
		(82,085,424)	(82,085,424)	(83,232,472)	(83,232,472)
PROFIT BEFORE TAX		458,920,138	458,920,138	385,899,381	385,899,381
TAX EXPENSE (BENEFIT)	17				
Current		130,903,757	130,903,757	75,050,938	75,050,938
Deferred		(16,192,431)	(16,192,431)	40,630,801	40,630,801
		114,711,326	114,711,326	115,681,739	115,681,739
NET PROFIT		344,208,812	344,208,812	270,217,642	270,217,642
OTHER COMPREHENSIVE INCOME		—	—	—	—
TOTAL COMPREHENSIVE INCOME		P344,208,812	P344,208,812	P270,217,642	P270,217,642
Basic and Diluted earnings per share		P0.09	P0.09	P0.07	P0.07

See accompanying Notes to Financial Statements.



AllHome Corp.
Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Amounts in Philippine Peso)

	Note	Mar 31, 2021	Mar 31, 2020
CAPITAL STOCK	19	₱3,750,000,002	₱3,750,000,002
ADDITIONAL PAID-IN CAPITAL	19	7,209,298,114	7,209,298,114
RETAINED EARNINGS			
Balance at beginning of period		2,420,737,177	1,485,521,328
Net profit for the period		344,208,812	270,217,642
Other comprehensive loss	19	(9,096,646)	(29,896,666)
Dividends declared	19	—	—
Balance at end of period		2,755,849,343	1,725,842,304
TOTAL EQUITY		₱13,715,147,459	₱12,685,140,420

See accompanying Notes to Financial Statements.



AllHome Corp.
Statements of Cash Flows
For the three months ended March 31, 2021 and 2020
(Amounts in Philippine Peso)

	Notes	Unaudited Jan-Mar Q1-2021	Unaudited Jan to Mar 2021	Unaudited Jan-Mar Q1-2020	Unaudited Jan to Mar 2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		₱458,920,138	₱458,920,138	₱385,899,381	₱385,899,381
Adjustments for:					
Depreciation and amortization	9	253,717,264	253,717,264	223,489,512	223,489,512
Finance costs	12, 15	82,459,588	82,459,588	84,104,718	84,104,718
Finance income	5	(374,164)	(374,164)	(880,752)	(880,752)
Operating profit before working capital changes		794,722,826	794,722,826	692,612,859	692,612,859
Decrease/(Increase) in:					
Trade and other receivables		(172,527,664)	(172,527,664)	(182,406,639)	(182,406,639)
Inventories		(273,173,359)	(273,173,359)	(721,700,406)	(721,700,406)
Other current assets		(225,490,950)	(225,490,950)	(83,683,075)	(83,683,075)
Increase/(Decrease) in:					
Trade and other payables		(107,526,133)	(107,526,133)	(310,577,258)	(310,577,258)
Retirement benefit obligation		2,769,466	2,769,466	—	—
Cash generated from operations		18,774,186	18,774,186	(605,754,519)	(605,754,519)
Cash paid for income taxes		(2,594,174)	(2,594,174)	(4,862,511)	(4,862,511)
Net cash from (used in) Operating activities		16,180,012	16,180,012	(610,617,030)	(610,617,030)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	9	(1,147,342,058)	(1,147,342,058)	(481,936,901)	(481,936,901)
Decrease/(Increase) in:					
Advances to suppliers		(276,319,082)	(276,319,082)	(44,147,765)	(44,147,765)
Security deposit		(63,434,400)	(63,434,400)	—	—
Other noncurrent assets		(5,731,489)	(5,731,489)	—	—
Interest received		374,164	374,164	880,752	880,752
Net cash used in Investing activities		(1,492,452,865)	(1,492,452,865)	(525,203,914)	(525,203,914)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from availment of loans	11	1,524,000,000	1,524,000,000	235,000,000	235,000,000
Payments of principal portion of lease liability	12	(93,534,944)	(93,534,944)	(91,750,522)	(91,750,522)
Interest paid for lease liabilities	12	(77,315,934)	(77,315,934)	(83,623,780)	(83,623,780)
Interest paid for loans payable	11	(39,830,130)	(39,830,130)	—	—
Net cash from financing activities		1,313,318,992	1,313,318,992	59,625,698	59,625,698
NET DECREASE IN CASH		(162,953,861)	(162,953,861)	(1,076,195,246)	(1,076,195,246)
CASH AT BEGINNING OF PERIOD		1,785,606,441	1,785,606,441	2,342,992,013	2,342,992,013
CASH AT END OF PERIOD		₱1,622,652,580	₱1,622,652,580	₱1,266,796,767	₱1,266,796,767

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 Bldg B, EVIA Lifestyle Center, Daang Hari, Almanza Dos, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pampuna, 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, 2021 and for the three-months period ended March 31, 2021 and 2020 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, 2020 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, 2020. Adoption of these pronouncement did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors Definition of Material*

The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

- (ii) Revised Conceptual Framework for Financial Reporting

The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include: (a) increasing the prominence of stewardship in the objective of financial reporting; (b) reinstating prudence as a component of neutrality; (c) defining a reporting entity, which may be a legal entity, or a portion of an entity; (d) revising the definitions of an asset and a liability; (e) removing the probability threshold for recognition and adding guidance on derecognition; (f) adding guidance on different measurement basis, and; (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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 SPPI 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 Due from Related Parties.

For purposes of cash flows reporting and presentation, cash and cash equivalents includes cash on hand and demand deposits 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

The Company assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other 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 loss experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

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

- *Probability of default* - It is an estimate of likelihood of default over a given time horizon.
- *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.
- *Exposure at default* - It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

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.

Inventories

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 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.

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

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

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). 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).

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 charges 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 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 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 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.

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.
- 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.

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.

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 recognizes an expense and corresponding liability when points are earned. When the award credits are redeemed, the Company recognizes the consideration received allocated to award credits as reduction of rewards liability.

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 charges 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*

Accounting for Leases in Accordance with PFRS 16

For any new contracts entered into on or after January 1, 2019, 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).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date over the useful life of the leased asset or the term of the lease, whichever is shorter. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that 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 included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options 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 has elected to account for short-term leases (less than 12 months) and leases of low-value assets (value of assets is based on its cash price if bought) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included as part of Property and Equipment, and Lease Liability is shown as a separate line item.

(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.

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. 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.

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. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees.

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. Interest is reported as part of Finance charges under Other Income (Charges) 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.

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, 2020.

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.

5. Cash and Cash Equivalents

Cash and cash equivalents includes the following components:

	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Cash in banks	P1,617,597,580	P1,380,801,441
Cash on hand	5,055,000	4,805,000
Short-term placements	—	400,000,000
	P1,622,652,580	P1,785,606,441

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

Finance income on these bank deposits and short-term placements for the three months ended March 31, 2021 and 2020, amounted to P0.4 million and P0.9 million, respectively.

6. Trade and Other Receivables - net

This account is composed of the following:

	Note	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Trade receivables- third parties		P339,214,240	P217,624,997
Non-trade receivables	18	341,930,815	290,992,394
Advances to officers and Employees		24,941,442	24,941,442
		706,086,497	533,558,833
Allowance for impairment losses		(16,539,620)	(16,539,620)
		P689,546,877	P517,019,213

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.

Advances to officers and employees pertain to cash advances. These are non-interest bearing and are collected through salary deduction.

Non-trade receivables comprise of the Company's receivables from suppliers arising from vendors' support, marketing fees, miscellaneous income and 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, 2021 (see Note 22.2 (b)).

7. Inventories

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 ₱6.6 billion and ₱6.3 billion as of March 31, 2021 and December 31, 2020, respectively (see Note 14.1).

The Company did not provide any allowance for inventory obsolescence as the inventories are deemed saleable. Further, inventories were stated at cost, which is lower than net realizable value, at the end of March 31, 2021 and December 31, 2020. 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:

	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Current:		
Advances for purchases	₱452,386,712	₱374,412,125
Prepaid rent	95,323,627	1,082,869
Prepaid taxes	54,295,422	2,715,187
Deferred input value-added taxes (VAT)	3,829,879	10,000,442
Others	20,872,330	13,749,367
	<u>626,707,970</u>	<u>401,217,020</u>
Non-current:		
Advances to suppliers	776,261,080	499,941,998
Materials and supplies	452,634,458	294,657,372
Security deposit	63,434,400	—
Others	5,731,489	—
	<u>1,298,061,427</u>	<u>794,599,370</u>
	<u>₱1,924,769,397</u>	<u>₱1,195,816,390</u>

Advances for purchases pertaining to mobilization funds made to various third party suppliers, including service providers, which are primarily used in the purchase of inventories subsequent to March 31, 2021 and December 31, 2020 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.

Others consist of prepaid repairs, supplies, insurance and advertising.

9. Property and Equipment

The rollforward 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 December 31, 2020, net of accumulated depreciation and amortization	₱2,491,088,333	₱418,549,620	₱99,241,653	₱3,961,445,624	₱ 3,973,493,897	₱1,043,981,176	₱11,987,800,303
Additions - Other property and equipment	1,511,210	457,697,414	—	18,041,062	—	706,988,336 (157,977,086)	1,184,238,022 (157,977,086)
Reclassification							
Depreciation and amortization changes for the period	(45,134,322)	(21,231,185)	(4,093,963)	(60,436,974)	(122,820,820)	—	(253,717,264)
Balance at March 31, 2021, net of accumulated depreciation	₱2,447,465,221	₱855,015,849	₱95,147,690	₱3,919,049,712	₱3,850,673,077	₱1,592,992,426	₱12,760,343,975
	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvement	Right-of-use Assets	Construction- in-Progress	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	₱2,225,524,905	₱261,945,231	₱82,943,016	₱2,549,752,655	₱4,494,954,371	₱1,535,860,218	₱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 asset	—	—	—	—	5,575,953	—	5,575,953
Reclassification	412,434,884	90,000,000	21,216,472	1,501,118,420	—	(2,319,427,148)	(294,657,372)
Lease modification	—	—	—	—	(20,939,092)	—	(20,939,092)
Depreciation and amortization changes for the year	(159,470,559)	(61,584,000)	(14,098,502)	(163,912,696)	(506,097,335)	—	(905,163,092)
Balance at December 31, 2020, net of accumulated depreciation	₱2,491,088,333	₱418,549,620	₱99,241,653	₱3,961,445,624	₱3,973,493,897	₱1,043,981,176	₱11,987,800,303

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores

The Company's right-of use assets pertain to store and warehouse facilities with a term ranging from 10 to 16 years and an average remaining lease term of 10 years.

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, 2021, borrowing costs amounted ₱36.9 million, based on capitalization rate ranging from 6.50% to 7.50%, were capitalized as part of construction-in-progress (see Note 11). There was no borrowing cost recognized as of December 31, 2020.

As of March 31, 2021 and December 31, 2020, the gross carrying amount of the Company's fully depreciated property and equipment that are still used in operations is ₱39.8 million and ₱27.5 million, respectively.

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, 2021	Audited Dec 31, 2020
Trade payable	₱1,092,837,805	₱1,064,726,977
Non-trade payables	68,770,765	133,251,156
Accrued expenses	17,198,578	50,363,673
VAT payable	14,803,959	48,165,800
Withholding tax payable	11,293,289	14,397,502
Retention payable	2,176,333	2,294,190
Others	2,710,622	2,590,998
	<u>₱1,209,791,351</u>	<u>₱1,315,790,296</u>

Trade payables arise from the Company's purchases of inventories and other direct costs. These are noninterest-bearing and are payable on demand.

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 others costs.

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

11. Loans and Borrowings

The account consists of:

	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Short-term loans	<u>₱3,566,913,149</u>	<u>₱2,042,913,149</u>

The Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 6.50% to 9.24% and with terms of 180 days.

There are no loan covenants on the Company's short-term loans.

12. Leases

12.1 Lease Liability

Lease liability is presented in the statement of financial position as of March 31, 2021 and December 31, 2020 as follows:

	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Current	<u>₱388,100,468</u>	<u>₱384,798,495</u>
Non-current	<u>4,083,884,924</u>	<u>4,180,721,841</u>
	<u>₱4,471,985,392</u>	<u>₱4,565,520,336</u>

12.2 Additional Profit or Loss

Expenses recognized for the period are as follows:

	Note	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Depreciation expense of right-of-use assets	9	<u>₱122,820,820</u>	<u>₱506,097,335</u>
Variable lease payments	14.2	<u>112,777,499</u>	<u>343,367,773</u>
Interest expense on lease liabilities	15	<u>77,315,934</u>	<u>325,233,511</u>
		<u>₱312,914,253</u>	<u>₱1,174,698,619</u>

13. Sales

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to ₱3.6 billion and ₱3.4 billion for the three-months period ended March 31, 2021 and 2020, respectively.

The disaggregation on revenue recognition whether point in time or over time for period ended March 30, 2021 is shown below:

	Point in time	Over time	Total
Sale of merchandise (Note 18.1)	P3,591,771,977	P-	P3,591,771,977
Vendors' support	-	49,306,878	49,306,878
Delivery fees	-	9,132,058	9,132,058
Marketing fees	-	6,858,276	6,858,276
Rentals	-	3,184,261	3,184,261
Miscellaneous	1,971,686	-	1,971,686
	P3,593,743,663	P68,481,473	P3,662,225,136

This compares to the disaggregation on revenue recognition whether point in time or over time for period ended March 30, 2020 as follows:

	Point in time	Over time	Total
Sale of merchandise (Note 18.4)	P3,365,904,859	P-	P3,365,904,859
Vendors' support	-	86,654,888	86,654,888
Marketing fees	-	9,526,873	9,526,873
Delivery fees	-	8,751,129	8,751,129
Rentals	-	835,499	835,499
Miscellaneous	261,124	-	261,124
	P3,366,165,983	P105,768,389	P3,471,934,372

Vendors' support, marketing fees, delivery fees, gondola rental and miscellaneous are presented as part of Support, fees, rentals and other revenues account in the statements of comprehensive income.

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, 2021	Unaudited Mar 31, 2020
Inventories at beginning of period	7	P6,288,764,468	P5,208,925,853
Purchases during the period		2,720,667,515	3,055,955,427
Cost of goods available for sale		9,009,431,983	8,264,881,280
Inventories at end of period	7	6,561,937,827	5,930,626,259
		P2,447,494,156	P2,334,255,021

14.2 *Selling, General and Administrative Expenses*

	Notes	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Depreciation and amortization	9	₱253,717,264	₱223,489,513
Variable Lease Payments	12	112,777,499	51,083,102
Salaries, wages and employee benefits		84,955,790	84,164,100
Outside services		74,847,650	96,912,791
Communication and utilities		70,214,346	81,699,240
Merchant fees		29,751,393	37,483,090
Taxes and licenses		25,976,399	27,105,537
Office and store supplies		4,461,878	11,564,000
Repairs and maintenance		4,397,122	9,413,304
Dues and subscriptions		2,604,047	9,514,276
Advertising and promotions		2,227,732	8,014,728
Representation and entertainment		1,712,002	3,242,297
Insurance expense		1,455,770	1,720,803
Professional fees		1,176,791	1,485,966
Transportation expense		1,129,249	15,499,666
Commission expense		434,488	490,301
Miscellaneous		1,885,998	5,664,784
		₱673,725,418	₱668,547,498

15. **Finance Costs**

Finance costs include the following:

	Note	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Interest expense from:			
Lease liability	12	₱77,315,934	₱83,623,780
Loans payable		4,461,354	480,938
Retirement benefit obligation	16	682,300	—
Bank service charge		—	8,506
		₱82,459,588	₱84,113,224

16. **Post-Employment Defined Benefit Plan**

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

The most recent actuarial valuation dated March 23, 2021 was performed by a professionally qualified external actuary.

The amounts of post-employment benefit recognized in profit or loss in respect of the defined benefit post-employment plan are as follows (see Note 15):

	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Current service cost	P2,769,466	P—
Interest expense	682,300	—
	P3,451,766	P—

The interest expense is included as part of Finance Costs under Finance Income (Costs) in the statements of comprehensive income (see Note 15).

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the period ended March 31, 2021 and December 31, 2020:

Discount rate	4.06%
Expected rate of salary increases	7.75%

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, 2021 and December 31, 2020 are discussed below risk.

	Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/-1%	(8,659,130)	10,517,134
Salary growth rate	+/-1%	10,370,692	(8,731,300)

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 P128.9 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 March 31, 2021 and December 31, 2020 from the plan follows:

Within five years	P11,784,535
More than five years to 10 years	36,369,195
More than 10 years	586,919,188
	<u>P635,072,918</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 24 years.

17. Income Taxes

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

	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Current tax expense:		
Regular corporate income tax (RCIT)	P130,828,924	P74,874,788
Final tax at 20%	74,833	176,150
	<u>130,903,757</u>	<u>75,050,938</u>
Deferred tax expense relating to originating and reversal of other temporary differences	<u>(16,192,431)</u>	<u>40,630,801</u>
	<u>P114,711,326</u>	<u>P115,681,739</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:

	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Tax on pretax profit	P114,730,034	P115,769,815
Adjustment for income subjected to lower tax rate	<u>(18,708)</u>	<u>(88,076)</u>
Tax expense	<u>P114,711,326</u>	<u>P115,681,739</u>

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, 2021 and 2020.

The deferred tax liabilities as of March 31, 2021 and December 31, 2020 relate to the following:

	Statements of Financial Position		Statements of Comprehensive Income	
	Unaudited Mar 31, 2021	Audited Dec 31, 2020	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Deferred tax assets:				
Leases - PFRS 16	P 194,885,456	P 187,563,987	(P7,321,469)	(P11,164,255)
Retirement obligation	13,884,969	13,022,030	(862,941)	—
Impairment loss	5,138,446	4,961,886	—	—
Reward liability	—	176,560	—	—
	213,908,871	205,724,463	(8,184,410)	(11,164,255)
Deferred tax liabilities:				
Borrowing costs	(142,385,905)	(134,883,818)	7,502,088	(2,504,740)
Depreciation	(282,162,022)	(255,157,672)	27,004,351	26,158,741
Uncollected income	(72,771,463)	(115,285,923)	(42,514,460)	28,141,055
	(497,319,390)	(505,327,413)	(8,008,021)	51,795,056
Deferred tax liabilities – net	(P283,410,519)	(P299,602,950)		
Deferred tax (benefit) expense			(P16,192,431)	P40,630,801

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

Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE”

On March 26, 2021, President Rodrigo Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.

MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

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, 2021 and 2020, and the related outstanding balances as of March 31, 2021 and December 31, 2020 are discussed in the succeeding pages.

Related Party Category	Amount of Transactions		Outstanding Balance	
	For the three months period Mar 31, 2021	Mar 31, 2020	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Common Ownership:				
Depreciation (PFRS 16)	103,024,270	103,024,270	—	—
Interest (PFRS 16)	65,265,483	70,341,292	—	—
Sale of merchandise	35,737,672	55,618,067	—	—
Rentals	72,868,771	44,267,889	—	—
Common Ownership:				
Lease liability	—	—	3,737,966,363	3,818,778,732
Right-of-use Asset (PFRS 16)	—	—	3,225,779,498	3,332,771,608
Transferred retirement obligation	—	—	24,912,105	24,912,105
Key Management Personnel –				
Compensation	42,327,000	14,109,000	—	—

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).

18.2 Key Management Personnel Compensation

For the period ended March 31, 2021, the total key management personnel compensation which includes short-term and post-employment benefits amounted to ₱42.3 million.

19. Equity
19.1 Capital Stock

The details of the Company's capital stocks as of March 31, 2021 and December 31, 2020 are as follows:

	Unaudited Mar 31, 2021		Audited Dec 31, 2020	
	No. of Shares	Amount	No. of Shares	Amount
Authorized shares:				
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
Issued and outstanding shares:				
Common - Par				
value of P1 per share	<u>3,750,000,002</u>	<u>3,750,000,002</u>	<u>3,750,000,002</u>	<u>3,750,000,002</u>
Balance at the end of the period	<u>3,750,000,002</u>	<u>3,750,000,002</u>	<u>3,750,000,002</u>	<u>3,750,000,002</u>

On July 8, 2019, the SEC approved the Company's application for the increase of authorized capital stock from P2.0 billion to P6.0 billion 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 related parties 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 gross proceeds of P8.625 billion from such IPO.

19.2 Additional Paid-In Capital

Additional paid-in capital consists of P7,206.6 million from the initial public offering in 2019, net of P668.4 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 P52.5 million on (P0.014 per share) on November 25, 2020, payable to stockholders of record on December 14, 2020. The cash dividends were paid on December 28, 2020.

19.4 Revaluation Reserves

In 2019, the Company recognized actuarial losses arising from remeasurement on post-employment defined benefit obligation amounting to P29.9 million which is presented in statement of changes in equity under Revaluation Reserves account. The balance of Revaluation Reserves account amounted to P9.10 million as at March 31, 2021 and December 31, 2020.

20. Earnings Per Share

Earnings per share were computed as follows:

	Unaudited Mar 31, 2021	Unaudited Mar 31, 2020
Net profit	₱344,208,812	₱270,217,642
Divided by weighted average number of outstanding common shares	3,750,000,002	3,750,000,002
Basic and diluted EPS	₱0.09	₱0.07

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

21. Commitments and Contingencies

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

21.1 Lease Commitments – Company as Lessee

The total rental expense recognized from variable leases payments amounted to ₱112.7 million and ₱51.1 million for the three-month period March 31, 2021 and 2020, respectively, and are presented as Variable lease payment under Selling, General and Administrative Expenses in the statements of comprehensive income (see Note 14.2).

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, 2021 and December 31, 2020, management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements, taken as a whole.

22. Risk Management Objectives and Policies

The Company is exposed to 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 36 months before March 31, 2021 and 2020, 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, 2021 and December 31, 2020 was determined based on months past due, for trade receivables, excluding advances to officers and employees, as follows:

Unaudited Mar 31, 2021	Not yet due/Within 1 year	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected loss rate	–	21.11%	33.73%	52.93%	
Gross carrying amount	284,764,518	26,728,451	19,664,712	8,056,559	339,214,240
Loss allowance	–	5,642,376	6,632,907	4,264,337	16,539,620
Audited Dec 31, 2020	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Expected loss rate	0%	21.11%	33.73%	52.93%	
Gross carrying amount	161,362,756	33,220,585	13,898,081	9,143,575	217,624,997
Loss allowance	–	7,012,152	4,687,452	4,840,016	16,539,620

(c) Due from Related Parties

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's 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 March 31, 2021 and December 31, 2020 are recoverable since these related parties have the capacity to pay the advances upon demand. Accordingly, no impairment losses were recognized as of the end of the reporting periods.

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.

22.3 Impact of COVID-19

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

The impact of COVID-19 to the Company's business operations relates to certain operational adjustments to ensure appropriate response to the effects of COVID-19. In response to this matter, the Company innovated operational strategy in order to adapt to the 'new normal mindset', minimized operating expenses, implemented cost saving measures and ensured compliance with health and safety guidelines to protect employees, contractors and customers. The Company assessed that COVID-19 impact did not result to material changes in the overall operations of the Company for period ended March 31, 2021.

There were also no material changes in the Company's loss allowance on accounts receivables that have been recognized in the financial statements as of March 31, 2021.

The Company continues to monitor the risks and on-going COVID-19 impact to its business.

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 Notes 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.

23.2 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, 2021 and December 31, 2020. 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:

	Unaudited Mar 31, 2021	Audited Dec 31, 2020
Total liabilities	₱9,844,103,197	₱8,404,068,168
Total equity	13,715,147,459	13,370,938,647
Debt-to-equity ratio	0.72 : 1.00	0.63 : 1.00

ALLHOME CORP.**Supplemental Schedule of Financial Soundness Indicators**

March 31, 2021 and March 31, 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities	1.76	Total Current Assets divided by Total Current Liabilities	3.26
	Total Current Assets		Total Current Assets	
	Divide by:		Divide by:	
	Total Current Liabilities		Total Current Liabilities	
	Current Ratio	1.76	Current Ratio	3.26
Acid test ratio	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.43	Quick Assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.70
	Total Current Assets		Total Current Assets	
	Less: Inventories		Less: Inventories	
	Other Current Assets		Other Current Assets	
	Quick Assets		Quick Assets	
	Divide by: Total Current Liabilities		Divide by: Total Current Liabilities	
	Acid Test Ratio		Acid Test Ratio	
Solvency ratio	Total Liabilities divided by Total Assets	0.42	Total Liabilities divided by Total Assets	0.36
	Total Liabilities		Total Liabilities	
	Divide by: Total Assets		Divide by: Total Assets	
	Solvency Ratio		Solvency Ratio	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	0.72	Total Liabilities divided by Total Equity	0.57
	Total Liabilities		Total Liabilities	
	Divide by: Total Equity		Divide by: Total Equity	
	Debt-to-Equity Ratio		Debt-to-Equity Ratio	
Asset-to-equity ratio	Total Assets divided by Total Equity	1.72	Total Assets divided by Total Equity	1.57
	Total Assets		Total Assets	
	Divide by: Total Equity		Divide by: Total Equity	
	Asset-to-equity ratio		Asset-to-equity ratio	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest Expense	6.56	Earnings before interest and taxes (EBIT) divided by Interest Expense	5.58
	EBIT		EBIT	
	Divide by: Interest Expense		Divide by: Interest Expense	
	Interest Coverage Ratio		Interest Coverage Ratio	
Return on equity	Net Profit divided by Total Equity	0.03	Net Profit divided by Total Equity	0.02
	Net Profit		Net Profit	
	Divide by: Total Equity		Divide by: Total Equity	
	Return on equity		Return on equity	
Return on assets	Net Profit divided by Total Assets	0.01	Net Profit divided by Total Assets	0.01
	Net Profit		Net Profit	
	Divide by: Total Assets		Divide by: Total Assets	
	Return on assets		Return on assets	
Net profit margin	Net profit divided by Total Revenue	0.10	Net profit divided by Total Revenue	0.08
	Net Profit		Net Profit	
	Divide by: Total Revenue		Divide by: Total Revenue	
	Net Profit Margin		Net Profit Margin	

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVIEW OF FIRST QUARTER END 2021 VS FIRST QUARTER END 2020

RESULTS OF OPERATIONS

On March 22, 2021, the Philippine government has placed NCR plus on enhanced community quarantine (ECQ) due to rising COVID-19 cases. However, unlike the ECQ implemented last year on March 17 to May 15, 2020, this year's ECQ regulations allowed the Company's stores to operate albeit at shortened operating hours due to curfew restrictions. There was no store closed; hence, the ECQ did not result to material changes in the overall operating results of the Company for the quarter ended March 31, 2021. Last year, the Company had to close its stores in Luzon on March 17 to May 15, 2020, which accounted about 84.3% of revenues pre-ECQ. To counter the effects of the pandemic, the Company innovated its operational strategies to navigate the new normal, re-assessed its expansion plan, introduced new concept, and implemented operating and cost-saving measures.

Quarter Ended March 31, 2021 compared to quarter ended March 31, 2020

Sales

The company recorded sales of ₱3,591.8 million for the quarter ended 31 March 2021, an increase of 7% from ₱3,365.9 million for the quarter ended 31 March 2020. This was mainly brought about by the same store sales growth of existing 45 stores as of 31 March 2020 as well as the revenues generated from 7 additional stores launched since then until 31 March 2021. The following table shows the key operating performance indicators relevant to the revenues for the period ended 31 March 2021 and 2020. The company has opened its 52nd store on February 12, 2021 in Cauayan, Isabela, bringing its total net selling space to 344,907 sqms.

	As of and for the period ended 31 March		Percentage Change
	2021	2020	
Number of stores	52	45	15.6%
Net Selling Area (in sqms)	344,907	296,772	16.2%
Net Sales (₱ millions)	3,591.8	3,365.9	41.4%
SSSG	2.8%	23.4%	33.7%

Cost of Merchandise Sold

For the quarter ended 31 March 2021, cost of merchandise sold was at ₱2,447.5 million, an increase of 5% from the ₱2,334.3 million level for the same period in 2020 corresponding to the increase in sales in existing stores and the sales contributed by the 7 new stores added during the period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 1% to ₱673.7 million for the quarter ended 31 March 2021 from ₱668.5 million for the same period in 2020, primarily due to the following:

- Increase in depreciation and amortization from ₱223.5 million for the quarter ended 31 March 2020 to ₱253.7 million for the quarter ended 31 March 2021 primarily as a result of increase in the number of stores.

- Increase in rentals from ₱51.1 million for the quarter ended 31 March 2020 to ₱112.8 million for the quarter ended 31 March 2021 primarily due to new stores.
- Increase in salaries and wages from ₱84.2 million for the quarter ended 31 March 2020 to ₱85.0 million for the quarter ended 31 March 2021 due to the additional manpower for new stores.
- Decrease in outside services from ₱96.9 million for the quarter ended 31 March 2020 to ₱74.8 million for the quarter ended 31 March 2021 due to the reduction of manpower as a result of operating and cost-saving measures implemented during the pandemic.
- Decrease in communication and utilities from ₱81.7 million for the quarter ended 31 March 2020 to ₱70.2 million for the quarter ended 31 March 2021 due to a combination of cost-saving measures and shortened operating hours during the quarantine.
- Decrease in merchant fee from ₱37.5 million for the quarter ended 31 March 2020 to ₱29.8 million for the quarter ended 31 March 2021 primarily due to negotiated lower merchant discount rates on sales through credit cards and other customer payment gateways.
- Decrease in taxes and licenses from ₱27.1 million for the quarter ended 31 March 2020 to ₱26.0 million for the quarter ended 31 March 2021.
- Decrease in office and store supplies from ₱11.6 million for the quarter ended 31 March 2020 to ₱4.5 million for the quarter ended 31 March 2021 due to cost-saving measures implemented.
- Decrease in repairs and maintenance from ₱9.4 million for the quarter ended 31 March 2020 to ₱4.4 million for the quarter ended 31 March 2021 due to cost-saving measures implemented.
- Decrease in dues and subscription from ₱9.5 million for the quarter ended 31 March 2020 to ₱2.6 million for the quarter ended 31 March 2021 due to cost-saving measures implemented.
- Decrease in advertising and promotions from ₱8.0 million for the quarter ended 31 March 2020 to ₱2.2 million for the quarter ended 31 March 2021 on account of cost-saving measures implemented and usage of online digital platforms for marketing purposes.
- Decrease in representation and entertainment from ₱3.2 million for the quarter ended 31 March 2020 to ₱1.7 million for the quarter ended 31 March 2021 due to the cost-saving measures implemented, and minimal physical meetings.
- Decrease in insurance expense from ₱1.7 million for the quarter ended 31 March 2020 to ₱1.5 million for the quarter ended 31 March 2021.
- Decrease in professional fees from ₱1.5 million for the quarter ended 31 March 2020 to ₱1.2 million for the quarter ended 31 March 2021 on account of the cost-saving measures implemented.
- Decrease in transportation expense from ₱15.5 million for the quarter ended 31 March 2020 to ₱1.1 million for the quarter ended 31 March 2021 due to limited headcount to travel during pandemic.
- Decrease in commission expense from ₱490.3 thousand from quarter ended 31 March 2020 to ₱434.5 thousand for the quarter ended 31 March 2021 as most corporate sales during the period were generated by in-house sales teams.
- Decrease in miscellaneous from ₱6.5 million for the quarter ended 31 March 2020 to ₱1.9 million for the quarter ended 31 March 2021 due to the cost-saving measures implemented.

Finance Cost

Finance cost decreased from ₱84.1 million for the quarter ended 31 March 2020 to ₱82.5 million for the quarter ended 31 March 2021. The net decrease was primarily attributable to the decrease of ₱6.3 million in interest expense from lease liability due to its lower balance and slightly offset by increase of ₱4.6 million in loans payable and retirement benefit obligation.

Support, Fees, Rentals and Other Revenues

Support, fees, rentals and other revenues decreased by 34% from ₱106.0 million for the quarter ended 31 March 2020 to ₱70.5 million for the quarter ended 31 March 2021, primarily due to the decrease in vendor's support by 43% from ₱87 million to ₱49 million for the quarter ended 31 March 2021.

Tax Expense

Tax expense decreased by 1% from ₱115.7 million for the quarter ended 31 March 2020 to ₱114.7 million for the quarter ended 31 March 2021 partially due to the new lower corporate tax rate offset by a higher taxable base for the quarter

Net Profit

As a result of the foregoing, our net income increased by 27% from ₱270.2 million for the quarter ended 31 March 2020 to ₱344.2 million for the quarter ended 31 March 2021

FINANCIAL CONDITION

As of 31 March 2021 vs. 31 December 2020

Total assets as of 31 March 2021 were ₱23,559.3 million compared to ₱21,775.0 million as of 31 December 2020, or an 8% increase due to the following:

- Cash decreased by 9% from ₱1,785.6 million as of 31 December 2020 to ₱1,622.7 million as of 31 March 2021 primarily due to payments made for the inventories and fit-out expenditures for new stores.
- Trade and other receivables increased by 33% from ₱517.0 million as of 31 December 2020 to ₱689.5 million as of 31 March 2021 due mainly to increase in accredited corporate accounts during the period.
- Inventories increased by 4% from ₱6,288.8 million as of 31 December 2020 to ₱6,561.9 million as of 31 March 2021 due primarily to the purchases for new stores.
- Property and equipment increased by 6% from ₱11,987.8 million as of 31 December 2020 to ₱12,760.3 million as of 31 March 2021 due primarily to leasehold improvements and acquisition of store equipment, furniture, fixture, and office equipment for new stores.
- Other assets increased by 61% from ₱1,195.8 million as of 31 December 2020 to ₱1,924.8 million as of 31 March 2021 due primarily to increase in advances to suppliers for new inventory orders.

Total liabilities as of 31 December 2020 were ₱8,404.1 million compared to ₱9,844.1 million as of 31 March 2021, or a 17% increase. This was due to the following:

- Trade and other payables decreased by 8% from ₱1,315.8 million as of 31 December 2020 to ₱1,209.8 million as of 31 March 2021 due to payment of payables for the purchases of inventories and new stores fit-out construction.
- Loans payable including non-current portion increased from ₱2,042.9 million as of 31 December 2020 to ₱3,566.9 million as of 31 March 2021 due to new loan availments made during the period.
- Lease liability including non-current portion decreased from ₱4,565.5 million as of 31 December 2020 to ₱4,472.0 million as of 31 March 2021 due to lease payments made.
- Income tax payable increased by 115% from ₱111.9 million as of December 31, 2020 to ₱240.2 million as of 31 March 2021 due to tax payable for the period.
- Deferred tax liabilities decreased by 5% from ₱299.6 million as of December 31, 2020 to ₱283.4 million as of 31 March 2020 due to the adjustments to temporary tax differences for the period.
- Retirement benefit obligation increased from ₱68.3 million as of 31 December 2020 to ₱71.8 million as of 31 March 2021 due to adjustment of provision for the retirement benefit.

Total stockholder's equity increased by 3% from ₱13,370.9 million as of 31 December 2020 to ₱13,715.1 million as of 31 March 2021 due to net income recorded for the period.

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

Key Performance Indicators	3/31/2021	3/31/2020
Revenues (₱ millions)	₱3,591.8	₱3,365.9
Gross Profit (₱ millions)	1,144.3	1,031.6
Gross Profit Margin (%) ^(a)	31.9%	30.6%
Net Profit (₱ millions)	344.2	270.2
Net Profit Margin (%) ^(b)	9.6%	8.0%

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 for the quarter ended 31 March 2021 compared to quarter ended 31 March 2020 due to same store sales growth of existing stores and the revenue contribution of the new stores.

Gross Profit and Gross Profit Margin increased for the quarter ended 31 March 2021 compared to quarter ended 31 March 2020 due to economies of scale achieved resulting from higher purchases made during the period and increased revenue contribution of in-house brands. Net Profit and Net Profit Margin increased for the quarter ended 31 March 2021 compared to quarter ended 31 March 2020 due to improved revenues, gross profit, and other income as well as the reduced corporate income tax rate.

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

Cash decreased by 9% from ₱1,785.6 million as of 31 December 2020 to ₱1,622.7 million as of 31 March 2021 primarily due to payments made for the inventories and fit-out expenditures for new stores.

Trade and other receivables increased by 33% from ₱517.0 million as of 31 December 2020 to ₱689.5 million as of 31 March 2021 due mainly to increased corporate sales during the period.

Property and equipment increased by 6% from ₱11,987.8 million as of 31 December 2020 to ₱12,760.3 million as of 31 March 2021 due primarily to acquisition of store equipment, furniture, fixture, office equipment and leasehold improvements for new stores.

Other assets increased by 61% from ₱1,195.8 million as of 31 December 2020 to ₱1,924.8 million as of 31 March 2021 due primarily to increase in advances to suppliers for new inventory orders.

Trade and other payables decreased by 8% from ₱1,315.8 million as of 31 December 2020 to ₱1,209.8 million as of 31 March 2021 due to payment of trade payables for the purchases of inventories and new stores fit-out construction.

Loans payable including non-current portion increased by 75% from ₱2,042.9 million as of 31 December 2020 to ₱3,566.9 million as of 31 March 2021 due to new loan availments made during the period.

Income tax payable increased by 115% from ₱111.9 million as of 31 December 2020 to ₱240.2 million as of 31 March 2021 due to tax payable for the period.

Deferred tax liabilities decreased by 5% from ₱299.6 million as of December 31, 2020 to ₱283.4 million as of 31 March 2021 due to the adjustments to temporary tax differences for the period.

Retirement benefit obligation increased by 5% from ₱68.3 million as of 31 December 2020 to ₱71.8 million as of 31 March 2021 due to adjustment of provision for the retirement benefit.

Material Changes to the Company's Statement of income for the 3-month of 2021 compared to the 3-month of 2020 (increase/decrease of 5% or more)

Sales increased by 7% to ₱3,591.8 million for the quarter ended 31 March 2021 from ₱3,365.9 million for the quarter ended 31 March 2020. This was mainly brought about by the same store sales growth of existing 45 stores as of 31 March 2020 as well as the revenues generated from 7 additional stores launched since then until 31 March 2021.

Cost of merchandise sold increased by 5% to ₱2,447.5 million for the quarter ended 31 March 2021 from the ₱2,334.3 million level for the same period in 2020, corresponding to the increase in sales in existing stores and the sales contributed by the 7 new stores added during the period.

Support, fees, rentals and other revenues decreased by 34% from ₱106.0 million for the quarter ended 31 March 2020 to ₱70.5 million for the quarter ended 31 March 2021. The decrease was primarily attributable to the decrease in vendor's support.

As a result of the foregoing, our net income increased by 27% from ₱270.2 million for the quarter ended 31 March 2020 to ₱344.2 million for the quarter ended 31 March 2021.

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

COMMITMENTS AND CONTINGENCIES

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

PART II - OTHER INFORMATION

Item 3. 3-month of 2021 Developments

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

None

- B.** Composition of Board of Directors

Manuel B. Villar, Jr.	Chairman of the Board
Camille A. Villar	Vice Chairman of the Board
Benjamarie Therese N. Serrano	Director and President
Frances Rosalie T. Coloma	Director and Treasurer
Manuel Paolo A. Villar	Director
Laura Suarez Acuzar	Independent Director
Jessie D. Cabaluna	Independent Director

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

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

- D.** Declaration of Dividends.

P0.014 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

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

None.

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

None.

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

Not Applicable.

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

None.

Transferring of assets, except in normal course of business.

None.

Item 4. Other Notes as of 3-month of 2020 Operations and Financials.

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

None.

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

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

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

See Notes to Financial Statements and Management Discussion and Analysis.

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

None.

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

None.

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

None.

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

None.

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

None.

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

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

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

As of March 31, 2021 no known trends, events or uncertainties that are reasonably expected to have impact on sales/revenues/income from continuing operations except for those being disclosed in the 3-month of 2021 financial statements.

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

None.

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

None.

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

None.

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

None.

SIGNATURES

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

AllHome Corp.
Issuer

By:


FRANCES ROSALIE T. COLOMA
CFO

Date: 17 May 2021