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(Company’s Full Name)

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

Frances Rosalie T. Coloma

Contact Person

8880-1199

Company Telephone Number

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Month Day
Calendar Year

17-A

FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If
Applicable

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Dept. Requiring this
Doc.

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Amended Articles
Number/Section

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Total No. of
Stockholders

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Domestic

--

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2019**
2. SEC Identification Number **CS201310179**
3. BIR Tax Identification No. **008-541-952-000**
4. Exact name of issuer as specified in its charter **ALLHOME CORP.**
5. **Philippines**
Province, Country or other jurisdiction of incorporation
6. Industry Classification Code (SEC Use Only)
7. **Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City,**
Daanghari, Almanza II, Las Piñas City **1750**
Postal Code
Address of principal office
8. **+63 2 8880-1199**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	3,750,000,002 shares

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

Yes [**x**]

No []

Name of Stock Exchange:

Philippine Stock Exchange

Class of securities listed:

Common Stocks

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**x**]

No []

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

Yes ☒]

No ☐]

13. Aggregate market value of voting stocks held by non-affiliates:

₱ 14.1 Billion as of December 31, 2019

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☒]

No ☐] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Financial Statements as of and for the year ended December 31, 2019
(incorporated as reference for Items 7 and 12 of SEC Form 17-A)

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PART I – BUSINESS

Item 1. Business

Overview

AllHome Corp. (the “Company”) is a pioneering “one-stop shop” home store in the Philippines. Since its incorporation in 2013, The Company has grown to 45 stores as of December 31, 2019, having an aggregate net selling space of approximately 296,772 sqm.

The Company was incorporated in the Republic of the Philippines on May 29, 2013 and started operations with four (4) stores. The Company opened its first store in the Visayas region, AllHome Talisay in Cebu, in June 2016 and first store in Mindanao, AllHome Cagayan de Oro, in July 2018.

The Company’s product offering spans seven (7) key categories from over 800 local and international Brands. These product categories are furniture, hardware, appliances, tiles and sanitary wares, homewares, linens and construction materials.

The Company believes that it offers customers a unique shopping experience for the home in a comfortable and convenient setting. The Company believes that its range of store formats appeal to homeowners, in-house design consultants, architects and contractors and help them to realize their vision of creating their dream homes and living spaces. To complement its product offerings, the Company provide special services including styling consultations with in-house design consultants, ready-for-occupancy home furnishing services, delivery, customizable furniture, gift registry services and customer lounges where homeowners, in-house design consultants, architects and contractors can meet to discuss their plans.

Store Formats

The Company has four store formats in operation: (1) large mall-based store, ranging from 2,902 sqm to 12,267 sqm in net selling space with an average net selling space of over 9,100 sqm; (2) large free-standing store, ranging from 4,903 sqm to 12,413 sqm in net selling space with an average net selling space of over 10,100 sqm; (3) small specialty store, ranging from 171 sqm to 696 sqm in net selling space with an average net selling space of over 295 sqm, all under the “AllHome” name; and (4) the “AllBuilders” store, which will offer a more extensive selection of hardware, tiles and sanitary wares, and construction materials.

Products

AllHome offers a complete line of products for home improvement and construction – including for maintenance, repairs and renovations and decorating. The following provides an overview of our key product categories, products and brands.

<u>Product Category</u>	<u>Products Offered</u>
Furniture	Office, living, dining, bedroom, outdoor and children’s furniture
Hardware	Electrical supplies and accessories, lighting, plumbing, paints and sundries, hardware, power and hand tools, automotive, lawn and garden products
Appliances	Air-conditioners, refrigerators and freezers, washing machines, TVs, sounds systems, kitchen appliances, small appliances, digital items (including mobile phones and gadgets)
Tiles and Sanitary Wares	Indoor and outdoor tiles, decorative tiles, mosaic tiles,

	engineered wood, laminated flooring, vinyl,pavers, decking, Water closets and lavatories, bathtubs, shower enclosures and partitions
Linens	Comforters, duvets, bedsheets, curtains, pillows
Construction materials	Building materials, wood and mouldings

Distribution Methods of Products

The Company as mentioned in the preceding paragraphs, has four (4) store formats. Most of the stores are located in Mega Manila. The Company's network expansion program aims to put up more AllHome stores in other regions and locations.

Below is the breakdown of the number of the Company's stores per location and format:

Store Format	Region	Number of stores
Large Mall Based	Mega Manila	17
	Luzon	3
	Visayas	2
Large Free Standing	Mega Manila	4
	Luzon	2
	Mindanao	3
Small Specialty	Mega Manila	13
All Builders	Mega Manila	1

Inventories are stored in three (3) distribution centers and in store warehouses located at the back of each store. Suppliers are responsible for packing and delivering the products to our distribution centers located in Muntinlupa, Laguna and Paranaque (for onward delivery to our provincial stores outside of Mega Manila) or directly to the warehouses located at the back of each store in Mega Manila. Currently, the utilization rate of the distribution centers is approximately 90%. The Company believes that centralizing storage in our distribution centers allows them to make appropriate adjustments to our product portfolio based on customer preferences in diverse store locations, adopt different marketing plans to accelerate sales of slow-moving stocks, and maintain healthy inventory and control over cash flow. The Company typically replenish products three times per week, depending on store location and need.

The Company generally offers delivery services for its products, subject to minimum spend amounts. The Company believes that it has strong and stable relationships with reliable third party logistics service providers with sufficient logistics resources for the distribution and delivery of its products to our stores and have arrangements for certain delivery trucks to be designated for AllHome's exclusive use.

Competition

The Company's result of operations is affected by competition from other retailers in construction and home improvement supplies, appliances and furniture, among others. This market is highly competitive and the Company faces competition from national and local retailers, including smaller-format hardware stores, mall-based stores, and the established retailers with depots.

Suppliers

The Company has steadily expanded its network of suppliers and concessionaires since commencing operations. The Company maintains a sourcing network comprising an aggregate of over 500 suppliers (including concessionaires). Products manufactured outside the Philippines are purchased from distributors located in the Philippines or through other third parties who import these products into the Philippines.

The Company selects its suppliers based on a number of criteria including their reputation in the industry, quality and standards, reliability of delivery, exclusivity and price.

Our three largest suppliers each accounting for at least 5% of our total purchases for the twelve months ended December 31 2019 are TKH Marketing, LG Electronics Philippines Inc. and Samsung Electronics Philippines.

None of these suppliers is a related party. The Company does not rely on any single supplier as it maintains a wide network of suppliers. As the home improvement industry is susceptible to changes in the market trends and customer preferences, the Company strives to continuously source new products and normally sources from different suppliers from time to time.

Services

To complement its product offerings, The Company provide services to support the needs of our customers. These include interior design consultations and providing recommendations on AllHome products to suit a customer's specific needs, door-to-door delivery and installation services, customizable furniture (e.g., closets), free furniture assembly services and other services such as delivery and gift registry.

The Company's in-house design consultants are available to its customers for complimentary one-on-one consultations. The Company is also very familiar with Vista Land homes and developments within their area. The Company prides itself on its knowledgeable and accommodating staff who are trained to address the in-store needs and questions that customers may have with regards to its diverse range of products and services.

In addition, each large-format store also maintains a customer lounge that provides a venue for in-store meetings between architects, contractors, designers and homeowners.

Customers

The Company's customers comprise homeowners and renters, contractors, architects and interior designers belonging to the upper middle income to upper income market. The Company is not dependent on any single customer or a few customers and the loss of any of its customers would not have a material adverse effect on its operations.

Customer Loyalty Program- AllRewards

As a member of the network of AllValue Stores, customers earn points for purchases at AllHome under AllValue's AllRewards membership program. Once the minimum balance of points is reached, the points can be used as payment for purchases at any AllValue Store. As of December 31, 2019, we have over 371,567 AllRewards cardholders.

Transactions with Related Parties



Please refer to Item 12 of this report ("Certain Relationships and Related Transaction").

Intellectual Property

The Company has a number of registered trademarks registered with the Philippine Intellectual Property Office as well as applications for the registration of various trademarks for AllHome and its private labels. These trademarks are important because name recognition and exclusivity of use are contributing factors to our success.

Set out below is a list of our marks registered or pending registration with the Philippine Intellectual Property Office:

<u>Trademark</u>	<u>Date of Registration</u>	<u>Expiration</u>
	March 17, 2019	March 17, 2029
	August 31, 2017	August 31, 2027
	April 19, 2018	April 19, 2028
	March 15, 2018	March 15, 2028
	March 15, 2018	March 15, 2028
	December 9, 2018	December 9, 2028
	December 9, 2018	December 9, 2028
	June 27, 2019	June 27, 2029
	June 27, 2019	June 27, 2029
	July 7, 2019	July 7, 2029

	June 27, 2019	June 27, 2029
	June 27, 2019	June 27, 2029

The Company has twenty two applications pending with the Intellectual Property Office and sixteen applications are being prepared for filing.

Government Approval and Regulations

The Company has all the material permits and licenses necessary for its business as currently conducted, which are valid and subsisting. The Company believes that it has all the applicable and material permits and licenses necessary to operate business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

Effect of Existing or Probable Governmental Regulations

By the nature of its business, the Company is subject to governmental regulations on its land development and marketing activities, which includes, among others, zoning and environmental laws, development permit and license to sell regulations.

As of December 31, 2019, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Employees

As of December 31, 2019, we had 526 employees broken down as follows:

<u>Function</u>	<u>Number of Employees</u>
Mall stores.....	219
Stand-alone stores.....	71
Small stores	12
Head Office	224
TOTAL	526

In addition to regular employees, the Company engage third-party manpower service providers (security and manpower agencies) to support the personnel requirements of our business. The Company recognizes

the need to hire additional personnel to handle its expansion plans and expects to hire new employees in the next 12 months, subject to the changing needs of its business and prevailing market conditions.

The Company has no collective bargaining agreement with any employee and none of its employees belongs to a union. The Company believes that we have a good relationship with our employees and no key employee has left the Company during the past three years.

The Company provides employees with training and other development programs to enable them to effectively carry out their jobs and prepare them for career advancement in the Company. In particular, the Company is developing a training academy to improve its operational efficiency and help build relationships with its customers by providing employees with the necessary information and understanding of our products and services to enhance the customer experience. The Company takes measures to control its labor costs with improved productivity through cross-training personnel to enable them to handle multiple areas of operation. The Company does not have an employee stock option plan.

Risks

Risks related to the Company's Business

The Company may not be successful in implementing its growth strategy, including plans to expand its store network and product offerings, and we may not be able to manage future growth efficiently.

The Company intends to increase its revenues through, among others, expanding its store network, introducing new products and broadening its product offering. Its expansion activities may be financed by a combination of equity and additional borrowings.

Its plans and strategy are subject to various factors affecting its ability to implement its growth strategy, including, among others:

- market conditions, the general state of the Philippine economy, global economic conditions and regulatory environment;
- its ability to identify suitable sites for store locations;
- its ability to lease appropriate real estate for store locations;
- its ability to obtain required permits and licenses and meet regulatory requirements to establish, fit-out and open new stores;
- its ability to bear the increase in logistics costs when regional expansion occurs;
- its ability to open new stores in a timely manner;
- its ability to introduce new in-house brands to the market;
- its ability to continue to attract customers to its stores;
- its ability to obtain financing and other support for expansion;
- its ability to maintain the scale and stability of its information technology systems to support its current operations and continuous business growth;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of its stores on a timely basis;
- its operating performance and the availability of sufficient levels of cash flow or necessary financing to support its expansion; and
- its ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

The Company may experience delays in opening new stores within the time frames we initially target. Any of the above factors or other similar challenges could delay or prevent the Company from completing store openings and its store network expansion plan. If we fail to successfully implement its growth strategy and open new stores in a timely manner due to the absence of, or its inability to carry out or sufficiently address, any of the above-mentioned factors, or otherwise, its business, financial

condition and results of operations may be materially and adversely affected.

Expansion into new geographical areas will expose the Company to additional operational, logistical and other risks and there is no assurance that its new stores will be successful or profitable. An inability to manage future growth efficiently could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.

Demand for its products and services may be adversely impacted by changes in the economy.

Its business and results of operations are highly dependent on demand from its customers for its products and services, and such demand may be adversely impacted by changes in the economy. As with other retail businesses, demand for its products and services depends in part on prevailing economic conditions. Negative developments in the local or national economy, credit conditions and availability, disposable income, employment conditions or other factors may decrease consumer spending generally or demand for its products and services, thus resulting in decreased demand for some or all of its products and services. In particular, its business is subject to changes in the retail and real estate market environment in the Philippines. Its largest retail market is Mega Manila. Demand for its products is driven by new and existing real estate projects in the market including, but not limited to, residential houses and condominiums.

Any changes in these markets, including adverse regulatory developments or adverse developments in consumer disposable income in Mega Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on its business.

The Company may not timely identify or effectively respond to consumer needs, expectations or trends and sell the appropriate mix of products to suit changing customer preferences.

Consumer demand for its products is significantly affected by consumer preferences. Its success depends in part on its ability to identify social, style and other trends that affect customer preferences, and sell products that both meet its standards for quality and respond to changing customers' preferences. The rapid availability of new products and changes in consumer preferences have made it more difficult to reliably predict sales demand. The Company relies on experience, data and established processes to accurately forecast and manage fluctuations in demand. These processes include conducting internal and customer surveys, reviewing industry reports, attending trade shows and industry benchmarking to assess changes in consumer preferences. Failure to source and effectively market products, or to accurately forecast changes in customer preferences, could negatively affect its customer satisfaction levels, its relationship with its customers and demand for its products and services. In the event that the Company are unable to identify and adapt to such changes in consumer preferences quickly or the products which we currently carry are superseded by merchandise carried by its competitors (including online competitors), consumer demand for its products may decline and its business, financial condition, results of operations and prospects may be materially and adversely affected.

Strong competition could negatively affect prices and demand for its products and services and could decrease its market share.

The retail industry in the Philippines is very competitive, including in Mega Manila where its stores are concentrated and other areas outside Mega Manila. The Company competes with various home stores selling merchandise falling under each of the seven product categories that we offer based on factors such as price, store location, product assortment, availability and quality, customer service, customer shopping experience, attractiveness of its stores and presentation of merchandise and brand recognition, or a combination of these factors. Moreover, the Company anticipates competition from new market entrants and joint partnerships between national and international operators in certain product categories. Intense competitive pressures, including those arising from its expansion strategy or its inability to adapt effectively and quickly to a changing competitive landscape could affect its prices, its margins or demand for its products and services.

The Company believes that the home improvement retail market in areas outside the Mega Manila region is dominated by independent local operations. Expansion into these areas exposes us to operational, logistical and other risks of doing business in new territories. Operationally, the Company may experience supply, distribution, transportation and/or inventory management issues due to the limited presence of large

retailers and underdevelopment of distribution networks. Any difficulty we experience with respect to developing its business presence in emerging urban areas outside Mega Manila and increasing competition in certain areas wherein competitors open stores within close proximity to its stores, could negatively impact its results of operations through a loss of sales, reductions in margins from competitive price changes or greater operating costs, and could materially affect its growth strategy and financial condition.

The Company relies on distributors, third-party service providers and the distribution networks of its suppliers for transportation, warehousing and delivery of products to its warehouses and stores.

The Company relies on third-party distributors and suppliers, including concessionaires for its inventory intake and store displays, and other third-party service providers such as logistics services for the delivery of its products to its stores, distribution centers and in-store warehouses. A disruption within its logistics or supply chain network could adversely affect its ability to distribute and maintain inventory, which could impair its ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to its reputation. Any deterioration in the relationships between suppliers, distributors and third-party service providers or other changes relating to these parties, including changes in supply and distribution chains, could have an adverse effect on its business, financial condition and results of operations.

The Company relies on third-party suppliers for the provision of merchandise.

The Company relies on third-party suppliers (including concessionaires) for the provision of merchandise in its stores. The Company may experience material disruptions in the supply of products due to prolonged interruptions in the operations of these suppliers, which may in turn be caused by a number of factors, including equipment failures or property damage experienced by these suppliers, changes in laws and regulations that affect their manufacturing processes, or financial difficulties, and labor disputes faced by these suppliers. Other factors may also disrupt its ability to obtain products from these suppliers including weather-related events; natural disasters; trade policy changes or restrictions; tariffs or import-related taxes; third-party strikes, lock-outs, work stoppages or slowdowns; shipping capacity constraints; port congestion; third-party contract disputes; supply or shipping interruptions or costs; military conflicts; acts of terrorism; or other factors beyond its control. Any such disruption could negatively impact its financial performance or financial condition.

The success of its business depends in part on its ability to develop and maintain good relationships with its current and future outright sales suppliers and concessionaires.

The Company derives almost all of its revenue from outright sales and sales of concession products, and its success depends on its ability to retain existing suppliers and concessionaires, and attract new suppliers and concessionaires on terms and conditions favorable to them. The sourcing of its products is dependent, in part, on its relationships with its suppliers. The Company has long-standing working relationships with a broad range of national and multinational suppliers across all of its product categories.

If the Company is unable to maintain good relationships with its existing suppliers and concessionaires (which provide support teams for the sale of the consigned products), or if the Company is unable to develop and maintain new supplier and concessionaire relationships, it will be unable to carry merchandise and products that are in demand and can generate profit for us. Furthermore, if any of its outright sales suppliers or concessionaires changes its distribution methods, we may experience a disruption in its product supply. As a result, its market positioning, image and reputation may be adversely affected, and its revenue and profitability may be impaired.

Dissatisfaction with its customer service could prevent us from retaining its customers.

The satisfaction of its customers depends in particular on the effectiveness of its customer service, in particular its ability to address requests and inquiries, and deal with complaints, in a timely and satisfying manner. The Company has physical customer service desks, store hotlines and email and social media accounts to address customer needs and concerns. Any unsatisfactory response or lack of responsiveness by its customer service team could adversely affect customer satisfaction and loyalty.

Dissatisfaction with its customer service could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.

The Company plans to mitigate the aforementioned risks through its competitive strengths and strategies.

Strengths

Pioneering “one-stop shop” home store offering a comprehensive selection of products in a fast-growing segment of the retail sector in the Philippines

The Company plans to capitalize on pioneering “one-stop shop” home store offering a comprehensive selection of products in a fast-growing segment of the retail sector in the Philippines. The Company believes that the combined size and scale of its stores, comprehensive product offerings and the “one-stop” shopping experience sets them apart from its competitors. Leveraging on its store network and unique “one-stop shop” proposition, The Company believe that it is well-positioned to take advantage of the sustained growth of the home improvement retail sector in the Philippines.

Strategic and sustainable expansion plan arising from synergistic relationship with the country’s leading homebuilder

The Company has a strategic and sustainable expansion plan arising from synergistic relationship with the country’s leading homebuilder. The Company’s relationship with the Villar Group, including Vista Land and Lifescapes, Inc. (Vista Land) and Golden Bria Holdings, Inc. (Golden Bria), allows them to locate and launch new stores in parallel with the development of the residential and commercial projects of the Villar Group. This enables the Company to strategically pursue its expansion plans to cater to home builders and new homeowners, its key customer base, allowing the Company to allocate and utilize capital more efficiently. The Company believes that they are well-positioned to continue to benefit from the Villar Group’s land bank, extensive project pipeline, in-depth knowledge and resources to select and open new stores strategically and systematically.

Strong operational expertise and a scalable business model for future expansion

The Company believes that it has accumulated the know-how to efficiently set up and effectively operate a home store. As the Company pursues its expansion strategy, its operational expertise and know-how could reduce store opening costs and timelines, accelerating the ramp up of new stores across the Philippines.

Differentiated customer shopping experience in a retail ecosystem

The Company offers a unique and differentiated customer shopping experience in a retail ecosystem. The Company is part of AllValue Holdings, Inc. (AllValue) (the Villar Group’s holding company for its investments in retail businesses), which operates AllDay supermarket, AllDay convenience stores and Coffee Project, among other retail concepts. AllValue Stores are typically located near each other in the same shopping center and in particular, there is a Coffee Project near almost all of our existing AllHome stores. The Company believes that the diversified retail offerings provided by AllValue, together with other entertainment and lifestyle establishments offered by the Villar Group (such as Vista Cinemas and Market Liberty), create a retail ecosystem that addresses the various needs of the surrounding residential communities, thereby increasing customer traffic and enhancing the overall shopping experience. The Company also offers differentiated services to our customers including free interior design consultation, delivery and installation services, customizable furniture, customer lounges and gift registry services.

The Company has a track record of significant growth and profitability and has experienced and founder-led management team with extensive knowledge of homebuilding markets.

Strategies

- ***Further expand the store network across the Philippines***
- ***Continue to expand its offering of in-house brand products***
- ***Continue to invest in technology and supply chain solutions***
- ***Continue to enhance shopping experience to grow and retain customer base***

There is no guarantee, however that these strategies and measures would ultimately eliminate the risks of delays in the Company's expansion plans.

Item 2. Properties

The Company does not own any land and have no ongoing process for the acquisition of any property. The Company leases spaces for all of its retail stores primarily from its related parties.

The lease rates and terms for its properties follow standard market rates and practices for similar businesses. The lease rates are generally based on a percentage of gross sales or on an agreed minimum guaranteed rate (whichever is higher), which are subject to annual escalation rates in line with market standards. In addition, the rates are generally inclusive of common use service area fees, as may be agreed upon between parties. The term of the lease is for 10 years and renewable.

Item 3. Legal Proceedings

The Company is a party to certain case from the normal course of business. The Company and its legal counsel believe that any eventual liabilities under this case will not have a material effect on the financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2019 and 2018.

Currently, there's a pending court case filed against the Company but have no material effect on the financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the Annual Stockholders Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

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

Quarter	2020			2019		
	High	Low	Close	High	Low	Close
1 st	11.64	4.49	4.68			
2 nd						
3 rd						
4 th				11.66	11.30	11.64

The market capitalization of HOME as of December 31, 2019, based on the closing price of ₱11.64 per share, was approximately ₱43.65 billion.

As of March 31, 2020, HOME's market capitalization stood at ₱17.55 billion based on the ₱4.68 per share closing price.

Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
29 May 2020	5.50	5.30	5.36

Stockholders

There are approximately 34 holders of common equity security of the Company as of December 31, 2019 (based on the number of accounts registered with the Stock Transfer Agent).

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

	Stockholder's Name	Common Shares	Percentage
1	AllValue Holdings Corp.	2,540,108,000	67.74%
2	PCD Nominee Corporation (Filipino)	706,729,700	18.85%
3	PCD Nominee Corporation (Non-Filipino)	502,980,200	13.41%
4	Jharna P. Chandnani	150,000	0.00%
5	Rolando A. Aralar or Myrna I. Aralar or	45,000	0.00%
6	Myra P. Villanueva	25,000	0.00%
7	Jose Domingo Poblete Swann	20,000	0.00%

8	Milagros P. Villanueva	10,000	0.00%
9	Myrna P. Villanueva	10,000	0.00%
10	Mylene C. Arnigo	3,000	0.00%
11	Farida G. de Leon	3,000	0.00%
12	Rachel P. Nacion	3,000	0.00%
13	Carmela C. Vinzon	3,000	0.00%
14	Juan Carlos V. Cabreza	2,500	0.00%
15	Marietta V. Cabreza	2,500	0.00%
16	Liberty A. Panis	1,600	0.00%
17	Manuel Jorge L. Cristobal or Lorna T. Cristobal	1,000	0.00%
18	Gabrielle Claudia F. Herrera	1,000	0.00%
19	Nadezhda Iskra F. Herrera	1,000	0.00%
20	Manuel B. Villar, Jr.	100	0.00%
	TOTAL	3,749,999,600	
	Other Stockholders	402	0.00%
	Total issued and outstanding common shares as of December 31, 2019	3,750,000,002	100.00%

Dividends

On May 28, 2019, the Company declared regular cash dividend amounting to ₱25.57 million, payable to its shareholders of record at June 14, 2019, paid on June 28, 2019.

Recent Sale of Unregistered Securities

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

Stock Options

None.

Item 6. Management's Discussion and Analysis

REVIEW OF YEAR END 2019 VS YEAR END 2018

RESULTS OF OPERATIONS

Year Ended December 31, 2019 compared to year ended December 31, 2018

Revenues

The company recorded revenues of ₱12,060.3 million for the year ended 31 December 2019, an increase of 67.7% from ₱7,192.2 million for the year ended 31 December 2018. This was mainly brought about by the same store sales growth of existing 23 stores as of 31 December 2018 as well as the revenues generated from 22 additional stores launched since then until 31 December 2019.

The following tables show the key operating performance indicators relevant to the revenues for the period ended 31 December 2018 and 2019:

	As of and for the period ended 31 December		Percentage Change
	2019	2018	
Number of stores	45	23	95.6%
Net Selling Area (in sqms)	296,772	167,578	77.1%
Net Sales (₱ millions)	12,060	7,192	67.7%
SSSG	41.7%	18.9%	120.6%

Costs of Goods Sold

For the year ended 31 December 2019, cost of goods sold was at ₱8,452.2 million, an increase of 67.0% from the ₱5,061.9 million level for the same period in 2018 corresponding to the increase in sales in existing stores and the sales contributed by the 22 new stores added during the period.

Operating Expenses

Operating expenses increased by 32.3% to ₱2,069.7 million for the year ended 31 December 2019 from ₱1,564.9 million for the same period in 2018, primarily due to the following:

- Increase in depreciation and amortization from ₱178.7 million for the year ended 31 December 2018 to ₱708.4 million for the year ended 31 December 2019 primarily as a result of the adoption of PFRS 16 and due to the increase in the number of stores.
- Increase in salaries and wages from ₱165.4 million for the year ended 31 December 2018 to ₱273.2 million for the year ended 31 December 2019 due to the additional manpower for new stores, and increased headcount for Finance, Merchandising and IT personnel. There were also contracted personnel previously recorded under Outside Services that were converted into organic employees.
- Increase in communication and utilities from ₱193.8 million for the year ended 31 December 2018 to ₱220.3 million for the year ended 31 December 2019 attributable to the increase in the number of stores.
- Decrease in rentals from ₱450.1 million for the year ended 31 December 2018 to ₱181.1 million for the year ended 31 December 2019 primarily due to adoption of PFRS 16, net of increase due to new stores.

- Increase in merchant fees from ₱72.0 million for the year ended 31 December 2018 to ₱116.6 million for the year ended 31 December 2019 due to increase in revenues.
- Increase in taxes and licenses from ₱50.6 million for the year ended 31 December 2018 to ₱76.6 million for the year ended 31 December 2019 due to increase in number of stores as well as the increase in revenues.
- Increase in commission expense from ₱4.6 million for the year ended 31 December 2018 to ₱5.9 million for the year ended 31 December 2019 due to increase in corporate sales.
- Increase in transportation expense from ₱25.3 million for the year ended 31 December 2018 to ₱35.4 million for the year ended 31 December 2019 due to increase in delivery expenses on account of new stores.
- Increase in advertising and promotions from ₱48.9 million for the year ended 31 December 2018 to ₱67.0 million for the year ended 31 December 2019 on account of marketing campaigns for the new stores.
- Increase in professional fees from ₱4.1 million for the year ended 31 December 2018 to ₱12.2 million for the year ended 31 December 2019 on account of audit and market research fees incurred in relation to the company's initial public offering.
- Increase in office and store supplies from ₱25.4 million for the year ended 31 December 2018 to ₱32.8 million for the year ended 31 December 2019 due to increase in number of stores and increased revenues.
- Decrease in dues and subscription from ₱33.5 million for the year ended 31 December 2018 to ₱17.5 million for the year ended 31 December 2019 due to one-time IT systems payment made in 2018.
- Increase in repairs and maintenance from ₱24.9 million for the year ended 31 December 2018 to ₱27.3 million for the year ended 31 December 2019 due to the increase in the number of stores.
- Increase in representation and entertainment from ₱7.9 million for the year ended 31 December 2018 to ₱10.9 million for the year ended 31 December 2019 partially due to one-time post-initial public offering activities, year-end suppliers and employee thanksgiving parties.

Finance Cost

Finance Cost increased from ₱46.4 million for the year ended 31 December 2018 to ₱412.1 million for the year ended 31 December 2019. The increase was primarily attributable to the adoption of PFRS 16, the availment of short-term and long-term interest-bearing debt of the Company for the year to finance store expansion, and recognition of retirement benefit obligation.

Other Income

Other income increased by 69.3% from ₱209.6 million for the year ended 31 December 2018 to ₱352.3 million for the year ended 31 December 2019, primarily due to the increase in vendor's support and marketing fees from ₱171.8 million for the year ended 31 December 2018 to ₱281.1 million for the year ended 31 December 2019. This was brought about by higher volume-based incentives from suppliers based on our levels of sales, and opening support for newly opened stores.

Provision for Income Tax

Provision for income tax increased by 105.3% from ₱218.9 million for the year ended 31 December 2018 to ₱449.5 million for the year ended 31 December 2019 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 105.3% from ₱511.4 million for the year ended 31 December 2018 to ₱1,049.8 million for the year ended 31 December 2019.

For the 12-month of 2019, there was no seasonal aspect that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

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

FINANCIAL CONDITION

As of 31 December 2019 vs. 31 December 2018

Total assets as of 31 December 2019 were ₱19,685.1 million compared to ₱8,215.4 million as of 31 December 2018, or a 139.6% increase due to the following:

- Cash increased by 684.9% from ₱298.5 million as of 31 December 2018 to ₱2,343.0 million as of 31 December 2019 primarily due to proceeds from IPO intended earmarked for 2020 stores.
- Trade and other receivables decreased by 76.9% from ₱1,196.4 million as of 31 December 2018 to ₱276.7 million as of 31 December 2019 due mainly to collections made during the period.
- Inventories increased by 93.6% from ₱2,699.4 million as of 31 December 2018 to ₱5,208.9 million as of 31 December 2019 due primarily to the purchases for new stores.
- Due from related parties decreased from ₱133.9 million as of 31 December 2018 to nil as of 31 December 2019 due to settlement during the period.
- Property and equipment increased by 275.5% from ₱2,969.5 million as of 31 December 2018 to ₱11,151.0 million as of 31 December 2019 due primarily to acquisition of store equipment, furniture, fixture, office equipment and leasehold improvements for new stores as well as the recognition of the right of use asset in relation to the adoption of PFRS 16.
- Other assets decreased by 33.5% from ₱1,060.2 million as of 31 December 2018 to ₱705.5 million as of 31 December 2019 due primarily to the advances for purchases applied against deliveries.

Total liabilities as of 31 December 2019 were ₱7,270.2 million compared to ₱5,536.8 million as of 31 December 2018, or a 31.3% increase. This was due to the following:

- Trade and other payables increased by 432.7% to ₱2,023.7 million as of 31 December 2019 from ₱379.9 million as of 31 December 2018 due to increase in trade payables pertaining to purchases of inventories and new stores fit-out construction.
- Loans payable including non-current portion decreased by 100% from ₱4,315.4 million as of 31 December 2018 to nil as of 31 December 2019 due to loan settlements made from proceeds of initial public offering.
- Lease liability including non-current portion increased from nil as of 31 December 2018 to ₱4,942.2 million as of 31 December 2019 due to recognition of lease liability in relation to the adoption of PFRS 16.
- Due to related parties decreased to nil as of 31 December 2019 from ₱627.3 million as of 31 December 2018 due to conversion to equity in July 2019.
- Deferred tax liabilities increased by 9.8% from ₱146.0 million as of December 31, 2018 to ₱160.3 million as of 31 December 2019 due to the adjustments to temporary tax differences for the period.

- Retirement benefit obligation increased from nil as of 31 December 2018 to ₱73.3 million as of 31 December 2019 due to set-up of provision for the retirement benefit.

Total stockholder's equity increased by 363.5% from ₱2,678.6 million as of 31 December 2018 to ₱12,414.9 million as of 31 December 2019 due to the conversion of advances from parent, additional paid-in capital recognized from IPO, and net income recorded for the period.

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

Key Performance Indicators	12/31/2019	12/31/2018
Revenues (₱ millions)	₱12,060.3	₱7,192.2
Gross Profit (₱ millions)	3,608.1	2,130.3
Gross Profit Margin (%) ^(a)	29.9%	29.6%
Net Profit (₱ millions)	1,049.7	511.4
Net Profit Margin (%) ^(b)	8.7%	7.1%

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 year ended 31 December 2019 compared to year ended 31 December 2018 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 year ended 31 December 2019 compared to year ended 31 December 2018 due to economies of scale achieved as a result of higher purchases made during the period.

Net Profit and Net Profit Margin increased for the year ended 31 December 2019 compared to period year ended 31 December 2018 due to improved revenues, gross profit, and other income.

Material Changes to the Company's Balance Sheet as of 31 December 2019 compared to 31 December 2018 (increase/decrease of 5% or more)

Cash increased by 684.9% from ₱298.5 million as of 31 December 2018 to ₱2,343.0 million as of 31 December 2019 primarily due to proceeds from IPO intended earmarked for 2020 stores.

Trade and other receivables decreased by 76.9% from ₱1,196.4 million as of 31 December 2018 to ₱276.7 million as of 31 December 2019 due mainly to collections made during the period.

Inventories increased by 93.6% from ₱2,699.4 million as of 31 December 2018 to ₱5,208.9 million as of 31 December 2019 due primarily to the purchases for new stores.

Due from related parties decreased from ₱133.9 million as of 31 December 2018 to nil as of 31 December 2019 due to settlement during the period.

Property and equipment increased by 275.5% from ₱2,969.5 million as of 31 December 2018 to ₱11,151.0 million as of 31 December 2019 due primarily to acquisition of store equipment, furniture, fixture, office equipment and leasehold improvements for new stores as well as the recognition of the right of use asset in relation to the adoption of PFRS 16.

Other assets decreased by 33.5% from ₱1,060.2 million as of 31 December 2018 to ₱705.5 million as of 31 December 2019 due primarily to the advances for purchases applied against deliveries.

Trade and other payables increased by 432.7% to ₱2,023.7 million as of 31 December 2019 from ₱379.9 million as of 31 December 2018 due to increase in trade payables pertaining to purchases of inventories and new stores fit-out construction.

Loans payable including non-current portion decreased by 100% from ₱4,315.4 million as of 31 December 2018 to nil as of 31 December 2019 due to loan settlements made from proceeds of initial public offering.

Lease liability including non-current portion increased from nil as of 31 December 2018 to ₱4,942.2 million as of 31 December 2019 due to recognition of lease liability in relation to the adoption of PFRS 16.

Due to related parties decreased to nil as of 31 December 2019 from ₱627.3 million as of 31 December 2018 due to conversion to equity in July 2019.

Deferred tax liabilities increased by 9.8% from ₱146.0 million as of December 31, 2018 to ₱160.3 million as of 31 December 2019 due to the adjustments to temporary tax differences for the period.

Retirement benefit obligation increased from nil as of 31 December 2018 to ₱73.3 million as of 31 December 2019 due to set-up of provision for the retirement benefit.

Material Changes to the Company's Statement of income for the 12-month of 2019 compared to the 12-month of 2018 (increase/decrease of 5% or more)

Revenues increased by 67.7% to ₱12,060.3 million for the year ended 31 December 2019 from ₱7,192.2 million for the year ended 31 December 2018. This was mainly brought about by the same store sales growth of existing 23 stores as of 31 December 2018 as well as the revenues generated from 22 additional stores launched since then until 31 December 2019

Cost of goods sold increased by 67.0% to ₱8,452.2 million for the year ended 31 December 2019 from the ₱5,061.9 million level for the same period in 2018, corresponding to the increase in sales in existing stores and the sales contributed by the new stores added during the period.

Finance Cost increased from ₱46.4 million for the year ended 31 December 2018 to ₱412.1 million for the year ended 31 December 2019. The increase was primarily attributable to the adoption of PFRS 16, the availment of short-term and long-term interest-bearing debt of the Company for the year to finance store expansion, and recognition of retirement benefit obligation.

Other income increased by 69.3% from ₱209.6 million for the year ended 31 December 2018 to ₱352.3 million for the year ended 31 December 2019. This was brought about by higher volume-based incentives from suppliers based on our levels of sales, and opening support for newly opened stores.

Provision for income tax increased by 105.3% from ₱218.9 million for the year ended 31 December 2018 to ₱449.5 million for the year ended 31 December 2019 primarily due to a higher taxable base for the year.

As a result of the foregoing, our net income increased by 105.3% from ₱511.4 million for the year ended 31 December 2018 to ₱1,049.8 million for the year ended 31 December 2019.

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. Further, there is no material event and uncertainty known to management that would impact or change reported financial information and condition on the Company.

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2019 and as of 31 December 2018.

REVIEW OF YEAR END 2018 VS YEAR END 2017

RESULTS OF OPERATIONS

Year Ended December 31, 2018 compared to year ended December 31, 2017

Revenues

The following table sets out certain key operating performance indicators relevant to revenues for the years ended December 31, 2017 and 2018 and the percentage change in these key operating performance indicators between the two periods.

	As of and for the years ended December 31		Percentage Change
	<u>2018</u>	<u>2017</u>	
No. of stores.....	23	18	27.8%
Revenues (P millions).....	7,192.2	4,896.3	46.9%

Our revenues increased by 46.9% from P4,896.3 million for the year ended December 31, 2017 to P7,192.2 million (U.S.\$140.3 million) for the year ended December 31, 2018. This increase was primarily due to the opening of five new stores, and an increase in revenue of existing stores and in corporate sales.

Cost of Goods Sold

For the year ended December 31, 2018, our cost of goods sold was P5,061.9 million (U.S.\$98.8 million), an increase of 41.7% compared to P3,571.8 million for the year ended December 31, 2017, largely driven by the increase in sales in existing stores and incremental sales from the five new stores added during the year. Cost of goods sold increased at a lower rate than the increase in revenues because we were able to leverage on bulk discounts from larger volumes of purchases from our suppliers.

Other Operating Expenses

Other operating expenses increased by 30.7% from P1,197.7 million for the year ended December 31, 2017 to P1,564.8 million (U.S.\$30.2 million) for the year ended December 31, 2018 primarily due to the following:

- Increase in rent from P400.2 million for the year ended December 31, 2017 to P450.1 million (U.S.\$8.8 million) for the year ended December 31, 2018 due to the increase in the number of stores, warehouse and higher rent for stores that are percentage-based rents.
- Increase in merchant fees from P24.7 million for the year ended December 31, 2017 to P72.0 million (U.S.\$1.4 million) for the year ended December 31, 2018 due to the higher credit card sales.
- Increase in outside services from P202.1 million for the year ended December 31, 2017 to P239.4 million (U.S.\$4.7 million) for the year ended December 31, 2018 due primarily to the increase in stores and warehouse.

Loss on Write-Off of Receivables

Loss on write-off of receivables increased by 24.5% from P15.6 million for the year ended December 31, 2017 to P19.4 million (U.S.\$0.4 million) for the year ended December 31, 2018. In 2018, the Company assessed its receivables for Expected Credit Loss and were reviewed for indications of impairment in 2017. Although these were written off in the books, the Company is still trying to collect such receivables. Receivables written off only accounted for 2.6% and 1.8% of receivables for 2017 and 2018, respectively.

Finance Cost

Finance Cost increased by 61.5% from ₱28.7 million for the year ended December 31, 2017 to ₱46.4 million (U.S.\$0.9 million) for the year ended December 31, 2018. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income increased by 148.2% from ₱0.7 million for the year ended December 31, 2017 to ₱1.6 million (U.S.\$0.03 million) for the year ended December 31, 2018. The increase was primarily attributable to the increase in interest income from bank deposits and short-term placements of the Company for the year and the interest from trade receivables.

Other Income

Other income increased by 237.7% from ₱62.1 million for the year ended December 31, 2017 to ₱209.6 million (U.S.\$4.1 million) for the year ended December 31, 2018. The increase was primarily attributable to the following:

- 381.9% increase in vendor's support and marketing fees to ₱171.8 million (U.S.\$3.4 million) for the year ended December 31, 2018 from ₱35.7 million for the year ended December 31, 2017. This is due to the higher volume-based incentives from suppliers and opening support and marketing for newly-opened stores; and
- the increase in delivery fees of 185.8% to ₱31.2 million (U.S.\$0.6 million) for the year ended December 31, 2018 from ₱10.9 million for the year ended December 31, 2017, driven by the increase in the overall volume of deliveries for the year.

Provision for Income Tax

Provision for income tax increased by 354.6% from ₱48.2 million for the year ended December 31, 2017 to ₱218.9 million (U.S.\$4.3 million) for the year ended December 31, 2018 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 354.2% to ₱511.4 million (U.S.\$10.0 million) for the year ended December 31, 2018 from ₱112.6 million for the year ended December 31, 2017.

FINANCIAL CONDITION

As of December 31, 2018 vs. December 31, 2017

Total assets as of December 31, 2018 were ₱8,215.4 million compared to ₱5,180.3 million as of December 31, 2017, or a 58.6% increase. This was due to the following:

- Cash and cash equivalents decreased by 25.3% from ₱399.8 million as of December 31, 2017 to ₱298.5 million as of December 31, 2018 primarily due to the higher cash outflow for the year used for new stores and inventory buildup of existing stores.
- Trade and other receivables increased by 102.3% from ₱591.3 million as of December 31, 2017 to ₱1,196.4 million as of December 31, 2018 due mainly to the increase in receivables from various customers from the current year sale and increase in other non-trade receivables.
- Inventories increased by 80.1% from ₱1,494.3 million as of December 31, 2017 to ₱2,690.9 million as of December 31, 2018 due primarily to inventory purchases mostly for newly added stores as well as inventory buildup for the existing stores.

- Due from related parties increased by 6.4% from ₱125.9 million as of December 31, 2017 to ₱133.9 million as of December 31, 2018 due to the additional advances granted to the Company's affiliates during the year.
- Property and equipment increased by 54.5% from ₱1,921.8 million as of December 31, 2017 to ₱2,969.5 million as of December 31, 2018 due primarily to acquisitions of store equipment, furniture, fixture and office equipment as well as increase in leasehold improvements.
- Other assets including current portion thereof increased by 43.1% from ₱647.2 million as of December 31, 2017 to ₱926.3 million as of December 31, 2018 due primarily to the increase in advances for purchases. Advances for purchases pertains to mobilization of funds made to various third party suppliers including service providers for inventory purchases.

Total liabilities as of December 31, 2018 were ₱5,536.8 million compared to ₱3,673.1 million as of December 31, 2017, or a 50.7% increase. This was due to the following:

- Trade and other payables decreased by 21.2% to ₱379.9 million as of December 31, 2018 from ₱482.4 million as of December 31, 2017 due to payments during the year.
- Loans payable including non-current portion increased by 48.8% from ₱2,900.0 million as of December 31, 2017 to ₱4,315.4 million as of December 31, 2018 due to loan availments for the year to fund our expansion program.
- Due to related parties increased by 161.9% from ₱239.6 million as of December 31, 2017 to ₱627.4 million as of December 31, 2018 due to the Company's increased advances from its parent company for capital expenditure purposes.
- Income tax payable increased by 272.7% from ₱18.3 million as of December 31, 2017 to ₱68.2 million as of December 31, 2018 due primarily to a higher current taxable income for the year.
- Deferred tax liabilities increased by 345.1% from ₱32.8 million as of December 31, 2017 to ₱146.0 million as of December 31, 2018 due to the additional temporary tax differences recognized for the year that will result to future tax liabilities.

Total stockholder's equity increased by 77.7% from ₱1,507.2 million as of December 31, 2017 to ₱2,678.6 million as of December 31, 2018 due to the issuance of additional shares for the year and the net income recorded for the year ended December 31, 2018.

REVIEW OF YEAR END 2017 VS YEAR END 2016

RESULTS OF OPERATIONS

Year Ended December 31, 2017 compared to year ended December 31, 2016

Revenues

The following table sets out certain key operating performance indicators relevant to revenues for the years ended December 31, 2016 and 2017 and the percentage change in these key operating performance indicators between the two periods.

	<u>As of and for the years ended December 31</u>		<u>Percentage Change</u>
	<u>2017</u>	<u>2016</u>	
No. of stores.....	18	15	20.0%
Revenues (₱ millions).....	4,896.3	3,430.6	46.9%

Our revenues increased by 42.7% from ₱3,430.6 million for the year ended December 31, 2016 to ₱4,896.3 million for the year ended December 31, 2017. This increase was primarily due to the opening of three new stores, and an increase in revenue of existing stores and in corporate sales.

Cost of Goods Sold

For the year ended December 31, 2017, our cost of goods sold was ₱3,571.8 million, an increase of 42.7% compared to ₱2,502.6 million for the year ended December 31, 2016, which is in line with the increase of our revenues, primarily driven by the increase in sales in existing stores and incremental sales from the three new stores added during the year.

Other Operating Expenses

Other operating expenses increased by 37.2% from ₱861.4 million for the year ended December 31, 2016 to ₱1,182.1 million for the year ended December 31, 2017 primarily due to the following:

- Increase in rent from ₱281.7 million for the year ended December 31, 2016 to ₱400.2 million for the year ended December 31, 2017 due to the increase in the number of stores and higher rent for stores that are percentage-based rents.
- Increase in outside services from ₱123.9 million for the year ended December 31, 2016 to ₱202.1 million for the year ended December 31, 2017 due primarily to the increase in stores and warehouse.
- Increase in salaries and wages from ₱97.8 million for the year ended December 31, 2016 to ₱140.5 million for the year ended December 31, 2017 due primarily to the personnel for additional stores and increase in central head count to support expansion program.

Loss on Write-Off of Receivables

Loss on write-off of receivables increased by 166.9% from ₱5.8 million for the year ended December 31, 2016 to ₱15.6 million for the year ended December 31, 2017. In 2017, the Company assessed its receivables for Expected Credit Loss and were reviewed for indications of impairment in 2016. Although, these were written off in the books, the Company is still trying to collect such receivables. Receivables written off only accounted for 1.3% and 2.6% of receivables for 2016 and 2017, respectively.

Finance Cost

Finance Cost increased by 31.1% from ₱21.9 million for the year ended December 31, 2016 to ₱28.7 million for the year ended December 31, 2017. The increase was primarily attributable to the increase in the interest bearing debt of the Company for the year to finance store expansion.

Finance Income

Finance income decreased by 59.9% from ₱1.7 million for the year ended December 31, 2016 to ₱0.7 million for the year ended December 31, 2017. The decrease was primarily attributable to the lower average cash balance during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Other Income

Other income increased by 144.3% from ₱25.4 million for the year ended December 31, 2016 to ₱62.1 million for the year ended December 31, 2017. The increase was primarily attributable to an increase in vendor's support and marketing fees brought about by the increase in sales, as well as delivery fees earned from higher volume of deliveries during the year.

Provision for Income Tax

Provision for income tax increased by 148.8% from ₱19.4 million for the year ended December 31, 2016 to ₱48.2 million for the year ended December 31, 2017 primarily due to a higher taxable base for the year.

Net Profit

As a result of the foregoing, our net income increased by 141.8% to ₱112.6 million for the year ended December 31, 2017 from ₱46.6 million for the year ended December 31, 2016.

FINANCIAL CONDITION

As of December 31, 2017 vs. December 31, 2016

Total assets as of December 31, 2017 were ₱5,180.3 million compared to ₱3,665.0 million as of December 31, 2016, or a 41.3% increase. This was due to the following:

- Cash and cash equivalents decreased by 16.0% from ₱475.8 million as of December 31, 2016 to ₱399.8 million as of December 31, 2017 primarily due to the higher cash outflow for the year used for new stores and inventory buildup of existing stores.
- Trade and other receivables increased by 25.9% from ₱469.7 million as of December 31, 2016 to ₱591.3 million as of December 31, 2017 due primarily to the increase in trade receivables from related parties.
- Inventories increased by 37.4% from ₱1,087.4 million as of December 31, 2016 to ₱1,494.3 million as of December 31, 2017 due primarily to the inventory purchases mostly for newly added stores as well as inventory buildup for the existing stores.
- Property and equipment increased by 64.8% from ₱1,165.9 million as of December 31, 2016 to ₱1,921.8 million as of December 31, 2017 due primarily to the acquisitions of store equipment, furniture, fixture and office equipment and transportation equipment as well as increase in leasehold improvements and construction-in-progress.
- Other assets including current portion thereof increased by 90.2% from ₱340.3 million as of December 31, 2016 to ₱647.2 million as of December 31, 2017 due primarily to the increase in advances for purchases. Advances for purchases pertains to mobilization of funds made to various third party suppliers including service providers for inventory purchases.

Total liabilities as of December 31, 2017 were ₱3,673.1 million compared to ₱2,270.4 million as of December 31, 2016, or a 61.8% increase. This was due to the following:

- Trade and other payables decreased by 31.3% to ₱482.4 million as of December 31, 2017 from ₱702.3 million as of December 31, 2016 due primarily to payments for the year.
- Loans payable including non-current portion increased by 100% from ₱1,450.0 million as of December 31, 2016 to ₱2,900.0 million as of December 31, 2017 due to loan availments for the year.
- Due to related parties increased by 122.3% from ₱107.8 million as of December 31, 2016 to ₱239.6 million as of December 31, 2017 due to the Company's increased in advances from its related parties.
- Income tax payable increased by 1,073.8% from ₱1.6 million as of December 31, 2016 to ₱18.3 million as of December 31, 2017 due primarily to a higher current taxable income for the year.
- Deferred tax liabilities increased by 270.9% from ₱8.8 million as of December 31, 2016 to ₱32.8 million as of December 31, 2017 due to the additional temporary tax difference recognized for the year that would potentially result to a tax liability in the future.

Total stockholder's equity increased by 8.1% from ₱1,394.6 million as of December 31, 2016 to ₱1,507.2 million as of December 31, 2017 due to the net income recorded for the year ended December 31, 2017.

Item 7. Financial Statements

The Financial Statements of the Company as of and for the year ended December 31, 2019 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountant

Punongbayan & Araullo (Grant Thornton) independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2017, 2018 and 2019, included in this report. Nelson Dinio is the current audit partner for the Company.

External Audit Fees and Services

External Audit Fees

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

	<u>2019</u>	<u>2018</u>
	<i>(in ₱ thousands with VAT)</i>	
Audit and Audit-Related Fees.....	1,500.0	715.0

Punongbayan & Araullo do not have any direct or indirect interest in the Company.

Tax Fees

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities.

All Other Fees

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption "External Audit Fees".

Audit Committee's Approval Policies and Procedure for the Services of the External Auditor

The scope, extent and nature of the services to be referred to, and/or to be rendered by, the appointed External Auditor of the Company has to be unanimously approved by the Audit Committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The table below sets forth the members of the Company's Board and Executive Officers as of December 31, 2019.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>CITIZENSHIP</u>
Manuel B. Villar Jr.	70	Chairman	Filipino
Camille A. Villar	34	Vice Chairman	Filipino
Benjamarie Therese N. Serrano	57	Director, President & Chief Executive Officer	Filipino
Frances Rosalie T. Coloma	57	Director & Chief Financial Officer	Filipino
Manuel Paolo A. Villar	43	Director	Filipino
Laura Suarez A. Acuzar	70	Independent Director	Filipino
Jessie D. Cabaluna	62	Independent Director	Filipino
Mary Lee S. Sadiasa	50	Chief Operating Officer	Filipino
Maria Cristina O. Barao	39	Compliance Officer & Controller	Filipino
Jo Marie Lazaro-Lim	41	Corporate Secretary	Filipino
Robirose M. Abbot	47	Investor Relations Head	Filipino

** Business Experience of the named directors and officers covers the past five (5) years.*

Manuel B. Villar, Jr. *Chairman of the Board.* Mr. Villar, 70, was Senator of the Philippines from 2001 to June 2013. He served as Senate President from 2006 to 2008. He also served as a Congressman from 1992 to 2001 and as Speaker of the House of Representatives from 1998 to 2000. A Certified Public Accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. He founded Camella Homes in the early 1970s and successfully managed said company over the years, to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar is also Chairman of the Board of Vista Land and Lifescapes, Inc., Starmalls, Inc., and Golden Bria Holdings, Inc.

Benjamarie Therese N. Serrano. *President and Chief Executive Officer,* 57, graduated from the University of the Philippines with a degree in Economics and from the Asian Institute of Management, with a Master's degree in Business Management. She is also the President of the other subsidiaries of AllValue. Ms. Serrano was the President of Vistamalls, Inc. (formerly named as Starmalls, Inc.) from 2017 to 2019.

Frances Rosalie T. Coloma. *Director, Chief Financial Officer.* Ms. Coloma, 57, graduated cum laude from the University of the Philippines with a degree of Bachelor of Science in Business Administration and Accountancy. She is a Certified Public Accountant. She is a Director of Vista Land and Lifescapes, Inc., and Golden Bria Holdings, Inc., Ms. Coloma was the Chief Financial Officer and Chief Information Officer of Golden Bria Holdings, Inc. from 2016 to 2019. She was also the Chief Financial Officer of Vistamalls, Inc. (formerly named as Starmalls, Inc.) from 2012 to 2016.

Manuel Paolo A. Villar. *Director,* Mr. Villar, 43, graduated from the Wharton School of the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and Bachelor of Applied

Science in 1999. He was a consultant for McKinsey & Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning. He is the President and CEO of Vista Land & Lifescapes, Inc. since 2011 and President of Vistamalls, Inc. (formerly named as Starmalls, Inc.). He is also the CEO and Chairman of St. Augustine Gold and Copper Limited from October 2012 and Chairman of TVI Resources Development Philippines, Inc. Mr. Villar is the majority shareholder of Prime Asset Ventures, Inc.

Camille A. Villar. *Director.* Ms. Villar, 34, graduated from Ateneo de Manila University with a degree in Bachelor of Science in Management. She obtained a Master's Degree in Business Administration from the Instituto de Estudios Superiores de la Eprese (IESE) Business School, Barcelona, Spain. She is the President and CEO of AllValue. She is also a Director of Vista Land & Lifescapes, Inc., Vistamalls, Inc. (formerly named as Starmalls, Inc.), and Golden Bria Holdings, Inc. She was President of AllHome until May 2019, Brittany Corporation from 2010 to 2013 and the Head of Corporate Communications for Vista Land from 2008 to 2010.

Laura Suarez Acuzar. *Independent Director.* Ms. Acuzar, 70, completed her Bachelor of Science in Commerce – Accountancy degree in the University of Santo Tomas, and Management Development Program in the Asian Institute of Management in 1981. In 1993, she finished the Advanced Management Program of Harvard Business School in Boston, USA. She was previously an Audit & Business Advisory Partner of SGV & Co., an Independent Director & Audit Committee Chairperson of Loyola Plans Consolidated Inc., and an Audit Committee Member of UST Hospital, Inc. Ms. Acuzar was also a Board and Audit Committee Member of Kerrisdale Community Center Society in Vancouver, BC, a Board Member and President of the UST Alumni Association, a Board Member of the Urban Inc. Productions Society, Vancouver BC, and a Charter Member and Incorporator of the Corporate Institute of the Philippines.

Jessie D. Cabaluna. *Independent Director.* Ms. Cabaluna, 62, graduated with a degree in Bachelor of Science in Commerce, major in Accounting from University of St. La Salle in 1977. She also completed the Management Development Program from the Asian Institute of Management in 1988, and Advance Management Program from the Harvard Business School in 2012. Ms. Cabaluna also completed Finance for Corporate Directors Program in 2017. She was previously a Partner at SGV & Co. from 1997 to 2017.

Mary Lee S. Sadiasa. *Chief Operating Officer.* Ms. Sadiasa, 50, graduated from the De La Salle University, Manila, with a Bachelor of Science in Applied Math with a minor in Operations Research. She was the Division Head of Brittany Corporation from 2005 to 2011, Managing Director of Crown Asia Properties Inc. from 2012 to 2014, and Managing Director of Camella Homes – North Luzon from 2015 to 2017.

Maria Cristina O. Barao. *Compliance Officer and Controller.* Ms. Barao, 39, graduated from the Pamantasan ng Lungsod ng Maynila in 2011 with a Bachelor of Science in Accountancy. She was previously the Senior Accountant and Chief Accountant of Camella Homes, Crown Asia Properties Inc., and Brittany Corporation from 2009 to 2018.

Jo Marie Lazaro-Lim. *Corporate Secretary.* Ms. Lazaro-Lim, 41, graduated from the University of Sto. Tomas with a degree in Bachelor of Arts in Legal Management and she earned her law degree from San Beda College of Law. She is the Compliance Officer and Assistant Corporate Secretary of Starmalls, Inc. and Assistant Corporate Secretary of Golden Bria Holdings, Inc. She is also the Corporate Secretary of Manuela Corporation and Masterpiece Asia Properties, Inc. as well as other affiliate companies of the group.

Robirose M. Abbot. *Investor Relations Head.* Ms. Abbot, 47, graduated from Silliman University in 1992 with a degree in Business Administration – Accounting, and completed her Masters in Business Administration from Ateneo de Manila University in 2003 earning a Gold Medal (*summa cum laude*). She is a Certified Public Accountant. She was previously the General Manager – Business Resource Unit of Earth + Style Corporation from 2010 to 2011. She was also the Chief Finance Officer of Philippine Realty & Holdings Corp. from 2011 to 2014, Ubix Corporation from 2014 to 2015, and in Raemulan Lands, Inc. from 2015 to 2019.

Resignation of Directors

No director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's policies, practices and operations.

Family relationships

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar and Camille A. Villar. There are no other family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Directors and Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

- (a) None of them has been involved in any bankruptcy petition.
- (b) None of them has been convicted by final judgment in a criminal proceeding or being subject to any pending criminal proceeding, both domestic and foreign.
- (c) None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (both domestic and foreign) permanently or temporarily enjoining, barring, suspending or likewise limiting their involvement in any type of business, securities, commodities or banking activities.
- (d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), by the Commission or comparable body, or by a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Names	Position	Year	Salary and Bonus
Aggregate executive compensation for the following key management officers: Benjamarie Therese N. Serrano Frances Rosalie T. Coloma Mary Lee S. Sadiasa Robirose M. Abbot Maria Cristina O. Barao	President		
	CFO		
	COO		
	Investor Relations	Actual 2018	N/A
	Head	Actual 2019	₱ 23.2 M
	Compliance Officer/Controller	Projected 2020	₱ 23.2 M
Aggregate executive compensation for all other officers and directors, unnamed		Actual 2018	₱ 33.4 M
		Actual 2019	₱ 41.1 M
		Projected 2020	₱ 41.1 M

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem of P15,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director during 2018 and 2019.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company, during 2018 and 2019 for any service provided as a director.

Employment Contracts Between the Company and Senior Management Officers

The Company has not entered into any contract or arrangement for payment of compensation other than what has been included above.

Warrants and options held by the executive officers and directors

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

Significant employee

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2019:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership¹
Common Shares	AllValue Holdings Corp. LGF Bldg B, Evia Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,540,108,000	67.74%
Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Filipino	706,729,700	18.85%

Common Shares	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6776 Ayala Ave. cor. Paseo de Roxas, Makati City Shareholder	Record Owner is not the beneficial Owner	Non-Filipino	502,980,200	13.41%
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¹Based on the total issued and outstanding common shares of 3,750,000,002 as of December 31, 2019

Security Ownership of Management

Security ownership of certain management as of December 31, 2019:

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

Voting Trust Holders of 5.0% or More

As of December 31, 2019, there is no party holding any voting trust for 5% or more of total shares outstanding.

Changes In Control

As of December 31, 2019, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

No transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of its immediate family was involved or had a direct or indirect material interest.

No single Director or Executive Officer, nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

Please refer to Notes on Related Party Transactions of the Notes to Financial Statements of the 2019 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

To be disclosed separately.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Financial Statements of the Company as of and for the year ended December 31, 2019.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by AllHome Corp. during the year 2019 through official disclosure letters dated:

October 14, 2019

Stabilization Report- Week 1

October 16, 2019

Clarification on News Publication published on October 10, 2019

October 21, 2019

Stabilization Report- Week 2

October 28, 2019

Stabilization Report- Week 3

November 04, 2019

Stabilization Report- Week 4

November 11, 2019

Stabilization Report- Week 5

November 12, 2019

Stabilization Activity Report

November 14, 2019

BOD Meeting Resolution 11/14/2019

November 15, 2019

Press Release 11/15/2019

ALLHOME CORP.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES **Form 17-A, Item 7**

Financial Statements

Statement of Management's Responsibility for Financial Statements
Report of Independent Public Accountant
Statement of Financial Position as of December 31, 2019 and 2018
Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017
Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017
Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
Notes to Financial Statements

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules

I. Supplementary Schedules required by Annex 68-E

SIGNATURES

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

MANDALUYONG CITY on MAY 27 2020

By:


BENJAMARIE THERESE N. SERRANO
President


JO MARIE LAZARO-LIM
Corporate Secretary


FRANCES ROSALIE T. COLOMA
Treasurer


MARIA CRISTINA O. BARAO
Compliance Officer and Controller

SUBSCRIBED AND SWORN to before me this MAY 27 2020 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date & Place of Issue</u>
Benjamarie Therese N. Serrano	EC5357726	16Sep2015 / DFA Manila
Frances Rosalie T. Coloma	P2601723A	05Apr2017/ DFA Manila
Jo Marie Lazaro-Lim	EC7557128	27Apr 2016 / DFA NCR East
Maria Cristina O. Barao	EC6838669	23Feb 2016 / DFA Manila

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Series of 2020.


ATTY. ARBIN OMAR P. CARIÑO
NOTARY PUBLIC

UNTIL DECEMBER 31, 2020

ROLL No. 57146

IBP Lifetime Member No. 018537

PTR No. 4334284 / 06 Jan. 2020 / Mandaluyong City

MCLE Compliance No. VI-0025341 issued dated 11 April 2019

Notarial Commission Appointment No. 0388-19

Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City



STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS


The management of **AllHome Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

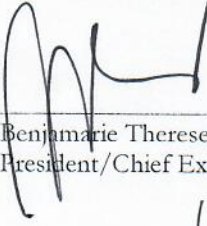
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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


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

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

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



Manuel B. Villar, Jr.
Chairman of the Board

Benjamie Therese N. Serrano
President/Chief Executive Officer

Frances Rosalie T. Coloma
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN, to before me this MAY 27 2020 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date and Place of Issue</u>
Manuel B. Villar Jr	PP#P2529752B	07.12.2019-DFA Manila
Benjamarie Therese N. Serrano	PP#EC5357726	09.16.2015-DFA Manila
Frances Rosalie T. Coloma	PP#P2601723A	04.05.2017-DFA Manila

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

Doc No. 217
Page No. 45
Book No. V
Series of 2020.

ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
ROLL No. 53511
IBP Lifetime Member No. 018538
PTR No. 4384283 / 06 Jan. 2020 / Mandaluyong City
MCLE Compliance No. VI-0026080 issued dated 23 May 2019
Notarial Commission Appointment No. 0314-19
Vista Corporate Center, Upper Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

Report of Independent Auditors

The Board of Directors

AllHome Corp.

(A Subsidiary of AllValue Holdings Corp.)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AllHome Corp. (the Company), which comprise the statements of financial position as of December 31, 2019 and 2018, and statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd (GTIL).

grantthornton.com.ph

Emphasis of Matter

We draw attention to Note 25 in the notes to financial statements, which describes the management's assessment of the impact on the Company's financial statements of the business disruption brought about by the corona virus outbreak and the consequent events after the current reporting period. Our opinion is not modified in respect to these matter.

Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess the Company's business performance. Revenue is recognized when the control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged delivery of goods. Revenue from sale of merchandise is generated through direct sales to customers. For the year ended December 31, 2019, total revenues amounted to P12,060.3 million.

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

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

How the Matter was Addressed in the Audit

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

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

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

(b) Existence and Valuation of Inventories

Description of the Matter

The Company's total inventories amounting to P5,208.9 million as of December 31, 2019 represents 26% of total assets of the Company. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Management uses estimates in assessing whether inventories are valued at the lower of cost and net realizable value. Moreover, the Company's inventories are considered voluminous and majority of these are kept in the Company's stores and warehouses. Relative to these, we determined that existence and valuation of inventories are key audit matters.

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

How the Matter was Addressed in the Audit

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

On inventory existence:

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

On inventory valuation:

- determining the method of inventory costing and evaluating appropriateness and consistency of application of the valuation of inventories at lower of cost and net realizable value;
- performing test on inventory costing of selected inventory items by recomputing unit cost and comparing to unit cost per books, examining supplier invoices and other documents supporting movements affecting the moving average unit cost, reporting unresolved difference, if any, to appropriate personnel and projecting errors to the population; and,

- determining whether inventory is stated at the lower of cost and net realizable value by verifying latest selling price, reviewing estimated cost to sell of sample inventory items and comparing the net selling price to the unit cost per books, reporting unresolved differences, if any, to appropriate personnel and projecting errors to the population.

(c) Adoption of PFRS 16, Leases

Description of the Matter

Effective January 1, 2019, the Company adopted PFRS 16, *Leases*, which replaced Philippine Accounting Standards (PAS) 17, *Leases*, and the related interpretations to PAS 17. The adoption of this new standard, which primarily affected the Company's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements and significant judgements involved in determining the assumptions to be used in applying the new standard.

Further, the recognition of right-of-use assets (presented as part of property and equipment) and lease liabilities, which amounted to P4,495.0 million and P4,942.2 million, respectively, as of December 31, 2019 is considered significant in amount relative to the Company's total assets and total liabilities.

The impact of the adoption of PFRS 16, and the related changes in accounting policies, and basis of judgement and estimates are disclosed in Notes 2 and 3 to the financial statements. In addition, the new disclosure requirements of PFRS 16 are discussed in Notes 9 and 12 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the significant risk of material misstatement relating to the adoption of PFRS 16 included:

- understanding the accounting policies and procedures applied by the Company in identifying leases that qualify under PFRS 16, and leases that qualify under the recognition exemptions on short-term leases and low-value leases, as well as, compliance therewith;
- assessing the completeness of the lease contracts and verifying the accuracy of the lease information provided;
- evaluating the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of the security, and the economic environment in which the transaction occurs; and,
- evaluating the appropriateness of the adjustments as a result of the adoption of PFRS 16 on the recognition and measurement of right-of-use assets and lease liabilities and determining the adequacy of related financial statement disclosures, including changes in accounting policies and bases of judgments and estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2019 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 27, 2020

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,342,992,013	P 298,492,381
Trade and other receivables - net	6	276,739,428	1,196,386,397
Inventories	7	5,208,925,853	2,690,897,676
Due from related parties	18	-	133,913,000
Other current assets	8	295,791,775	654,112,912
Total Current Assets		8,124,449,069	4,973,802,366
NON-CURRENT ASSETS			
Property and equipment - net	9	11,150,980,396	2,969,459,786
Other non-current assets	8	409,701,058	272,168,819
Total Non-current Assets		11,560,681,454	3,241,628,605
TOTAL ASSETS		P 19,685,130,523	P 8,215,430,971
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	10	P 2,023,727,076	P 379,871,290
Lease liabilities - current portion	12	371,097,743	-
Income tax payable		70,658,752	68,189,020
Loans payable - current portion	11	-	1,676,923,077
Due to related parties	18	-	627,352,292
Total Current Liabilities		2,465,483,571	2,752,335,679
NON-CURRENT LIABILITIES			
Lease liabilities - net of current portion	12	4,571,111,620	-
Deferred tax liabilities - net	17	160,288,464	146,029,890
Retirement benefit obligation	16	73,324,090	-
Loans payable - net of current portion	11	-	2,638,461,538
Total Non-current Liabilities		4,804,724,174	2,784,491,428
Total Liabilities		7,270,207,745	5,536,827,107
EQUITY			
Capital stock	19	3,750,000,002	2,000,000,000
Additional paid-in capital		7,209,298,114	-
Revaluation reserves		(29,896,666)	-
Retained earnings		1,485,521,328	678,603,864
Total Equity		12,414,922,778	2,678,603,864
TOTAL LIABILITIES AND EQUITY		P 19,685,130,523	P 8,215,430,971

See Notes to Financial Statements.

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
SALES	13	P 12,060,276,883	P 7,192,220,055	P 4,896,285,914
COST OF MERCHANDISE SOLD	14	8,452,189,178	5,061,884,474	3,571,840,574
GROSS PROFIT		3,608,087,705	2,130,335,581	1,324,445,340
SUPPORT, FEES, RENTALS AND OTHER REVENUES	13	352,331,702	209,612,057	62,067,097
GROSS PROFIT INCLUDING OTHER REVENUES		3,960,419,407	2,339,947,638	1,386,512,437
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	14	2,069,721,185	1,564,883,247	1,197,688,969
OPERATING PROFIT		1,890,698,222	775,064,391	188,823,468
FINANCE INCOME (COSTS)				
Finance costs	15	(412,060,322)	(46,364,729)	(28,713,753)
Finance income	5	20,641,481	1,646,539	663,371
		(391,418,841)	(44,718,190)	(28,050,382)
PROFIT BEFORE TAX		1,499,279,381	730,346,201	160,773,086
TAX EXPENSE	17			
Current		329,346,931	105,715,139	24,205,657
Deferred		120,183,392	113,224,068	23,959,932
		449,530,323	218,939,207	48,165,589
NET PROFIT		1,049,749,058	511,406,994	112,607,497
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of retirement benefit plan	16	(42,709,522)	-	-
Deferred income tax	17	12,812,856	-	-
		(29,896,666)	-	-
TOTAL COMPREHENSIVE INCOME		P 1,019,852,392	P 511,406,994	P 112,607,497
Basic and Diluted Earnings per Share	20	P 0.39	P 0.38	P 0.08

See Notes to Financial Statements.

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Retained Earnings	Revaluation Reserves	Total Equity
Balance at January 1, 2019						
As previously reported		P 2,000,000,000	P -	P 678,603,864	P -	P 2,678,603,864
Effect of adoption of PFRS 16	2	-	-	(217,261,244)	-	(217,261,244)
As restated		2,000,000,000	-	461,342,620	-	2,461,342,620
Issuance of shares during the year	19	1,750,000,002	7,209,298,114	-	-	8,959,298,116
Dividend declared	19	-	-	(25,570,350)	-	(25,570,350)
Total comprehensive income (loss) for the year		-	-	1,049,749,058	(29,896,666)	1,019,852,392
Balance at December 31, 2019		<u>P 3,750,000,002</u>	<u>P 7,209,298,114</u>	<u>P 1,485,521,328</u>	<u>(P 29,896,666)</u>	<u>P 12,414,922,778</u>
Balance at January 1, 2018		P 1,340,000,000	P -	P 167,196,870	P -	P 1,507,196,870
Issuance during the year	19	660,000,000	-	-	-	660,000,000
Total comprehensive income for the year		-	-	511,406,994	-	511,406,994
Balance at December 31, 2018		<u>P 2,000,000,000</u>	<u>P -</u>	<u>P 678,603,864</u>	<u>P -</u>	<u>P 2,678,603,864</u>
Balance at January 1, 2017		P 1,340,000,000	P -	P 54,589,373	P -	P 1,394,589,373
Total comprehensive income for the year		-	-	112,607,497	-	112,607,497
Balance at December 31, 2017		<u>P 1,340,000,000</u>	<u>P -</u>	<u>P 167,196,870</u>	<u>P -</u>	<u>P 1,507,196,870</u>

See Notes to Financial Statements.

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,499,279,381	P 730,346,201	P 160,773,086
Adjustments for:				
Depreciation and amortization	9	708,368,766	177,708,409	137,217,561
Interest expense	11, 12,			
	15, 16	411,809,031	46,364,729	28,713,753
Interest income	5	(20,641,481)	(1,646,539)	(663,371)
Impairment loss on trade receivables	6	10,961,202	19,388,772	15,568,064
Operating profit before working capital changes		2,609,776,899	972,161,572	341,609,093
Decrease (increase) in trade and other receivables		908,685,767	(624,427,449)	(137,174,008)
Increase in merchandise inventories		(2,518,028,177)	(1,196,607,900)	(406,895,109)
Decrease (increase) in due from related parties		5,305,716	(8,000,000)	-
Decrease (increase) in other current assets		323,826,604	(288,476,962)	(47,867,364)
Decrease (increase) in other non-current assets		(137,532,239)	9,351,445	(253,330,964)
Increase in due to related parties		501,254,992	1,047,750,000	131,840,000
Increase (decrease) in trade and other payables		1,666,527,820	(106,469,023)	(238,600,731)
Increase in retirement benefit obligation		28,566,605	-	-
Cash generated from (used in) operations		3,388,383,987	(194,718,317)	(610,419,083)
Cash paid for income taxes		(326,877,199)	(55,821,901)	(13,148,706)
Net Cash From (Used in) Operating Activities		3,061,506,788	(250,540,218)	(623,567,789)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	9	(3,731,532,578)	(1,051,698,182)	(811,295,065)
Interest received		20,641,481	1,646,539	663,371
Net Cash Used in Investing Activities		(3,710,891,097)	(1,050,051,643)	(810,631,694)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of stock	19	7,959,298,116	-	-
Repayment of loans	11	(6,716,684,615)	(284,615,385)	(100,000,000)
Proceeds from availment of loans	11	2,401,300,000	1,700,000,000	1,550,000,000
Interest paid for loans payable	11	(354,997,750)	(216,085,685)	(91,828,554)
Repayment of lease liabilities	12	(302,321,645)	-	-
Interest paid for lease liabilities	12	(267,139,815)	-	-
Dividends paid	19	(25,570,350)	-	-
Net Cash From Financing Activities		2,693,883,941	1,199,298,930	1,358,171,446
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		2,044,499,632	(101,292,931)	(76,028,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		298,492,381	399,785,312	475,813,349
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 2,342,992,013	P 298,492,381	P 399,785,312

Supplemental Information on Non-cash Operating, Investing and Financing Activities:

- (1) In 2019, 2018 and 2017, the Company capitalized borrowing costs amounting to P220.3 million, P173.7 million and P81.8 million based on capitalization rate ranging from 6.25% to 6.69% for specific borrowings in those periods (see Notes 9 and 11).
- (2) The Company has accrued interest amounting to P22.7 million as of December 31, 2018 (see Notes 10 and 11). There was no unpaid interest as of December 31, 2019.
- (3) In 2019, the Company's receivables from related parties under common ownership amounting to P128.6 million were assigned by these related parties to the parent company. Subsequently, these receivables were set-off by the Company against its payables to the parent company (see Note 18).
- (4) In 2019 and 2018, the Company issued additional shares of stock amounting to P1,000.0 million and P660.0 million, which was subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 18).
- (5) On January 1, 2019, as a result of adoption of PFRS 16, Leases, the Company recognized right-of-use assets and lease liabilities amounting to P3,234.9 million and P3,510.7 million, respectively, and reversed certain prepaid rent amounting to P34.5 million (see Note 2). During the year, the Company recognized additional right-of-use asset amounting to P1,703.2 million and the corresponding lease liability of the same amount (see Notes 9 and 12). Also, in 2019, the Company accrued interest arising from rent-free periods amounting to P30.6 million which is presented as part of Lease Liability in the 2019 statement of financial position (see Note 12).
- (6) In 2019, the Company recognized a receivable for the transferred retirement benefit obligation amounting to P16.7 million and is presented as part of Non-trade receivables under Trade and Other Receivables in the 2019 statement of financial position (see Notes 6 and 18).

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

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 Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The registered offices and principal places of business of AllValue and FPI are located at 3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Village, Pamplona, Las Piñas City.

The financial statements of the Company as of and for the year ended December 31, 2019 (including the comparative financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Company's Board of Directors (BOD) on May 27, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

(d) Reclassification of Accounts

In 2019, the Company's management performed a review of its prior year financial statements to verify that the recognition and measurement of the Company's assets, liabilities, income and expenses are in accordance with the relevant accounting and financial reporting standards. Accordingly, the Company's management made reclassifications on certain income accounts to conform with the current year presentation. Other income amounting to P209.6 million and P62.1 million was reclassified from Other Income under Finance Income (Costs) account to Support, Fees, Rentals and Other Revenues account in the statements of comprehensive income for the years ended December 31, 2018 and 2017.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Company

The Company adopted for the first time the following PFRS, amendments, interpretation and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS 2015-2017 Cycle		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization

Discussed below are the relevant information about these pronouncements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Company's financial statements.

- (iii) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Company has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. Accordingly, comparative information were not restated. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as of January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Retained Earnings for the current period.

The new accounting policies of the Company as a lessee are disclosed in Note 2.12(a), while the accounting policies of the Company as a lessor, as described in Note 2.12(b), were not significantly affected.

Discussed below are the relevant information arising from the Company’s adoption of PFRS 16 and how the related accounts are measured and presented on the Company’s financial statements as of January 1, 2019.

- a. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. The Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as of January 1, 2019. The Company’s weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.45%.
- c. The Company has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Company also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as of January 1, 2019.

- d. The Company has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As of January 1, 2019, the Company has no onerous contracts; and,
 - use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The table below shows the effects of the adoption of PFRS 16 in the statement of financial position as of January 1, 2019.

	Note		Carrying Amount (PAS 17) December 31, 2018		Reclassification		Remeasurement		Carrying Amount (PFRS 16) January 1, 2019
<i>Assets:</i>									
Other current assets	2.2(a)(iii)(c)	P	654,112,912	(P	34,494,533)	P	-	P	619,618,379
Property and equipment	2.2(a)(iii)(c)		2,969,459,786		34,494,533		3,200,367,188		6,204,321,507
<i>Liabilities:</i>									
Lease liabilities	2.2(a)(iii)(b)		-		-	(	3,510,740,394 )	(	3,510,740,394)
Deferred tax liability - net		(	146,029,890)		-		93,111,962	(	52,917,928)
Impact on net assets				P	-	(	P 217,261,244)		

The following is a reconciliation of total operating lease commitments at December 31, 2018 under PAS 17 (as disclosed in the financial statements for December 31, 2018) to the lease liabilities recognized at January 1, 2019 under PFRS 16:

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	21.1	P 1,743,744,797
Reasonably certain extension options	2.2(a)(iii)(d)	<u>3,157,619,998</u>
Operating lease liabilities before discounting		4,901,364,795
Discount using incremental borrowing rate	2.2(a)(iii)(b)	(<u>1,390,624,401</u>)
Lease liabilities, January 1, 2019		<u>P 3,510,740,394</u>

- (iv) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management assessed that the interpretation had no significant impact on the Company's financial statements.
- (v) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Company but are assessed to have no impact on its financial statements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.
- (b) *Effective in 2019 that are not Relevant to the Company*

Among the annual improvements to PFRS 2015-2017 Cycle, the amendments to (i) PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*; and (ii) PFRS 28, *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures* are not relevant to the Company's financial statements.

(c) *Effective Subsequent to 2019 but not Adopted Early*

There are new amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). 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 (effective from January 1, 2020). 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.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

2.3 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.

(a) *Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. 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 purpose of cash flows reporting and presentation, cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

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

(b) *Impairment of Financial Assets (2019 and 2018)*

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

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 22.2(b)].

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

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

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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

(c) *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.

2.4 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.

2.5 Other Assets

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

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

Advances for purchases that will be applied as payment for future purchase of 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.

2.6 Property and Equipment

Property, plant and equipment, except land, are initially recognized at cost and subsequently carried at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated.

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

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

Store equipment	15 to 18 years
Right-of-use assets – store outlets	7 to 16 years
Right-of-use assets – warehouse	2 to 15 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 2.15). 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 2.13).

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

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

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

2.7 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), Loans Payable, Lease Liabilities and Due to Related Parties, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as Finance costs under Finance Income (Costs) in the statement of comprehensive income.

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

Lease liability is recognized at amounts equal to the present value of minimum lease payments, at the inception of the lease [see Notes 2.12(a) and 12.1].

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.

2.8 Offsetting of Financial Instruments

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

2.9 Segment Reporting

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

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

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

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

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

2.10 Provisions and Contingencies

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

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

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

2.11 Revenue and Expense Recognition

Revenue arises mainly from the sale of merchandise.

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

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

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 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods transfers to the customer. As a matter of accounting policy, when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

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

- a) *Sale of merchandise* – Revenue is recognized when the control transfers at a point in time with the customer, i.e., generally when the customer purchased the merchandise. For individual customers, payment of the transaction price is due immediately at the point the customer purchases the merchandise. On the other hand, invoices for merchandise purchased by corporate customers are due based on agreed terms and are provided upon receipt of merchandise by the customer.

- b) *Vendors' support and marketing fees* – Vendors' support and marketing fees arise from the vendors' participation in the marketing/promotional activities of the Company such as product exhibits, launch of new stores support and product features in various media platforms. The duration of contracts are generally short-term, and the related revenue are recognized over time as the performance of the contractually agreed tasks are rendered.
- c) *Delivery fees* – Delivery fees are charged for the transportation of merchandise from the Company's stores to a certain destination as agreed with the customer. Delivery fees are recognized over time as the services are provided. Payment of delivery fees is due immediately, i.e., upon the customer's purchase of merchandise.
- d) *Miscellaneous* – Miscellaneous income comprise of support received from supplier for store opening and clearance sales. Miscellaneous is recognized at a point in time when support are received from supplier.

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

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

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 fulfillment 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 2017 and prior years, the Company recognized revenues based on the provisions of PAS 18, *Revenues*, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Company. Specifically, for sale of goods, revenues were recognized when the risks and rewards of ownership of the goods have passed to the buyer. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

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

2.12 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

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 the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.13).

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

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

On the statement of financial position, right-of-use assets is presented under Property and Equipment, while the Lease Liabilities have been presented separately in the statement of financial position.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(b) Company as Lessor

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

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

2.13 Impairment of Non-financial Assets

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

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

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

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

2.14 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 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 costs under Finance Income (Costs) 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.

2.15 *Borrowing Costs*

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

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

2.16 *Income Taxes*

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

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

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

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

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

2.17 Related Party Transactions and Relationships

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

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

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

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

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

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

2.18 Equity

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

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

Revaluation reserves account pertains to remeasurements of post-employment defined benefit plan (see Note 2.14).

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

2.19 Basic and Diluted Earnings Per Share

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

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

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options (see Note 20).

2.20 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

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

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

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

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

(b) Determination of Timing of Satisfaction of Performance Obligations

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

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

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

(c) *Determination of Transaction Price*

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

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

(d) *Determination of ECL on Trade and Other Receivables, and Due from Related Parties*

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments to the extent applicable that have similar loss patterns (i.e., by geography, product type, or customer type and rating). The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables, and due from related parties are disclosed in Note 22.2.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which ECL should be measured is the longest contractual period where the Company is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines ECL based on the sufficiency of the related parties' highly liquid assets in order to repay the Company's receivables if demanded at the reporting date, taking into consideration the historical defaults of the related parties. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

(e) *Distinction Between Operating and Finance Leases (2018 and 2017)*

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

(f) Capitalization of Borrowing Costs

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

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provisions and contingencies are discussed in Notes 2.10 and 21.

3.2 Key Sources of Estimation Uncertainty

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

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

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

(b) Estimation of Allowance for ECL

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

(c) Determination of Net Realizable Value of Inventories

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

(d) *Estimation of Useful Lives of Property and Equipment*

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

The carrying amounts of property and equipment are analyzed in Note 9. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on non-financial assets in 2019, 2018 and 2017.

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

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

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

4. **SEGMENT REPORTING**

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

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2019</u>	<u>2018</u>
Cash in banks	P 1,565,696,247	P 294,874,381
Cash on hand	4,115,000	3,618,000
Short-term placements	<u>773,180,766</u>	<u>-</u>
	<u>P 2,342,992,013</u>	<u>P 298,492,381</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have maturity of 1 to 30 days and earn effective interest rates ranging from 1.00% to 3.50% in 2019 and 1.30% in 2017. There was no short-term placement as of December 31, 2018.

Interest income amounting to P20.6 million, P1.6 million and P0.7 million in 2019, 2018 and 2017, respectively, are presented as Finance Income under Finance Income (Costs) in the statements of comprehensive income.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Trade receivables:			
Third parties		P 147,795,532	P 870,485,037
Related parties	18.4	-	181,672,361
Non-trade receivables	16.2	132,425,088	140,177,605
Advances to officers and employees		<u>7,480,010</u>	<u>4,051,394</u>
		287,700,630	1,196,386,397
Allowance for impairment losses		(<u>10,961,202</u>)	<u>-</u>
		<u>P 276,739,428</u>	<u>P 1,196,386,397</u>

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 personal cash advances. These are noninterest-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 16.2).

All of the Company's trade and other receivables have been assessed for ECL both in 2019 and 2018 and were reviewed for indications of impairment in 2017. In 2019, the Company recognized an impairment loss amounting to P11.0 million. In 2018 and 2017, the Company wrote-off certain receivables amounting to P19.4 million and P15.6 million, respectively. The impairment loss recognized is presented as Impairment loss under Selling, General and Administrative Expenses in the statements of comprehensive income (see Note 14.2).

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 P5.2 billion and P2.7 billion as of December 31, 2019 and 2018, respectively (see Note 14.1). The Company did not provide any allowance for inventory obsolescence as the inventories are deemed saleable. Inventories were all stated at cost, which is lower than net realizable value, as of December 31, 2019 and 2018.

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.

	<u>2019</u>	<u>2018</u>
Current:		
Advances for purchases	P 244,150,817	P 540,658,494
Deferred input value-added taxes (VAT)	22,287,680	52,659,210
Prepaid rent	3,664,565	46,323,372
Others	25,688,713	14,471,836
	<u>295,791,775</u>	<u>654,112,912</u>
Non-current –		
Advances to suppliers	<u>409,701,058</u>	<u>272,168,819</u>
	<u>P 705,492,833</u>	<u>P 926,281,731</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 December 31, 2019 and 2018 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 taxes and licenses, subscriptions, supplies, insurance and advertising.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction in Progress	Total
December 31, 2019								
Cost	P 2,600,878,300	P 360,291,093	P 138,900,408	P 2,806,079,593	P 4,802,663,990	P 135,424,751	P 1,535,860,218	P 12,380,098,353
Accumulated depreciation and amortization	(375,353,395)	(98,345,862)	(55,957,392)	(256,326,938)	(407,083,277)	(36,051,093)	-	(1,229,117,957)
Net carrying amount	<u>P 2,225,524,905</u>	<u>P 261,945,231</u>	<u>P 82,943,016</u>	<u>P 2,549,752,655</u>	<u>P 4,395,580,713</u>	<u>P 99,373,658</u>	<u>P 1,535,860,218</u>	<u>P 11,150,980,396</u>
December 31, 2018								
Cost	P 1,633,365,002	P 205,264,089	P 104,820,990	P 1,468,831,413	P -	P -	P 77,927,483	P 3,490,208,977
Accumulated depreciation and amortization	(242,992,549)	(58,026,971)	(45,454,749)	(174,274,922)	-	-	-	(520,749,191)
Net carrying amount	<u>P 1,390,372,453</u>	<u>P 147,237,118</u>	<u>P 59,366,241</u>	<u>P 1,294,556,491</u>	<u>P -</u>	<u>P -</u>	<u>P 77,927,483</u>	<u>P 2,969,459,786</u>
January 1, 2018								
Cost	P 707,623,764	P 110,438,526	P 94,639,684	P 781,307,822	P -	P -	P 570,825,400	P 2,264,835,196
Accumulated depreciation and amortization	(166,436,756)	(30,636,860)	(36,050,230)	(109,916,936)	-	-	-	(343,040,782)
Net carrying amount	<u>P 541,187,008</u>	<u>P 79,801,666</u>	<u>P 58,589,454</u>	<u>P 671,390,886</u>	<u>P -</u>	<u>P -</u>	<u>P 570,825,400</u>	<u>P 1,921,794,414</u>

The reconciliation of the net carrying amount of property and equipment at the beginning and end of 2019 and 2018 is shown in the succeeding page.

	Store Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Leasehold Improvements	Right-of-use Assets - Store Outlets	Right-of-use Assets - Warehouse	Construction in Progress	Total
Balance at January 1, 2019, net of accumulated depreciation and amortization								
As previously reported	P 1,390,372,453	P 147,237,118	P 59,366,241	P 1,294,556,491	P -	P -	P 77,927,483	P 2,969,459,786
Effect of PFRS 16 adoption [see Note 2.2(a)(iii)]	-	-	-	-	3,159,007,747	75,853,974	-	3,234,861,721
As restated	1,390,372,453	147,237,118	59,366,241	1,294,556,491	3,159,007,747	75,853,974	77,927,483	6,204,321,507
Additions:								
Other property and equipment	290,629,316	93,813,192	34,079,418	715,050,784	-	-	2,818,227,925	3,951,800,635
Right-of-use assets (see Note 12)	-	-	-	-	1,643,656,243	59,570,777	-	1,703,227,020
Reclassifications	663,696,428	59,999,221	-	636,599,541	-	-	(1,360,295,190)	-
Depreciation and amortization charges for the year	(119,173,292)	(39,104,300)	(10,502,643)	(96,454,161)	(407,083,277)	(36,051,093)	-	(708,368,766)
Balance at December 31, 2019, net of accumulated depreciation and amortization	<u>P 2,225,524,905</u>	<u>P 261,945,231</u>	<u>P 82,943,016</u>	<u>P 2,549,752,655</u>	<u>P 4,395,580,713</u>	<u>P 99,373,658</u>	<u>P 1,535,860,218</u>	<u>P 11,150,980,396</u>
Balance at January 1, 2018, net of accumulated depreciation and amortization								
Additions	P 541,187,008	P 79,801,666	P 58,589,454	P 671,390,886	P -	P -	P 570,825,400	P 1,921,794,414
Reclassifications	385,440,597	68,395,579	7,614,781	326,553,718	-	-	437,369,106	1,225,373,781
Depreciation and amortization charges for the year	540,300,641	26,429,984	2,566,525	360,969,873	-	-	(930,267,023)	-
	(76,555,793)	(27,390,111)	(9,404,519)	(64,357,986)	-	-	-	(177,708,409)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 1,390,372,453</u>	<u>P 147,237,118</u>	<u>P 59,366,241</u>	<u>P 1,294,556,491</u>	<u>P -</u>	<u>P -</u>	<u>P 77,927,483</u>	<u>P 2,969,459,786</u>

Construction-in-progress pertains to accumulated costs incurred on the construction of new stores. The ongoing projects as of December 31, 2018 were fully completed in 2019 while the remaining ongoing projects are expected to be completed by the second quarter of 2020. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing projects.

The Company's right-of-use assets pertain to store and warehouse facilities with terms ranging from 10 to 16 years, inclusive of reasonably certain extension period [please refer also to Note 3.1(a)], and an average remaining lease term of 10 years as of December 31, 2019 (see Note 12). In addition, there are leases with extension options and with variable consideration. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. There are no leases with options to purchase or terminate. The Company has no short-term and low-value leases.

On January 1, 2019, as a result of adoption of PFRS 16, the Company recognized right-of-use assets and lease liabilities amounting to P3,234.9 million and P3,510.7 million, respectively, and reversed certain prepaid rent amounting to P34.5 million [see Note 2.2(a)]. During the year, the Company recognized additional right-of-use asset amounting to P1,703.2 million and the corresponding lease liability of the same amount (see Note 12.1). Also, in 2019, the Company accrued interest arising from rent-free periods amounting to P30.6 million which is presented as part of Lease Liability in the 2019 statement of financial position (see Note 12.1).

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).

In 2019, 2018 and 2017, borrowing costs amounting to P220.3 million and P173.7 million and P81.8 million, respectively, based on capitalization rate ranging from 6.25% to 6.69% for specific borrowing in those years, were capitalized as part of construction-in-progress (see Note 11).

As of December 31, 2019 and 2018, the gross carrying amount of the Company's fully-depreciated property and equipment that are still used in operations is P27.5 million and P17.7 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:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Trade payables		P 1,290,797,720	P 182,216,416
Non-trade payables		583,462,688	67,189,974
Accrued expenses	11	74,399,661	93,153,371
VAT payable		55,023,731	12,966,898
Withholding taxes payable		12,914,896	10,130,673
Retention payable		4,869,944	13,122,281
Others		2,258,436	1,091,677
		<u>P 2,023,727,076</u>	<u>P 379,871,290</u>

Trade payables arise from the Company's purchases of inventories and other direct costs. These are noninterest-bearing and have credit terms ranging from 30 days to 60 days.

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

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

Loans and borrowings is presented in the statement of financial position as of December 31, 2018 as follows:

	<u>Note</u>	
Current:		
Short-term loans	11.1	P 1,200,000,000
Maturing portion of long-term loans	11.2	<u>476,923,077</u>
		1,676,923,077
Non-current -		
Long-term loans	11.2	<u>2,638,461,538</u>
		<u>P 4,315,384,615</u>

11.1 Short-term Loans

The Company obtained various short-term loans from various local banks for the Company's working capital requirements with fixed interest rates ranging from 7.0% to 9.0% in 2019 and 5.0% to 7.0% in 2018, and with terms of 180 days. These loans are rolled-over upon maturity and are secured by cross suretyship of the Company's ultimate parent company (see Note 18.3). There are no loan covenants on the Company's short-term loans. The Company fully settled the outstanding short-term loans in 2019.

11.2 Long-term Loans

In 2018, the Company obtained five-year corporate loans, inclusive of two-year grace period, from various local banks, to finance the construction and expansion of the Company's stores, with fixed interest rates ranging from 6.25% to 6.69% both in 2019 and 2018. The loans are secured by cross suretyship of the Company's ultimate parent company (see Note 18.3). The Company fully settled the outstanding long-term loans in 2019.

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. The Company has properly complied with the loans' covenants as of December 31, 2018. There was no outstanding loan as of December 31, 2019.

Interest expense incurred on these loans, which is presented as part of Finance costs under Finance Income (Costs) in the statements of comprehensive income, amounted to P112.1 million, P46.4 million and P28.7 million in 2019, 2018 and 2017, respectively (see Note 15). On the other hand, capitalized borrowing costs amounting to P220.3 million, P173.7 million and P81.8 million in 2019, 2018 and 2017, respectively, based on capitalization rate ranging from 6.25% to 6.69% for specific borrowing in those periods, were included as part of construction-in-progress (see Note 9).

Interest payable from these loans amounted to P22.7 million as of December 31, 2018, and is presented as part of Accrued expenses under Trade and Other Payables in the 2018 statement of financial position (see Note 10). There was no outstanding interest payable as of December 31, 2019.

A reconciliation of the carrying amounts of short-term and long-term loans at the beginning and end of December 31, 2019 and 2018 is presented in the succeeding page.

	Short-term Loans	Long-term Loans	Total
Balance as of January 1, 2019	P 1,200,000,000	P 3,115,384,615	P 4,315,384,615
Cash flows from financing activities:			
Additional borrowings	2,401,300,000	-	2,401,300,000
Repayment of borrowings	(3,601,300,000)	(3,115,384,615)	(6,716,684,615)
Balance as of December 31, 2019	P -	P -	P -
Balance as of January 1, 2018	P 1,100,000,000	P 1,800,000,000	P 2,900,000,000
Cash flows from financing activities:			
Additional borrowings	200,000,000	1,500,000,000	1,700,000,000
Repayment of borrowings	(100,000,000)	(184,615,385)	(284,615,385)
Balance as of December 31, 2018	<u>P 1,200,000,000</u>	<u>P 3,115,384,615</u>	<u>P 4,315,384,615</u>

12. LEASES

The Company has lease contracts for its store outlets and warehouse facilities (see Note 9). These lease contracts include extension and variable lease payments.

12.1 Lease Liability

Lease liability is presented in the statement of financial position as of December 31, 2019 as follows:

Current	P 371,097,743
Non-current	<u>4,571,111,620</u>
	<u>P 4,942,209,363</u>

The movements in the lease liability recognized in the 2019 statement of financial position are as follows:

	Notes	
Balance as of December 31, 2018		P -
Effect of adoption of PFRS 16	2.2(a)(iii)	<u>3,510,740,394</u>
Balance as of January 1, 2019		3,510,740,394
Cash flows from financing activities:		
Additional lease liabilities	9	1,703,227,020
Repayment of lease liabilities		(302,321,645)
Non-cash financing activities –		
Interest payable		<u>30,563,594</u>
Balance as of December 31, 2019		<u>P 4,942,209,363</u>

During the year, the Company entered in a lease agreement with six-month rent-free period. The Company accrued interest for the six-month rent-free period which is presented as part of Lease Liability in the 2019 statement of financial position.

The use of termination option to certain lease contracts gives the Company added flexibility in the event it has identified more suitable premises in terms of cost and/or location. The future cash outflows to which the Company is potentially exposed to that are not reflected in the measurement of lease liabilities represent the amount of remaining utility bills until clearance from the contract, other damages to the premises, if any, and the security deposits and advance rentals to be forfeited. An option is only exercised when consistent with the Company's business strategy and the economic benefits of exercising such option exceeds the expected overall cost. As of December 31, 2019, the Company has no historical experience of exercising termination option for its existing lease agreements.

As of December 31, 2019, the Company has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

		Lease Payments		Finance Charges		Net Present Values
Within 1 year	P	696,417,086	P	325,319,343	P	371,097,743
1 to 2 years		688,491,370		299,999,742		388,491,628
2 to 3 years		677,698,146		273,699,016		403,999,130
3 to 4 years		687,194,175		245,648,456		441,545,719
4 to 5 years		700,490,106		214,611,164		485,878,942
5 to 13 years		<u>3,370,822,363</u>		<u>519,626,162</u>		<u>2,851,196,201</u>
Total	P	<u>6,821,113,246</u>	P	<u>1,878,903,883</u>	P	<u>4,942,209,363</u>

12.2 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P569.5 million in 2019.

The expenses recognized in 2019 are as follows:

	Notes	
Depreciation expense of right-of-use assets	9	P 443,134,370
Interest expense on lease liabilities	15	297,703,409
Variable lease payments	14.2	<u>181,946,728</u>
		<u>P 922,784,507</u>

13. REVENUES

The Company's revenues arise from sale transactions with individual and corporate customers in the Philippines totaling to P12.1 billion, P7.2 billion and P4.9 million in 2019, 2018 and 2017, respectively.

The 2019 disaggregation on revenue recognition whether point in time or over time is shown below.

	<u>Note</u>	<u>Point in time</u>	<u>Over time</u>	<u>Total</u>
Sales	18.4	P 12,060,276,883	P -	P 12,060,276,883
Vendors' support		-	243,675,678	243,675,678
Delivery fees		-	39,951,115	39,951,115
Marketing fees		-	37,403,800	37,403,800
Gondola rental		-	24,666,262	24,666,262
Miscellaneous		<u>6,634,847</u>	<u>-</u>	<u>6,634,847</u>
		<u>P 12,066,911,730</u>	<u>P 345,696,855</u>	<u>P 12,412,608,585</u>

This compares to the 2018 disaggregation on revenue recognition whether point in time or over time as follows:

	<u>Note</u>	<u>Point in time</u>	<u>Over time</u>	<u>Total</u>
Sales	18.4	P 7,192,220,055	P -	P 7,192,220,055
Vendors' support		-	152,041,998	152,041,998
Delivery fees		-	31,168,980	31,168,980
Marketing fees		-	19,795,509	19,795,509
Gondola rental		-	129,613	129,613
Miscellaneous		<u>6,475,957</u>	<u>-</u>	<u>6,475,957</u>
		<u>P 7,198,696,012</u>	<u>P 203,136,100</u>	<u>P 7,401,832,112</u>

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

14. COST AND EXPENSES

14.1 Cost of Merchandise Sold

The details of cost of Merchandise Sold are shown below.

	Note	2019	2018	2017
Inventories at beginning of year	7	P 2,690,897,676	P 1,494,289,776	P 1,087,394,667
Purchases during the year		<u>10,970,217,355</u>	<u>6,258,492,374</u>	<u>3,978,735,683</u>
Cost of goods available for sale		13,661,115,031	7,752,782,150	5,066,130,350
Inventories at end of year	7	<u>5,208,925,853</u>	<u>2,690,897,676</u>	<u>1,494,289,776</u>
		<u>P 8,452,189,178</u>	<u>P 5,061,884,474</u>	<u>P 3,571,840,574</u>

14.2 Selling, General and Administrative Expenses

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

	Notes	2019	2018	2017
Depreciation and amortization	9	P 708,368,766	P 177,708,409	P 137,217,561
Salaries, wages and employee benefits	16.1	273,159,416	165,407,958	140,481,139
Outside services		250,078,420	239,367,508	202,104,283
Communications and utilities		220,261,474	193,846,026	172,198,029
Rentals	12.2, 21.1	181,946,728	450,132,564	400,229,623
Merchant fee		116,572,848	71,954,724	24,677,788
Taxes and licenses		76,625,750	50,604,363	16,334,921
Advertising and promotions		67,020,862	48,973,174	30,618,152
Transportation expense		35,416,367	25,349,084	8,269,434
Office and store supplies		32,800,768	25,385,190	14,284,964
Repairs and maintenance		27,254,417	24,938,461	18,199,518
Dues and subscription		17,549,713	33,514,485	1,404,586
Professional fees		12,176,991	4,111,238	3,082,285
Impairment loss	6	10,961,202	19,388,772	15,568,064
Representation and entertainment		10,921,072	7,860,060	3,147,513
Insurance expense		7,178,058	7,344,953	2,442,418
Commission expense		5,916,021	4,648,869	-
Miscellaneous		<u>15,512,312</u>	<u>14,347,409</u>	<u>7,428,691</u>
		<u>P 2,069,721,185</u>	<u>P 1,564,883,247</u>	<u>P 1,197,688,969</u>

15. FINANCE COSTS

Finance costs include the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense from:				
Lease liabilities	12.2	P 297,703,409	P -	P -
Loans payable	11	112,057,659	46,364,729	28,713,753
Retirement benefit obligation	16.2	2,047,963	-	-
Others		<u>251,291</u>	<u>-</u>	<u>-</u>
		<u>P 412,060,322</u>	<u>P 46,364,729</u>	<u>P 28,713,753</u>

16. SALARIES, WAGES AND EMPLOYEE BENEFITS

16.1 Salaries, Wages and Employee Benefits

Expenses recognized for salaries, wages and employee benefits in 2019, 2018 and 2017 are presented below.

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and wages		P 234,133,808	P 146,593,591	P 133,915,852
Post-employment benefit		11,850,357	-	-
Other employee benefits		<u>27,175,251</u>	<u>18,814,367</u>	<u>6,565,287</u>
	14.2	<u>P 273,159,416</u>	<u>P 165,407,958</u>	<u>P 140,481,139</u>

16.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

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

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

(b) Explanation of Amounts Presented in the Financial Statements

The most recent actuarial valuation dated March 18, 2020 was performed by a professionally qualified external actuary.

The movements in the present value of the retirement benefit obligation recognized in the 2019 statement of financial position are as follows:

Balance at beginning of year	P	-
Transferred liability		16,716,248
Current service cost		11,850,357
Interest expense		2,047,963
Actuarial losses arising from experience adjustments		<u>42,709,522</u>
Balance at end of year	P	<u>73,324,090</u>

In 2019, the Company recognized a receivable for the transferred retirement benefit obligation related to the transfer of employees to the Company from a related party under common ownership amounting to P16.7 million and is presented as part of Non-trade receivables under Trade and Other Receivables in the 2019 statement of financial position (see Notes 6 and 18).

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 16.1):

Current service cost	P	11,850,357
Interest expense		<u>2,047,963</u>
	P	<u>13,898,320</u>

The interest expense is included as part of Finance Costs under Finance Income (Costs) in the 2019 statement of comprehensive income (see Note 15).

In determining the amount of the retirement benefit obligation, the following significant actuarial assumptions were used for the year ended December 31, 2019:

Discount rate	5.10%
Expected rate of salary increases	7.75%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 31 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

As of December 31, 2018 and 2017, the Company has not obtained an actuarial valuation to determine the balance of post-employment benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of RA No. 7641, *The New Retirement Law*, as there were less than 10 employees in 2018 who have been with the Company for a minimum of five years.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Interest Rate Risk*

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

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan as of December 31, 2019 are discussed in the succeeding page.

(i) *Sensitivity Analysis*

	Impact on Retirement Benefit Obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 1%	(P 9,436,979)	P 11,423,165
Salary growth rate	+/- 1%	11,389,662 (	9,601,605)

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 2019 statement of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The plan is currently unfunded by P73.3 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk that the Company may be exposed to if several employees retire within the same year.

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

The maturity profile of the undiscounted expected benefit payments as of December 31, 2019 from the plan follows:

Within five years	P	11,712,388
More than five years to 10 years		45,213,346
More than 10 years		<u>904,145,385</u>
	P	<u>961,071,119</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 follow:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 325,218,635	P 105,385,831	P 24,072,983
Final tax at 20%	<u>4,128,296</u>	<u>329,308</u>	<u>132,674</u>
	<u>329,346,931</u>	<u>105,715,139</u>	<u>24,205,657</u>
Deferred tax expense relating to originating and reversal of other temporary differences	<u>120,183,392</u>	<u>113,224,068</u>	<u>23,959,932</u>
	<u>P 449,530,323</u>	<u>P 218,939,207</u>	<u>P 48,165,589</u>
<i>Reported in other comprehensive loss:</i>			
Deferred tax expense relating to originating and reversal of other temporary differences	<u>P 12,812,856</u>	<u>P -</u>	<u>P -</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax on pretax profit at 30%	P 449,783,814	P 219,103,860	P 48,231,926
Adjustment for income subjected to lower tax rate	(2,064,148)	(164,653)	(66,337)
Tax effects of non-deductible expense	<u>1,810,657</u>	<u>-</u>	<u>-</u>
Tax expense	<u>P 449,530,323</u>	<u>P 218,939,207</u>	<u>P 48,165,589</u>

The Company is subject to the minimum corporate income tax (MCIT) computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. The Company reported RCIT in 2019, 2018 and 2017 as RCIT was higher than MCIT in those years.

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

	Statements of Comprehensive Income					
	Statements of Financial Position		Profit or Loss			Other Comprehensive Loss
	2019	2018	2019	2018	2017	2019
Deferred tax assets:						
Leases - PFRS 16	P 144,524,858	P -	(P 51,412,896)	P -	P -	P -
Post-employment defined benefit obligation	16,982,353	-	(4,169,496)	-	-	12,812,856
Impairment loss	3,288,361	-	(3,288,361)	-	-	-
	<u>164,795,572</u>	<u>-</u>	<u>(58,870,753)</u>	<u>-</u>	<u>-</u>	<u>12,812,856</u>
Deferred tax liabilities:						
Borrowing costs	(143,148,952)	(82,682,132)	60,466,819	49,876,310	23,959,932	-
Tax depreciation	(147,222,432)	(63,347,758)	83,874,674	63,347,758	-	-
Uncollected income	(34,712,652)	-	34,712,652	-	-	-
	<u>(325,084,036)</u>	<u>(146,029,890)</u>	<u>179,054,145</u>	<u>113,224,068</u>	<u>23,959,932</u>	<u>-</u>
Deferred tax liabilities - net	(P 160,288,464)	(P 146,029,890)				
Deferred tax expense			<u>P 120,183,392</u>	<u>P 113,224,068</u>	<u>P 23,959,932</u>	<u>P 12,812,856</u>

The Company claimed itemized deductions for 2019, 2018 and 2017 in computing for its income tax due.

18. RELATED PARTY TRANSACTIONS

The Company's related parties include its ultimate parent company, parent company, related parties under common ownership, key management personnel and others. The summary of the Company's transactions with its related parties and the related outstanding balances as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 are discussed below and in the succeeding pages.

Notes	Amount of Transactions			Outstanding Balances	
	2019	2018	2017	Receivables (Payables)	2018
Parent Company:					
Advances paid (obtained)	18.1	P 498,745,008 (P 537,750,000)	P 20,160,000	- (P 625,352,292)	
Advances granted (collected)	18.2	- (21,400,000)	6,400,000	-	-
Assignment and offsetting of advances	18.2	126,607,284	-	-	-
Sale of merchandise	18.4	297,750	1,864	-	1,864
Related Parties Under Common Ownership:					
Lease liability (PFRS 16)	12	4,124,540,460	-	4,124,540,460	-
Right-of-use asset (PFRS 16)	9, 12	3,734,180,917	-	3,734,180,917	-
Depreciation (PFRS 16)	9, 12	348,843,184	-	-	-
Interest (PFRS 16)	12, 15	245,135,841	-	-	-
Sale of merchandise	18.4	223,866,256	82,670,577	76,457,488	181,670,497
Transferred retirement benefit obligation	6, 16.2	16,716,248	-	16,716,248	-
Advances paid (obtained)	18.1	-	150,000,000 (152,000,000)	-	-
Advances granted (collected)	18.2	128,607,284	29,400,000 (6,400,000)	-	133,913,000
Assignment of advances	18.2	(128,607,284)	-	-	-
Advances assigned	18.1	2,000,000	-	- (2,000,000)	
Rentals	21.1	166,629,474	394,465,381	372,598,795 (21,117,035)	(43,451,237)
Key Management Personnel - Compensation	18.5	23,200,000	-	-	-

From January 1, 2018, 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 December 31, 2019 and 2018 are recoverable since these related parties have the capacity to pay the advances upon demand. There were no impairment losses recognized for these receivables from related parties in 2019, 2018 and 2017.

18.1 Advances Obtained

The Company obtains unsecured, noninterest-bearing cash advances from its parent company and related parties under common ownership for its working capital requirements, which are payable in cash on demand. Outstanding payable arising from these transactions are presented as Due to Related Parties in the 2018 statement of financial position.

The details of Due to Related Parties as of December 31, 2018 are as follows:

Parent company	P	625,352,292
Related party under common ownership		<u>2,000,000</u>
	P	<u>627,352,292</u>

In 2019, the Company's payable to a related party under common ownership was assigned to the parent company.

An analysis of the movements in the Due to Related Parties is shown below.

	Note	2019	2018
Balance at beginning of year		P 627,352,292	P 239,602,292
Debt-to-equity conversion	19.1	(1,000,000,000)	(660,000,000)
Advances obtained during the year		709,829,951	1,197,750,000
Advances paid during the year		(208,574,959)	(150,000,000)
Offsetting of advances		(<u>128,607,284</u>)	<u>-</u>
Balance at end of year		<u>P -</u>	<u>P 627,352,292</u>

In 2019, the Company has set-off certain advances payable to the parent company against its receivable from the same related party (see Note 18.2).

In 2019 and 2018, the Company issued additional shares of stock amounting to P1,000.0 million and P660.0 million, which was subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 19.1).

18.2 Advances Granted

The Company provides unsecured, noninterest-bearing cash advances to its related parties under common ownership for their working capital requirements, which are collectible in cash on demand. Outstanding receivables from these transactions are presented as Due from Related Parties in the 2018 statement of financial position.

Due from Related Parties came from related parties under common ownership and amounts to P133.9 million as of December 31, 2018.

An analysis of the movements in the Due from Related Parties is shown below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 133,913,000	P 125,913,000
Collections during the year	(341,975,716)	(22,470,365)
Advances granted during the year	336,670,000	30,470,365
Offsetting of advances	(128,607,284)	-
Balance at end of year	<u>P -</u>	<u>P 133,913,000</u>

In 2019, the Company's receivables from related parties under common ownership amounting to P128.6 million were assigned by the related parties to the parent company. These receivables were subsequently set-off by the Company against its payables to the parent company (see Note 18.1).

18.3 Guarantees of Loans

The Company obtained short-term loans with interests ranging from 7.0% to 9.0% in 2019 and 5.0% and 7.0% in 2018, and long-term loans with interest ranging from 6.25% to 6.69% for additional working capital requirements, and store construction and expansion. The loans are secured by cross suretyship of its ultimate parent company (see Note 11).

18.4 Sale of Merchandise

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

18.5 Key Management Personnel Compensation

In 2019, the total key management personnel compensation which includes short-term and post-employment benefits amounted to P23.2 million. There is no outstanding balance as of December 31, 2019. The Company has no expenses recognized for key management compensation in 2018 and 2017 since its key management functions were handled by the parent company at no cost to the Company.

19. EQUITY

19.1 Capital Stock

Details of this account are shown below.

	Shares				Amount		
	2019	2018	2017		2019	2018	2017
Authorized - par value							
Common – P1.00 par value	5,900,000,000	2,000,000,000	2,000,000,000	P	5,900,000,000	P 2,000,000,000	P 2,000,000,000
Preferred – P0.10 par value	1,000,000,000	-	-		100,000,000	-	-
Issued and outstanding:							
Common shares:							
Balance at beginning of year	2,000,000,000	1,340,000,000	1,340,000,000	P	2,000,000,000	P 1,340,000,000	P 1,340,000,000
Issuance during the year	1,750,000,002	660,000,000	-		1,750,000,002	660,000,000	-
Balance at end of year	3,750,000,002	2,000,000,000	1,340,000,000	P	3,750,000,002	P 2,000,000,000	P 1,340,000,000

In 2018, the Company issued additional shares of stock for a total consideration of P660.0 million to existing stockholders. The shares of stock were subscribed and fully paid through the conversion of certain advances from related parties to equity (see Note 18.1). The debt-to-equity conversion was approved by the SEC on December 28, 2018.

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 its parent company that were converted into equity and two common shares for a consideration of P2.00 to independent directors (see Note 18.1).

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

As of December 31, 2019, the Company's number of shares registered totaled 3,750,000,002 with par value of P1.00 per share and closed at a price of P11.64. The total number of stockholders is 24 as of December 31, 2019, with the shares held in the name of PCD Nominee Corporation belonging to 137 participants.

19.2 Additional Paid-In Capital

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

19.3 Dividends Declaration

The Company's BOD approved the declaration of cash dividends amounting to P25.6 million (P1.28 per share) on May 28, 2019, payable to stockholders of record on June 14, 2019. The cash dividends were paid on June 28, 2019. There was no dividend declaration in 2018.

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 the 2019 statement of changes in equity under Revaluation Reserves account.

20. EARNINGS PER SHARE

EPS were computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit	P 1,049,749,058	P 511,406,994	P 112,607,497
Divided by weighted average number of outstanding common shares	<u>2,687,500,001</u>	<u>1,340,000,000</u>	<u>1,340,000,000</u>
Basic and diluted EPS	<u>P 0.39</u>	<u>P 0.38</u>	<u>P 0.08</u>

The Company has no potential dilutive common shares as of December 31, 2019, 2018 and 2017.

21. COMMITMENTS AND CONTINGENCIES

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

21.1 Lease Commitments – Company as Lessee

The Company entered into a non-cancellable operating leases with related parties under common ownership and third parties covering its various store outlets and warehouse facilities (see Notes 12 and 18). The future minimum lease payments under these non-cancellable leases as of December 31, 2018 are as shown below.

Within one year	P 543,140,463
After one year but not more than five years	706,698,950
More than five years	<u>493,905,384</u>
	<u>P 1,743,744,797</u>

The total rental expense recognized from variable leases payments amounted to P181.9 million in 2019 while rental expense recognized from operating leases amounted to P450.1 million and P400.2 million in 2018 and 2017, respectively, and are presented as Rentals under Selling, General and Administrative Expenses in the statements of comprehensive income (see Note 14.2).

Variable lease payments expensed on the basis that they are not recognized as a lease liability include rentals based on a certain percentage of revenue. Variable lease payments are expensed in the period they are incurred.

21.2 Legal Claims

The Company is a party to certain case from the normal course of business. The Company and its legal counsel believe that any eventual liabilities under this case will not have a material effect on the financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as of December 31, 2019 and 2018.

21.3 Others

There are other commitments, guarantees and contingent liabilities that may arise in the normal course of operations of the Company which are not reflected in the financial statements. As of December 31, 2019 and 2018, 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 and in the succeeding pages.

22.1 Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. In 2019, 2018 and 2017, the Company is exposed to changes in market interest rates through its cash in banks and short-term placements, which are subject to variable interest rates. However, due to its short-duration, management believes that the interest rate sensitivity and its effect on the net result for the year and equity are not significant (see Note 5).

On the other hand, the Company's long-term bank loans are subject to fixed rates ranging from 6.25% to 6.69% per annum in 2019 and 2018, and 6.25% in 2017 and (see Note 11). Accordingly, management assessed that the Company is not significantly exposed to changes in market interest rates for its bank borrowings in 2019, 2018 and 2017.

22.2 Credit Risk

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

The Company continuously monitors defaults of other counterparties, identified individually, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

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

	Notes	2019	2018
Cash and cash equivalents	5	P 2,342,992,013	P 298,492,381
Trade and other receivables	6	269,259,418	1,192,335,003
Due from related parties	18	-	133,913,000
		<u>P 2,612,251,431</u>	<u>P 1,624,740,384</u>

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 P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

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

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

The expected loss rates are based on the payment and aging profiles over a period of 5 years before December 31, 2019 and 2018, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified that the Philippine gross domestic product in 2019 was the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit-impaired or when the customer is not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, the loss allowance as of December 31, 2019 was determined based on months past due, for trade receivables, excluding advances to officers and employees, as follows:

	Within in 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Expected loss rate	19.42%	21.74%	32.06%	49.93%	
Gross carrying amount	P 111,066,269	P 23,810,304	P 3,731,892	P 9,187,067	P 147,795,532
Loss allowance	-	5,177,072	1,196,583	4,587,547	10,961,202

There were no loss allowances as of December 31, 2018.

(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 December 31, 2019 and 2018 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.

As of December 31, 2019, the Company's financial liabilities have contractual maturities which are summarized below.

	Notes	Current		Non-current	
		Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
Trade and other payables	10	P 1,955,788,449	P -	P -	P -
Lease liabilities	12	348,820,305	347,596,782	1,234,036,478	3,337,075,143
		P 2,304,608,754	P 347,596,782	P 1,234,036,478	P 3,337,075,143

This compares to the contractual maturities of the Company's financial liabilities as of December 31, 2018 as follows:

	Notes	Current		Non-current	
		Upon demand/ Within Six Months	Six to 12 Months	One to Three Years	Later than Three Years
Trade and other payables	10	P 343,651,438	P 13,122,281	P -	P -
Loans and borrowings	11	839,137,959	839,137,959	2,269,230,769	846,153,836
Due to related parties	18	627,352,292	-	-	-
		P 1,810,141,689	P 852,260,240	P 2,269,230,769	P 846,153,836

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

23. CATEGORIES AND FAIR VALUE MEASUREMENTS

23.1 Carrying Amounts and Fair Values Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are as follows:

	Notes	December 31, 2019		December 31, 2018	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets:					
At amortized cost:					
Cash and cash equivalents	5	P 2,342,992,013	P 2,342,992,013	P 298,492,381	P 298,492,381
Trade and other receivables	6	269,259,418	269,259,418	1,192,335,003	1,192,335,003
Due from related parties	18	-	-	133,913,000	133,913,000
		P 2,612,251,431	P 2,612,251,431	P 1,624,740,384	P 1,624,740,384
Financial liabilities:					
Financial liabilities at amortized cost:					
Trade and other payables	10	P 1,955,788,449	P 1,955,788,449	P 356,773,719	P 356,773,719
Lease liability	12	4,942,209,363	4,942,209,363	-	-
Loans payable	11	-	-	4,315,384,615	4,793,660,523
Due to related party	18	-	-	627,352,292	627,352,292
		P 6,897,997,812	P 6,897,997,812	P 5,299,510,626	P 5,777,786,534

Management considers that the carrying values of the above financial assets and financial liabilities, measured at amortized costs, approximate their fair values either because these instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

See Note 2.3 and 2.7 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 22.

23.2 Offsetting of Financial Assets and Financial Liabilities

The Company's financial assets and financial liabilities with net amounts presented in the statements of financial position as of December 31, 2019 are subject to offsetting are as follows:

	<u>Gross Amount Recognized</u>	<u>Amount Set-off</u>	<u>Amount of Cash Received (Paid)</u>	<u>Net Amount Presented</u>
<i>Financial Asset –</i>				
Due from related parties	P 470,583,000	(P 128,607,284)	(P 341,975,716)	P -
<i>Financial Liability –</i>				
Due to related parties	P 1,337,182,243	(P 128,607,284)	(P 1,208,574,959)	P -

There were no offsetting of financial assets and financial liabilities for the year ended December 31, 2018.

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties (i.e. related parties including parent company and companies under common ownership) allows for the net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

23.3 Fair Value Hierarchy

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

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

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

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

There are no financial assets and financial liabilities measured at fair value as of December 31, 2019 and 2018. Neither was there transfers among fair value levels in those years.

23.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Note 23.1).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	P 2,342,992,013	P -	P -	P 2,342,992,013
Trade receivables	-	-	269,259,418	269,259,418
	<u>P 2,342,992,013</u>	<u>P -</u>	<u>P 269,259,418</u>	<u>P 2,612,251,431</u>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 1,955,788,449	P 1,955,788,449
Lease liabilities	-	-	4,942,209,363	4,942,209,363
	<u>P -</u>	<u>P -</u>	<u>P 6,897,997,812</u>	<u>P 6,897,997,812</u>
<u>December 31, 2018</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	P 298,492,381	P -	P -	P 298,492,381
Trade and other receivables	-	-	1,192,335,003	1,192,335,003
Due from related parties	-	-	133,913,000	133,913,000
	<u>P 298,492,381</u>	<u>P -</u>	<u>P 1,326,248,003</u>	<u>P 1,624,740,384</u>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 356,773,719	P 356,773,719
Loans and borrowings	-	-	4,315,384,615	4,315,384,615
Due to related parties	-	-	627,352,292	627,352,292
	<u>P -</u>	<u>P -</u>	<u>P 5,299,510,626</u>	<u>P 5,299,510,626</u>

24. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total liabilities	P 7,270,207,745	P 5,536,827,107	P 3,673,089,566
Total equity	<u>12,414,922,778</u>	<u>2,678,603,864</u>	<u>1,507,196,870</u>
Debt-to-equity ratio	<u>0.59 : 1.00</u>	<u>2.07 : 1.00</u>	<u>2.44 : 1.00</u>

The Company monitors capital on the debt-to-equity ratio on its covenants with certain financial institutions. The Company has properly complied with the loans' covenants as of December 31, 2018. There was no outstanding loan as of December 31, 2019.

25. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 11, 2020, the World Health Organization has declared the coronavirus disease 2019 (COVID-19) outbreak to be a global pandemic. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced community quarantine within Luzon in order to contain the spread of COVID-19. This resulted to travel restrictions affecting supply chain and temporary suspension of business operations.

Management has determined that these events are non-adjusting subsequent events. Accordingly, such subsequent events had no impact on the Company's financial statements as of and for the year ended December 31, 2019.

While the disruption in supply chain and business operations is currently expected to be temporary, management acknowledges the risks on the Company's economic condition and business activities. In addition, the Company is exposed to the risk of potential impact on its inventory levels, decline in foot traffic on stores and potential impact on new store roll-out for the year. On the other hand, the Company's debut on the stock market in 2019 gave added financial security to raise capital to fund its needed inventories for its new stores. Also, the Company has taken specific measures to mitigate the risks brought about by the COVID-19 pandemic. However, the severity of potential impact from these risks will depend on certain factors, including the duration of the enhanced community quarantine, the effect of COVID-19 pandemic to the Company's customers, suppliers and employees, and the effectiveness of government support programs to its citizens, among others. All these factors are uncertain and cannot be estimated as of the date of the issuance of the Company's financial statements. Accordingly, management is not able to reliably estimate the impact of COVID-19 pandemic on the Company's financial position and results of operation as of and for the year ended December 31, 2019.

26. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

RA No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Company's financial statements.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Presented below and in the succeeding pages is the supplementary information which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and licenses fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) *Output VAT*

In 2019, the Company declared output VAT as follows:

	<u>Tax Base</u>	<u>Output VAT</u>
Sale of merchandise	P 12,060,276,883	P 1,447,233,226
Other income:		
Vendors' support	243,675,678	29,241,081
Marketing fees	37,403,800	4,488,456
Delivery fees	39,951,115	4,794,134
Gondola rental	24,666,262	2,959,951
Miscellaneous	<u>6,634,847</u>	<u>796,182</u>
	<u>P 12,412,608,585</u>	<u>P 1,489,513,030</u>

The tax bases are included as part of Revenues and Other Income in the 2019 statement of comprehensive income.

(b) *Input VAT*

The movements in input VAT in 2019 are summarized below.

Balance at beginning of year	P -
Goods for resale/manufacture or further processing	909,796,703
Services lodged under other accounts	207,503,931
Capital goods subject to amortization	204,137,248
Capital goods not subject to amortization	1,202,795
Applied against output VAT	(<u>1,322,640,677</u>)
Balance at end of year	<u>P -</u>

(c) *Excise Tax*

The Company did not have any transaction in 2019 which is subject to excise tax.

(d) *Documentary Stamp Tax (DST)*

DST relating to the issuance of shares of stock amounting to P13.8 million is presented as part of Taxes and licenses under Selling, General and Administrative Expenses in the 2019 statement of comprehensive income.

(e) *Taxes and Licenses*

The details of taxes and licenses account in 2019 are shown below.

Municipal license and permits	P	62,787,996
DST		13,807,202
Registration fees		<u>30,552</u>
	P	<u>76,625,750</u>

The amount of taxes and licenses are presented as part of Selling, General and Administrative Expenses in the 2019 statement of comprehensive income.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2019 are shown below.

Expanded	P	101,379,605
Compensation and benefits		<u>13,000,777</u>
	P	<u>114,380,382</u>

The Company does not have any transactions subject to final withholding taxes.

(g) *Deficiency Tax Assessments*

In 2019, the Company paid deficiency taxes on DST, business tax, income tax and others amounting to P2.65 million, P1.83 million, P1.62 million and P0.14 million which are presented as part of Miscellaneous under Selling, General and Administrative Expenses in the 2019 statement of comprehensive income.

As of December 31, 2019, the Company does not have any other final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange Commission
Filed Separately from the
Basic Financial Statements**

Punongbayan & Araullo
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The Board of Directors
AllHome Corp.
(A Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City
Daang Hari, Almanza II
Las Piñas City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the year ended December 31, 2019, on which we have rendered our report dated May 27, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 27, 2020

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
List of Supplementary Information
December 31, 2019

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	1
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	N/A
D	Long-term Debt	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	2
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	3
Others Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	4
	Map Showing the Relationship Between the Company and its Related Entities	5

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of the Period	Additions	Deductions				Ending Balance		Balance at End of the Period
		Amounts Granted	Amounts Collected	Amounts Written-off	Amounts Assigned	Current	Not Current		
<i>Advances to officers and employees</i>	P 4,051,394	P 6,472,151	(P 3,043,535)	P -	P -	P 7,480,010	P -	P 7,480,010	
<i>Advances to related parties</i>									
AllDay Retail Concepts, Inc.	97,942,635	133,000,000	(157,525,680)	-	(73,416,955)	-	-	-	
The Village Server, Inc.	31,450,036	40,000,000	(71,450,036)	-	-	-	-	-	
Family Shoppers Unlimited, Inc.	4,520,329	113,000,000	(113,000,000)	-	(4,520,329)	-	-	-	
CMStar Management, Inc.	-	50,670,000	-	-	(50,670,000)	-	-	-	
TOTAL	P 137,964,394	P 343,142,151	(P 345,019,251)	P -	(P 128,607,284)	P 7,480,010	P -	P 7,480,010	

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of the Period	Balance at End of the Period
AllValue Holdings Corp.	P 625,352,292	P -
Golden Bria Holdings, Inc.	<u>2,000,000</u>	<u>-</u>
TOTAL	<u>P 627,352,292</u>	<u>P -</u>

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Shares at P1.00 par value	<u>5,900,000,000</u>	<u>3,750,000,002</u>	<u>-</u>	<u>2,540,108,000</u>	<u>502</u>	<u>1,209,891,500</u>
Preferred Shares at P0.10 par value	<u>1,000,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ALLHOME CORP.
(A Subsidiary of AllValue Holdings Corp.)
Lower Ground Floor, Building B, Evia Lifestyle Centre
Almanza II, Las Piñas City
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2019

Unappropriated Retained Earnings Available at Beginning of the Period		
As previously reported	P	678,603,864
Effect of adoption of PFRS 16	(	<u>217,261,244</u>)
As restated		461,342,620
Net profit per audited financial statements		1,049,749,058
Less: Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in profit or loss during the period	(	58,870,753)
Dividend Declarations During the Period	(	<u>25,570,350</u>)
Unappropriated Retained Earnings Available for		
Dividend Declaration at End of the Period	P	<u><u>1,426,650,575</u></u>

ALLHOME CORP.

(A Subsidiary of AllValue Holdings Corp.)

**SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP
ULTIMATE PARENT COMPANY AND PARENT COMPANY**



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines
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**The Board of Directors and the Stockholders
AllHome Corp.**

(A Subsidiary of AllValue Holdings Corp.)

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AllHome Corp. (the Company) for the years ended December 31, 2019 and 2018, on which we have rendered our report dated May 27, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as of December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 27, 2020

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd (GTIL).

grantthornton.com.ph

Offices in Cavite, Cebu, Davao
BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

ALLHOME CORP.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 8,124,449,069 Divide by: Total Current Liabilities 2,465,483,571 Current ratio 3.30	3.30	Total Current Assets divided by Total Current Liabilities Total Current Assets P 4,973,802,366 Divide by: Total Current Liabilities 2,752,335,679 Current ratio 1.81	1.81
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P 8,124,449,069 Less: Inventories (5,208,925,853) Other Current Assets (295,791,775) Quick Assets 2,619,731,441 Divide by: Total Current Liabilities 2,465,483,571 Acid test ratio 1.06	1.06	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets P 4,973,802,366 Less: Inventories (2,690,897,676) Other Current Assets (654,112,912) Quick Assets 1,628,791,778 Divide by: Total Current Liabilities 2,752,335,679 Acid test ratio 0.59	0.59
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 7,270,207,745 Divide by: Total Assets 19,685,130,523 Solvency ratio 0.37	0.37	Total Liabilities divided by Total Assets Total Liabilities P 5,536,827,107 Divide by: Total Assets 8,215,430,971 Solvency ratio 0.67	0.67
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities P 7,270,207,745 Divide by: Total Equity 12,414,922,778 Debt-to-equity ratio 0.59	0.59	Total Liabilities divided by Total Equity Total Liabilities P 5,536,827,107 Divide by: Total Equity 2,678,603,864 Debt-to-equity ratio 2.07	2.07
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 19,685,130,523 Divide by: Total Equity 12,414,922,778 Assets-to-equity ratio 1.59	1.59	Total Assets divided by Total Equity Total Assets P 8,215,430,971 Divide by: Total Equity 2,678,603,864 Assets-to-equity ratio 3.07	3.07
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 1,890,446,931 Divide by: Interest expense 411,809,031 Interest rate coverage ratio 4.59	4.59	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 775,064,391 Divide by: Interest expense 46,364,729 Interest rate coverage ratio 16.72	16.72
Return on equity	Net Profit divided by Total Equity Net Profit P 1,049,749,058 Divide by: Total Equity 12,414,922,778 Return on equity 0.08	0.08	Net Profit divided by Total Equity Net Profit P 511,406,994 Divide by: Total Equity 2,678,603,864 Return on equity 0.19	0.19
Return on assets	Net Profit divided by Total Assets Net Profit P 1,049,749,058 Divide by: Total Assets 19,685,130,523 Return on assets 0.05	0.05	Net Profit divided by Total Assets Net Profit P 511,406,994 Divide by: Total Assets 8,215,430,971 Return on assets 0.06	0.06
Net profit margin	Net Profit divided by Total Revenue Net Profit P 1,049,749,058 Divide by: Total Revenue 12,060,276,883 Net profit margin 0.09	0.09	Net Profit divided by Total Revenue Net Profit P 511,406,994 Divide by: Total Revenue 7,192,220,055 Net profit margin 0.07	0.07