C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

AS95003836

C O M P A N Y   N A M E

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

747 Romualdez Street, Ermita, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
d_uy@octagon.com.ph	(02) 8 526-7152	0920 960 9377

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
8	May 25	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Anita Lim	a_lim@octagon.com.ph	(02) 8 526-7152	–

CONTACT PERSON'S ADDRESS

747 Romualdez Street, Ermita, Manila

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Upson International Corp.
747 Romualdez Street
Ermita, Manila

Opinion

We have audited the accompanying financial statements of Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 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 the audit 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.

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, these 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.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 **2021**	2020
ASSETS			
Current Assets			
Cash	4	**₱1,100,790,419**	₱680,841,482
Trade and other receivables	5	**38,682,534**	90,568,512
Inventories	6	**2,007,274,236**	1,479,700,400
Advances to related parties	15	**–**	1,098,699,844
Other current assets	7	**164,734,059**	140,836,954
Total Current Assets		**3,311,481,248**	3,490,647,192
Noncurrent Assets			
Property and equipment	9	**682,939,554**	759,067,608
Right-of-use (ROU) assets	17	**153,465,790**	123,362,619
Deferred tax assets	18	**16,077,663**	36,780,928
Total Noncurrent Assets		**852,483,007**	919,211,155
		₱4,163,964,255	₱4,409,858,347
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱1,787,805,048**	₱1,179,856,946
Current portion of bank loans and trust receipts payable	11	**1,246,434,750**	2,335,118,452
Current portion of lease liabilities	17	**121,678,646**	90,400,339
Income tax payable		**37,738,979**	16,929,375
Total Current Liabilities		**3,193,657,423**	3,622,305,112
Noncurrent Liabilities			
Bank loans - net of current portion	11	**–**	150,000,000
Lease liabilities - net of current portion	17	**40,276,058**	40,528,672
Retirement liability	16	**31,811,018**	25,178,232
Total Noncurrent Liabilities		**72,087,076**	215,706,904
Equity			
Capital stock	12	**500,000,000**	267,500,000
Retained earnings	12	**404,464,987**	307,823,830
Accumulated remeasurement loss on retirement liability	16	**(6,245,231)**	(3,477,499)
Total Equity		**898,219,756**	571,846,331
		₱4,163,964,255	₱4,409,858,347

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.
(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2021**	2020	2019
SALES		**₱8,567,941,202**	₱8,152,203,754	₱7,569,578,893
COST OF SALES	6	**(6,682,292,006)**	(6,480,930,603)	(5,988,484,639)
GROSS INCOME		**1,885,649,196**	1,671,273,151	1,581,094,254
OPERATING EXPENSES	13	**(1,322,687,810)**	(1,257,649,464)	(1,217,042,438)
INCOME FROM OPERATIONS		**562,961,386**	413,623,687	364,051,816
FINANCE COSTS	11	**(116,263,266)**	(213,968,720)	(245,966,991)
OTHER INCOME	14	**90,852,948**	95,463,091	3,668,110
INCOME BEFORE INCOME TAX		**537,551,068**	295,118,058	121,752,935
PROVISION FOR (BENEFIT FROM) INCOME TAX	18			
Current		**112,615,259**	74,470,763	39,948,068
Deferred		**21,294,652**	13,902,630	(3,494,580)
		133,909,911	88,373,393	36,453,488
NET INCOME		**403,641,157**	206,744,665	85,299,447
OTHER COMPREHENSIVE LOSS				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement loss on retirement liability - net of deferred income tax	16	**(2,519,339)**	(3,477,499)	–
TOTAL COMPREHENSIVE INCOME		**₱401,121,818**	₱203,267,166	₱85,299,447
BASIC/DILUTED EARNINGS PER SHARE	23	**₱1.51**	₱0.77	₱0.32

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF CHANGES IN EQUITY

			Years Ended December 31	
	Note	**2021**	2020	2019
CAPITAL STOCK - ₱1 par value	12			
Authorized - 1,250,000,000 shares in 2021, and 500,000,000 shares in 2020 and 2019				
Issued and outstanding - 500,000,000 shares in 2021, 267,500,000 shares in 2020 and 2019		**₱500,000,000**	₱267,500,000	₱267,500,000
RETAINED EARNINGS				
Balance at beginning of year		**307,823,830**	101,079,165	15,779,718
Net income		**403,641,157**	206,744,665	85,299,447
Cash dividends - ₱0.67 per share in 2021	12	**(307,000,000)**	–	–
Balance at end of year		**404,464,987**	307,823,830	101,079,165
ACCUMULATED REMEASUREMENT LOSS ON RETIREMENT LIABILITY	16			
Balance at beginning of year		**(3,477,499)**	–	–
Remeasurement loss on retirement liability - net of deferred income tax		**(2,519,339)**	(3,477,499)	–
Effect of change in income tax rate		**(248,393)**	–	–
Balance at end of year		**(6,245,231)**	(3,477,499)	–
		₱898,219,756	₱571,846,331	₱368,579,165

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.
(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱537,551,068**	₱295,118,058	₱121,752,935
Adjustments for:				
Depreciation and amortization	9	**303,334,752**	315,341,176	357,573,116
Finance costs	11	**116,263,266**	213,968,720	245,966,991
Gain on lease concessions	17	**(52,687,895)**	(94,416,731)	–
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Retirement expense	16	**3,273,667**	2,544,438	5,112,267
Interest income	4	**(710,294)**	(919,283)	(410,738)
Gain on lease modification	17	**(621,157)**	(127,077)	–
Operating income before working capital changes		**899,057,083**	744,911,221	729,994,571
Decrease (increase) in:				
Trade and other receivables		**51,885,978**	(11,939,180)	(13,621,418)
Inventories		**(520,227,512)**	(144,479,134)	(24,983,433)
Other current assets		**(23,897,105)**	(6,457,604)	(12,429,028)
Increase (decrease) in trade and other payables		**607,294,769**	(55,133,520)	(72,701,529)
Net cash generated from operations		**1,014,113,213**	526,901,783	606,259,163
Income taxes paid		**(91,805,655)**	(65,623,949)	(31,565,549)
Interest received		**710,294**	919,283	410,738
Net cash provided by operating activities		**923,017,852**	462,197,117	575,104,352
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of advances to related parties		**1,098,699,844**	3,287,408	(255,975,356)
Additions to property and equipment	9	**(58,818,497)**	(45,500,392)	(53,849,064)
Proceeds from sale of assets held for sale	8	**–**	157,639,445	–
Net cash provided by investing activities		**1,039,881,347**	115,426,461	(309,824,420)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans and trust receipts	11	**(4,093,501,174)**	(3,981,514,789)	(2,714,645,323)
Dividends	12	**(307,000,000)**	–	–
Lease liabilities	17	**(126,213,919)**	(109,976,339)	(246,651,025)
Interests		**(103,552,641)**	(195,134,617)	(225,287,220)
Proceeds from loans and trust receipts availments	11	**2,854,817,472**	4,122,847,904	2,962,715,441
Proceeds from additional subscription of shares of stock	12	**232,500,000**	–	–
Net cash used in financing activities		**(1,542,950,262)**	(163,777,841)	(223,868,127)
NET INCREASE IN CASH		**419,948,937**	413,845,737	41,411,805
CASH AT BEGINNING OF YEAR		**680,841,482**	266,995,745	225,583,940
CASH AT END OF YEAR	4	**₱1,100,790,419**	₱680,841,482	₱266,995,745

NONCASH FINANCIAL INFORMATION				
Additions and modifications to ROU assets	17	**(₱198,491,372)**	(₱134,140,864)	(₱24,538,082)
Additions and modifications to lease liabilities	17	**197,870,215**	134,013,787	24,538,082
Transfer of loans payable	11	**–**	1,315,000,000	–

See accompanying Notes to Financial Statements.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Upson International Corp. (Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1995. The Company is primarily engaged in the business of buying, selling, distributing, marketing, at wholesale and retail all kinds of goods, commodities, wares and merchandise such as but not limited to computer hardware equipment, telecommunications and other similar products.

The registered office address of the Company is 747 Romualdez Street, Ermita, Manila.

On December 17, 2021, the SEC approved the increase in the Company's authorized capital stock from 500,000,000 shares at ₱1 par value a share, or equivalent to ₱500.0 million to 1,250,000,000 shares at the same par value, or equivalent to ₱1,250.0 million. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 12).

The increase in authorized capital stock is pursuant to the planned public offering of the Company shares with the Philippine Stock Exchange (PSE). As at December 31, 2021, the Company is in the process of completing the required documentation with the SEC and PSE.

The financial statements of the Company as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 was approved and authorized for issuance by the Company's Board of Directors (BOD) on February 9, 2022.

2. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee.

Measurement Bases

The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All values are rounded to nearest Peso, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values of financial assets and liabilities are disclosed in Note 20.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021*.

In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

In 2021, the Company received additional rent concessions that met the criteria for the application of the practical expedient. The impact of application of the practical expedient is disclosed in Note 17.

Amended PFRS in Issue but not yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

    - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

    - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, the Company does not have financial assets at FVPL and FVOCI and financial liabilities at FVPL.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL), if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the Company's cash in banks, trade receivables, advances to related parties and refundable lease deposits (presented under "Other current assets" in the statement of financial position) are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2021 and 2020, the Company's trade and other payables (excluding statutory payables and others), bank loans and trust receipts payable, and lease liabilities are classified under this category.

Impairment of Financial Assets
The Company recognizes an allowance for ECL on its financial assets at amortized cost.

Trade Receivables. The Company recognizes lifetime ECL which are estimated using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors, general economic condition and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments at Amortized Cost. The Company measures the ECL on its other financial assets at amortized cost based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the continuing involvement of the Company in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). NRV represents the estimated selling price less all estimated costs to sell. Cost of inventories includes all costs of purchase and other costs incurred to bring the merchandise inventories to its present condition and location. Cost is determined using moving average method. In determining the estimated selling price less cost to sell, the Company considers any adjustment necessary for obsolescence.

When the NRV of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as a reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Assets Held for Sale
Assets held for sale pertain to equity investments in which the Company previously exercised control and which will be recovered through a sale transaction rather than through continuing use. These are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for assets to be classified as held for sale are regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale of the asset beyond one year. Such extension of the period required to complete the sale still permits the asset to be classified as held for sale if the delay is beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset or group of assets.

Advances to Suppliers
Advances to suppliers consist of advance payments made to suppliers for the purchase of inventory. Advances to suppliers are measured at the amount of cash paid. Advances to suppliers are applied against billings upon receipt of inventory purchased.

Other Current Assets
Other current assets include refundable lease deposits (classified as financial asset), input value-added tax (VAT) and prepayments.

Refundable lease deposits. Refundable lease deposits pertain to deposits as required by lease agreement to cover for repairs on damaged leased properties, which are refundable at the end of the lease term. Refundable lease deposits are initially recorded at transaction cost and subsequently measured at cost less any impairment loss. Refundable lease deposits that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as these are consumed in operations or expire with the passage of time. Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Property and Equipment
Land and buildings held for use in the supply of goods or for administrative purposes, transportation equipment and other items of property and equipment are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditures relating to an item of property and equipment that has already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in profit or loss in the period in which those are incurred.

Properties in the course of construction for supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes contractor fees and other construction costs; and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other items of property and equipment, commences when the assets are ready for their intended use.

Land is not depreciated and subsequently measured at cost less impairment loss, if any. Building and building improvements, leasehold improvements, store furniture and equipment, transportation equipment, and furniture and fixtures are subsequently measured at cost less accumulated depreciation, amortization and any impairment losses.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of property and equipment as follows:

	Number of Years
Building and building improvements	20
Leasehold improvements	3 years or the term of lease whichever is shorter
Transportation equipment	5
Store furniture and equipment	3-5
Furniture and fixtures	3

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further depreciation and amortization are credited or charged to operations.

An item of property, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the nonfinancial assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The fair value less cost to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset is written down to its recoverable amount. Any impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Capital Stock

Capital stock is measured at par value for all shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of the Company's results of operations, net of any dividend declaration.

Dividend Distribution

Dividend distribution to stockholders is deducted from retained earnings in the year the dividends are declared and approved.

Other Comprehensive Income

Other comprehensive income pertains to the accumulated remeasurement gain or loss on the Company's retirement liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement liability, and the corresponding deferred tax component, are recognized immediately in OCI and presented as a separate line item within equity. These are not reclassified to profit or loss in subsequent periods.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year by the weighted average number of shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

The Company has assessed that it acts as a principal in all of its revenue sources. Moreover, the Company generates its revenues from sale of goods which are recognized at a point in time.

Sales. Revenue is recognized upon the delivery of goods upon which the significant risks and rewards of ownership of the goods have passed to the buyer.

For revenue from other sources, the following specific recognition criteria must be met before revenue is recognized:

Interest Income. Interest income is recognized as the interest accrues using the effective interest method.

Other Income. Income is recognized when earned.

Cost and Expense Recognition
Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in asset or an increase in liability has arisen that can be measured reliably.

Cost of Sales. Cost of sales is recognized as expense when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of cost can be measured reliably, which is normally upon transfer of goods to the buyer.

Operating expenses. Operating expenses constitute costs of administering the business, and the costs of selling and marketing the inventories for sale. These are recognized in profit or loss as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method unless these are directly attributable to the construction of a qualifying asset, which are capitalized as part of the asset.

Borrowing Costs
Borrowing costs consist of interest and other financing costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended sale are capitalized. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognized as expense in the period these are incurred based on the effective interest method.

Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and

ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential lease component.

The Company as a Lessee. At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

i. the amount of the initial measurement of lease liabilities;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and

iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from more than one (1) year to three (3) years. The ROU assets are assessed for impairment at reporting date if there is any indication that the carrying amount will not be recovered through continued use.

Lease Liabilities. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

i. fixed payments, including in-substance fixed payments;

ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. amounts expected to be payable by the lessee under residual value guarantees; and

iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Employee Benefits

Short-term Benefits. The Company recognizes a liability for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement Benefit. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs and interest cost, in profit or loss. Interest cost is calculated by applying the discount rate to the retirement liability.

Remeasurements comprising actuarial gains and losses and any change in the effect of the asset ceiling (excluding interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability, which is the present value of the retirement liability on which the obligations are to be settled directly, is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency Transactions and Translation

Transactions in currencies other than Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Gains and losses arising on retranslation are included in profit or loss for the year.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Company when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Income Tax

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity respectively.

VAT

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,

- receivables and payables that are stated with the amount of VAT included.

The amount of VAT recoverable from or payable to the taxation authority is presented as “Input VAT” under “Other current assets” account or included as part of “Statutory payables” under “Trade and other payables” account in the statements of financial position.

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingencies

Contingent liabilities and assets are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are disclosed in the notes to financial statements when inflows of economic benefits are probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Company’s financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

In applying the Company's accounting policies, management is required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

The critical judgments, apart from those involving estimations, that the management has made and that have the most significant effect on the amounts recognized in the financial statements are discussed below.

Determining the Classification of Financial Instruments. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather Company than its legal form, governs its classification in the Company's statements of financial position.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its office, stores, advertisement and warehouse spaces. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. The Company availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Determining the Appropriate Discount Rate for Lease Payments. The Company's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Company considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Company determined that the implicit rate in the lease agreements is not readily available. The Company used the incremental borrowing rate to determine the present value of ROU assets and lease liabilities.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimate at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Assessing the ECL on Trade Receivables. The Company applies the simplified approach in measuring ECL on trade receivables which uses a lifetime ECL allowance using a provision matrix. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as applicable.

The Company has assessed that the ECL on trade receivables are not material as these pertain mainly to receivables from credit card companies and are generally collected within three (3) days from the date of transaction. No ECL was provided for trade receivables in 2021, 2020 and 2019. The carrying amount of trade receivables amounted to ₱19.9 million and ₱68.9 million as at December 31, 2021 and 2020, respectively (see Note 5).

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL on other financial assets at amortized cost using the general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets. The provision for ECL recognized during the period is limited to 12 months ECL because the Company's other financial assets at amortized cost are considered to have low credit risk. When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. The information about the ECL on the Company's other financial assets at amortized cost is disclosed in Note 19 to the financial statements.

The carrying amounts of the Company's other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Cash in banks	4	**₱1,097,065,384**	₱678,931,982
Refundable lease deposits	7	**156,044,735**	139,526,459
Advances to related parties	15	**–**	1,098,699,844

Estimating the NRV of Inventories. The NRV of inventories represents the estimated selling price for the asset less all estimated costs necessary to make the sale. The Company determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company writes down the carrying amount of inventory for the excess of carrying amount over its NRV or fair value less cost to sell. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

The Company wrote-off inventory amounting to ₱58.5 million, ₱64.3 million and nil in 2021, 2020 and 2019, respectively. Provision for (reversal of) inventory obsolescence amounted to (₱7.3 million), ₱13.4 million and nil in 2021, 2020 and 2019, respectively. Allowance for inventory obsolescence amounted to ₱24.0 million and ₱89.9 million as at December 31, 2021 and 2020, respectively (see Note 6). The carrying amount of inventories amounted to ₱2,007.3 million and ₱1,479.7 million as at December 31, 2021 and 2020, respectively (see Note 6).

Estimating the Useful Lives of ROU Assets and Property and Equipment. The useful lives of the Company's ROU assets and property and equipment (except land and CIP) are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives 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 Company's ROU assets and property and equipment. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of ROU assets and property and equipment would increase the recognized expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of ROU assets and property and equipment in 2021, 2020 and 2019. The carrying amounts of property and equipment (except land and construction in progress) amounted to ₱267.5 million and ₱382.8 million as at December 31, 2021 and 2020, respectively (see Note 9). The carrying amount of ROU assets amounted to ₱153.5 million and ₱123.4 million as at December 31, 2021 and 2020, respectively (see Note 17).

Assessing the Impairment of Nonfinancial Assets. The Company is required to perform an impairment assessment when certain impairment indicators are present. Determining the value in use of nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Company to conclude that nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	**2021**	2020
Property and equipment	9	**₱682,939,554**	₱759,067,608
ROU assets	17	**153,465,790**	123,362,619
Advances to suppliers	5	**18,652,393**	21,524,170
Input VAT	7	**7,434,272**	–
Prepayments	7	**1,255,052**	1,310,495
Advances to officers and employees	5	**136,116**	104,636

Estimating Retirement Liability. The determination of the retirement liability and expense is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and expected rates of salary increase, are indicated in Note 16. Actual results that differ from the assumptions are accumulated and are recognized in OCI. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement liability.

The Company recognized retirement expense amounting to ₱3.3 million, ₱2.5 million and ₱5.1 million in 2021, 2020 and 2019, respectively. Retirement liability amounted to ₱31.8 million and ₱25.2 million as at December 31, 2021 and 2020, respectively (see Note 16).

Assessing the Realizability of Deferred Tax Assets. The Company reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Deferred tax assets recognized in the statements of financial position amounted to ₱16.1 million and ₱36.8 million as at December 31, 2021 and 2020, respectively (see Note 18).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱3,725,035**	₱1,909,500
Cash in banks	**1,097,065,384**	678,931,982
	₱1,100,790,419	₱680,841,482

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱0.7 million, ₱0.9 million and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 14).

5. Trade and Other Receivables

This account consists of:

	2021	2020
Trade	**₱19,894,025**	₱68,939,706
Advances to:		
Suppliers	**18,652,393**	21,524,170
Officers and employees	**136,116**	104,636
	₱38,682,534	₱90,568,512

Trade receivables are noninterest-bearing and are generally settled within 3 days after the reporting period. No ECL was recognized for trade receivables in 2021, 2020 and 2019.

Advances to suppliers pertain to advance payments for purchases of inventory and are immediately applied against billings for inventory delivered.

Advances to officers and employees pertain to noninterest-bearing advances subject to liquidation and are generally liquidated in the subsequent period.

6. Inventories

This account consists of:

	2021	2020
Computers and peripherals	**₱1,070,785,558**	₱834,106,918
Accessories	**440,105,159**	393,750,613
Mobile phones	**357,940,342**	250,550,228
Consumables	**117,789,026**	70,678,608
Printers and scanners	**44,664,868**	20,472,499
At cost	**2,031,284,953**	1,569,558,866
Less allowance for inventory obsolescence	**(24,010,717)**	(89,858,466)
Net realizable value	**₱2,007,274,236**	₱1,479,700,400

Movements in the allowance for inventory obsolescence are as follows:

	Note	**2021**	2020	2019
Balance at beginning of year		**₱89,858,466**	₱140,774,924	₱140,774,924
Provision for (reversal of) inventory obsolescence	13	**(7,346,324)**	13,401,920	–
Write-off		**(58,501,425)**	(64,318,378)	–
Balance at end of year		**₱24,010,717**	₱89,858,466	₱140,774,924

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 were covered by trust receipts issued by local banks (see Note 11).

Cost of inventories sold during the year follows:

	2021	2020	2019
Inventories at beginning of year	**₱1,569,558,866**	₱1,553,716,488	₱1,464,414,677
Purchases	**7,144,018,093**	6,496,772,981	6,077,786,450
Cost of goods available for sale	**8,713,576,959**	8,050,489,469	7,542,201,127
Less inventories at end of year	**(2,031,284,953)**	(1,569,558,866)	(1,553,716,488)
	₱6,682,292,006	₱6,480,930,603	₱5,988,484,639

7. Other Current Assets

This account includes:

	Note	**2021**	2020
Refundable lease deposits	17	**₱156,044,735**	₱139,526,459
Input VAT		**7,434,272**	–
Prepayments		**1,255,052**	1,310,495
		₱164,734,059	₱140,836,954

8. Assets Held for Sale

Assets held for sale pertain to the Company's investments which were previously classified as investment in subsidiaries because of the Company's effective ownership in these entities.

The carrying amount of these investments, which represent estimated fair value less cost to sell, as at December 31, 2019 are as follows:

Company	Carrying amount
Upson Realty and Development Corp. (URDC)	₱124,999,500
Transway Hotels Group Inc. (THG)	24,999,950
Octagon International Marketing Corp. (OIMC)	7,349,995
Majestic Graphic and Printing Corp. (MGPC)	290,000
	₱157,639,445

In 2020, the Company sold the investments at its carrying value amounting to ₱157.6 million.

9. **Property and Equipment**

Movements in this account follow:

	2021							
	Land	**Building and Building Improvements**	**Leasehold Improvements**	**Store Furniture and Equipment**	**Transportation Equipment**	**Furniture and Fixtures**	**Construction in progress**	**Total**
Cost								
Balance at beginning of year	**₱201,025,000**	**₱29,192,000**	**₱489,397,245**	**₱86,609,655**	**₱121,320,451**	**₱83,557,737**	**₱175,273,646**	**₱1,186,375,734**
Additions	**–**	**–**	**4,671,832**	**1,130,704**	**–**	**13,907,427**	**39,108,534**	**58,818,497**
Balance at end of year	**201,025,000**	**29,192,000**	**494,069,077**	**87,740,359**	**121,320,451**	**97,465,164**	**214,382,180**	**1,245,194,231**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**6,324,933**	**246,488,346**	**39,313,188**	**57,645,446**	**77,536,213**	**–**	**427,308,126**
Depreciation and amortization	**–**	**1,459,600**	**88,951,806**	**17,992,195**	**23,891,538**	**2,651,412**	**–**	**134,946,551**
Balance at end of year	**–**	**7,784,533**	**335,440,152**	**57,305,383**	**81,536,984**	**80,187,625**	**–**	**562,254,677**
Carrying Amount	**₱201,025,000**	**₱21,407,467**	**₱158,628,925**	**₱30,434,976**	**₱39,783,467**	**₱17,277,539**	**₱214,382,180**	**₱682,939,554**

	2020							
	Land	Building and Building Improvements	Leasehold Improvements	Store Furniture and Equipment	Transportation Equipment	Furniture and Fixtures	Construction in progress	Total
Cost								
Balance at beginning of year	₱201,025,000	₱29,192,000	₱480,762,245	₱84,484,006	₱113,423,398	₱81,227,900	₱150,760,793	₱1,140,875,342
Additions	–	–	8,635,000	2,125,649	7,897,053	2,329,837	24,512,853	45,500,392
Balance at end of year	201,025,000	29,192,000	489,397,245	86,609,655	121,320,451	83,557,737	175,273,646	1,186,375,734
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	4,865,333	168,537,929	22,278,738	34,548,956	75,307,282	–	305,538,238
Depreciation and amortization	–	1,459,600	77,950,417	17,034,450	23,096,490	2,228,931	–	121,769,888
Balance at end of year	–	6,324,933	246,488,346	39,313,188	57,645,446	77,536,213	–	427,308,126
Carrying Amount	₱201,025,000	₱22,867,067	₱242,908,899	₱47,296,467	₱63,675,005	₱6,021,524	₱175,273,646	₱759,067,608

Construction in progress represents the accumulated costs incurred in the construction of a building, warehouse and store branches which are expected to be completed in 2022. The construction of more store branches started in November and December 2021. Estimated total cost to complete the building, warehouse and store branches as at December 31, 2021 amounts to ₱132.3 million. As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 15). In 2020, the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively, were used to secure bank loans amounting to ₱276.0 million (see Note 11).

Fully depreciated property and equipment still being used by the Company amounted to ₱76.8 million and ₱73.4 million as at December 31, 2021 and 2020, respectively.

Depreciation and amortization are recognized from:

	Note	**2021**	2020	2019
ROU assets	17	**₱168,388,201**	₱193,571,288	₱231,507,730
Property and equipment		**134,946,551**	121,769,888	126,065,386
		₱303,334,752	₱315,341,176	₱357,573,116

Depreciation and amortization are charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱244,093,555**	₱293,168,209	₱335,415,053
General and administrative expenses	**59,241,197**	22,172,967	22,158,063
	₱303,334,752	₱315,341,176	₱357,573,116

10. **Trade and Other Payables**

This account consists of:

	Note	**2021**	2020
Trade		**₱1,587,799,890**	₱1,118,174,796
Accrued expenses		**130,616,552**	23,237,506
Retention payables		**10,343,332**	10,632,832
Statutory payables		**26,026,587**	18,276,527
Advances from a related party	15	**25,403,485**	–
Others		**7,615,202**	9,535,285
		₱1,787,805,048	₱1,179,856,946

Trade payables are noninterest-bearing, unsecured and payable in cash within 90 days.

Accrued expenses pertain to interests, contracted and other services, professional fees and utilities which are settled within the next reporting period.

Retention payables pertains to the amounts retained by the Company from payments to contractors for the construction contracts. These are deducted as a percentage of the amount certified as due to the contractor and paid upon final acceptance of the constructed property.

Statutory payables include VAT payable, withholding taxes payable and payables to other government agencies which are normally settled in the following month.

Others pertain to refundable customer deposits and other nontrade payables.

11. Bank Loans and Trust Receipts Payable

Movements in this account are as follows:

	2021		
	Bank Loans	**Trust Receipts**	**Total**
Balance at beginning of year	**₱1,089,166,666**	**₱1,395,951,786**	**₱2,485,118,452**
Availments	**590,000,000**	**2,264,817,472**	**2,854,817,472**
Payments	**(1,270,000,000)**	**(2,823,501,174)**	**(4,093,501,174)**
Balance at end of year	**₱409,166,666**	**₱837,268,084**	**₱1,246,434,750**

		2020		
	Note	Bank Loans	Trust Receipts	Total
Balance at beginning of year		₱1,953,416,666	₱1,705,368,671	₱3,658,785,337
Availments		1,200,801,340	2,922,046,564	4,122,847,904
Payments		(750,051,340)	(3,231,463,449)	(3,981,514,789)
Transfer	15	(1,315,000,000)	–	(1,315,000,000)
Balance at end of year		1,089,166,666	1,395,951,786	2,485,118,452
Less current portion		939,166,666	1,395,951,786	2,335,118,452
Noncurrent portion		₱150,000,000	₱–	₱150,000,000

Bank Loans

The bank loans and trust receipts have terms of three months to one year, subject to refinancing upon approval of the creditor bank. Interest rates on bank loans and trust receipts range from 3.50% to 6.88% in 2021, and 4.75% to 7.25% in 2020 and 2019.

In 2020, bank loans amounting to ₱276.0 million were secured by the Company's building under construction and a related party's parcels of land with carrying amount of ₱172.7 million and ₱172.3 million, respectively (see Note 9). These loans were settled in 2021.

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the advances to the said related party (see Note 15).

Trust Receipts

Under the terms of agreements, merchandise inventories amounting to ₱2,264.8 million in 2021 and ₱2,922.0 million in 2020 are covered by trust receipts issued by local banks (see Note 6).

Covenants

The terms of the loans provide for certain covenants which include, among others, restriction on declaration of dividends; change on the nature or scope of the business of the Company; reduce or increase the authorized capital stock; and use the proceeds from the loans for purposes other than those described in the contract.

The terms also require maintenance of a debt-service ratio of at least 1.2 times. As at December 31, 2021 and 2020, the Company is compliant with the above covenants.

Details of finance costs charged to operations are as follows:

	Note	**2021**	2020	2019
Interest on trust receipts		**₱52,827,502**	₱85,184,282	₱96,615,910
Interest on bank loans		**51,378,472**	115,805,663	128,671,310
Accretion of interest on lease liabilities	17	**12,057,292**	12,978,775	20,679,771
		₱116,263,266	₱213,968,720	₱245,966,991

12. Equity

Capital Stock

Details of capital stock follow:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized:				
Balance at beginning of year	**500,000,000**	**₱500,000,000**	500,000,000	₱500,000,000
Increase	**750,000,000**	**750,000,000**	–	–
Balance at end of year	**1,250,000,000**	**₱1,250,000,000**	500,000,000	₱500,000,000
Issued and outstanding:				
Balance at beginning of year	**267,500,000**	**₱267,500,000**	267,500,000	₱267,500,000
Subscription	**232,500,000**	**232,500,000**	–	–
Balance at end of year	**500,000,000**	**₱500,000,000**	267,500,000	₱267,500,000

On December 17, 2021, the SEC approved the increase in the Company's authorized capital stock from 500,000,000 shares at ₱1 par value a share, or equivalent to ₱500.0 million to 1,250,000,000 shares at the same par value, or equivalent to ₱1,250.0 million. Of the increase, 232,500,000 shares at ₱1 par value a share, or equivalent to ₱232.5 million were subscribed and paid as at December 31, 2021 (see Note 1).

Retained Earnings

On December 20, 2021, the BOD approved the declaration of cash dividends of ₱0.67 a share or a total of ₱307.0 million for all stockholders of record as of December 20, 2021. No dividends were declared in 2020 and 2019.

13. **Operating Expenses**

This account consists of:

	2021	2020	2019
Selling and marketing expenses	**₱1,083,707,559**	₱1,020,512,126	₱1,046,747,980
General and administrative expense	**238,980,251**	237,137,338	170,294,458
	₱1,322,687,810	₱1,257,649,464	₱1,217,042,438

Selling and marketing expenses consist of:

	Note	**2021**	2020	2019
Merchant discount		**₱297,563,734**	₱254,303,750	₱231,927,788
Depreciation and amortization	9	**244,093,555**	293,168,209	335,415,053
Personnel costs		**188,341,384**	79,893,465	108,864,196
Contracted and other services		**134,388,881**	225,336,758	234,083,971
Rent	17	**111,633,705**	43,007,173	11,298,846
Utilities		**97,583,181**	84,276,633	91,379,987
Freight and delivery		**10,664,330**	21,828,055	29,540,857
Provision for (reversal of) inventory obsolescence	6	**(7,346,324)**	13,401,920	–
Advertising		**4,114,507**	3,260,613	147,468
Retirement expense	16	**2,670,606**	2,035,550	4,089,814
		₱1,083,707,559	₱1,020,512,126	₱1,046,747,980

General and administrative expenses consist of:

	Note	**2021**	2020	2019
Depreciation and amortization	9	**₱59,241,197**	₱22,172,967	₱22,158,063
Taxes and licenses		**57,001,480**	96,947,260	62,221,467
Personnel costs		**42,530,175**	19,941,259	27,172,399
Stationery and supplies		**22,504,038**	19,523,461	16,087,854
Representation		**19,861,402**	37,427,885	6,392,613
Repairs, warranties and maintenance		**12,386,319**	7,956,726	13,298,678
Professional fees		**9,725,074**	9,593,731	4,680,758
Transportation and travel		**6,786,294**	5,863,838	9,841,415
Retirement expense	16	**603,061**	508,888	1,022,453
Rent	17	**–**	10,996,971	–
Others		**8,341,211**	6,204,352	7,418,758
		₱238,980,251	₱237,137,338	₱170,294,458

Personnel costs consist of:

	2021	2020	2019
Salaries and wages	**₱206,355,220**	₱80,258,289	₱115,259,192
Employee benefits	**24,516,339**	19,576,435	20,777,403
	₱230,871,559	₱99,834,724	₱136,036,595

14. **Other Income**

This account consists of:

	Note	**2021**	2020	2019
Gain on lease concessions	17	**₱52,687,895**	₱94,416,731	₱–
Interest income	4	**710,294**	919,283	410,738
Gain on lease modification	17	**621,157**	127,077	–
Others		**36,833,602**	–	3,257,372
		₱90,852,948	₱95,463,091	₱3,668,110

Others mainly pertain to income from product advertising or promotional support from suppliers. In 2019, other income pertains to sale of scrap materials.

15. **Related Party Transactions**

The Company has transactions with related parties as follows:

		Transactions during the Year		Outstanding Balance	
	Nature of Transaction	**2021**	2020	**2021**	2020
Trade and other payables					
Entity under common control	Advances	**₱25,403,485**	₱–	**₱25,403,485**	₱–
Advances to Related Parties					
	Payment	**(₱1,098,699,844)**	₱–		
Entities under common	Advances	**–**	161,056,485		
control	Assignment of loans	**–**	(1,315,000,000)	**₱–**	₱1,098,699,844

As at December 31, 2021, the Company's building under construction with a carrying amount of ₱172.7 million were used as a collateral for a related party's outstanding loan with a local bank (see Note 9).

On December 29, 2020, the Company assigned its bank loans, and all the associated rights and obligations, aggregating ₱1,315.0 million to a related party as settlement for the outstanding balance of the advances to the said related party (see Note 11).

Terms and Conditions

Outstanding balances are unsecured, non-interest bearing, due and demandable and are cash settled. The Company assessed that the related party receivables are collectible by considering the financial position of the subsidiaries and other related parties and the market in which they operate.

Compensation of Key Management Personnel

The remuneration of the key management personnel of the Company are set out below:

	2021	2020	2019
Short-term employee benefits	**₱3,120,000**	₱3,120,000	₱2,335,658
Post-employment benefits	**240,925**	229,616	397,838
	₱3,360,925	₱3,349,616	₱2,733,496

16. **Retirement Liability**

The Company has an unfunded, non-contributory defined benefit plan covering substantially all qualified employees. The retirement liability is based on years of service and compensation based on the last year of employment as determined by an external actuary. The latest actuarial valuation was dated December 31, 2021.

There are no unusual or significant risks to which the retirement liability exposes the Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable by the Company.

Retirement expense recognized in the statements of comprehensive income is as follows:

	2021	2020	2019
Current service cost	**₱2,241,359**	₱1,572,811	₱4,163,762
Interest cost	**1,032,308**	971,627	948,505
	₱3,273,667	₱2,544,438	₱5,112,267

Retirement expense is charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱2,670,606**	₱2,035,550	₱4,089,814
General and administrative expenses	**603,061**	508,888	1,022,453
	₱3,273,667	₱2,544,438	₱5,112,267

The components of retirement liability recognized in the statements of financial position are as follows:

	2021	2020
Balance at beginning of year	**₱25,178,232**	₱17,665,938
Current service cost	**2,241,359**	1,572,811
Interest cost	**1,032,308**	971,627
Remeasurement loss	**3,359,119**	4,967,856
Balance at end of year	**₱31,811,018**	₱25,178,232

The assumptions used to determine retirement liability are as follows:

	2021	2020
Discount rate	**5.20%**	4.10%
Salary increase rate	**3.00%**	3.00%

The sensitivity analyses based on reasonably possible changes of the assumptions as at December 31, 2021 follow:

	Basis Points	Effect on Present Value of Retirement Liability
Discount rate	+100	(₱3,831,744)
	-100	4,664,677
Salary increase rate	+100	4,562,813
	-100	(3,820,228)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Company does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The weighted average duration of the defined benefit plan at the end of the reporting period is 15 years.

Details of accumulated remeasurement loss on retirement liability recognized in equity as at December 31 are as follows:

	2021		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note 18)	**Cumulative Remeasurement Loss, Net of Tax**
Balance at beginning of year	**₱4,967,856**	**(₱1,490,357)**	**₱3,477,499**
Remeasurement loss	**3,359,119**	**(839,780)**	**2,519,339**
Effect of change in income tax rate	**–**	**248,393**	**248,393**
Balance at end of year	**₱8,326,975**	**(₱2,081,744)**	**₱6,245,231**

	2020		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 18)	Cumulative Remeasurement Loss, Net of Tax
Remeasurement loss	₱4,967,856	(₱1,490,357)	₱3,477,499

As at December 31, 2021, the expected future benefit payments are as follows:

	Amount
More than 1 year to 5 years	₱8,361,079
More than 5 years to 10 years	4,683,935
More than 10 years to 15 years	17,448,719
16 years and up	219,233,334

17. **Lease Commitments**

Company as Lessee - Short-term Lease

The Company leases certain office, store and advertisement spaces for a period of less than one (1) year at a fixed rental based on agreement with the lessors.

Total rent expense on short-term leases amounting to ₱111.6 million, ₱54.0 million and ₱11.3 million in 2021, 2020 and 2019, respectively, is charged to the following (see Note 13):

	2021	2020	2019
Selling and marketing expenses	**₱111,633,705**	₱43,007,173	₱11,298,846
General and administrative expenses	**–**	10,996,971	–
	₱111,633,705	₱54,004,144	11,298,846

Company as Lessee - Long-term Lease

The Company leases warehouse, office and store spaces for more than 12 months for which ROU assets and corresponding lease liabilities are recognized.

ROU Assets

The balance of and movements in ROU assets are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**₱548,441,637**	₱414,300,773
Additions		**131,340,291**	130,899,986
Disposals		**(11,686,032)**	–
Effect of lease modification		**73,683,601**	3,240,878
Balance at end of year		**741,779,497**	548,441,637
Accumulated amortization			
Balance at beginning of year		**425,079,018**	231,507,730
Amortization	9	**168,388,201**	193,571,288
Disposals		**(5,153,512)**	–
Balance at end of year		**588,313,707**	425,079,018
Carrying Amount		**₱153,465,790**	₱123,362,619

Refundable Lease Deposits

Refundable lease deposits amounted to ₱156.0 million and ₱139.5 million as at December 31, 2021 and 2020, respectively (see Note 7). These deposits are refundable at the end of the lease terms.

Lease Liabilities

The balance and movements in lease liabilities are as follows:

	Note	**2021**	2020
Balance at beginning of year		**₱130,929,011**	₱188,329,519
Additions		**131,340,291**	130,899,986
Payments		**(126,213,919)**	(109,976,339)
Effect of lease modification		**73,532,674**	3,113,801
Gain on lease concessions	14	**(52,687,895)**	(94,416,731)
Accretion	11	**12,057,292**	12,978,775
Disposals		**(7,002,750)**	–
Balance at end of year		**161,954,704**	130,929,011
Current portion		**121,678,646**	90,400,339
Noncurrent portion		**₱40,276,058**	₱40,528,672

Incremental borrowing rate ranging from 3.69% to 5.37% was applied to determine the discounted amount of lease liabilities in 2021 and 2020.

In 2021 and 2020, there were certain modifications to the lease agreements arising from increase in monthly rentals, reduction in leased area and extension of lease terms prior to renewal. There were also three (3) stores that ceased operations in 2021 resulting to the derecognition of the related ROU assets and lease liabilities. These resulted to gain on lease modification amounting to ₱0.6 million in 2021, ₱0.1 million in 2020 and nil in 2019 (see Note 14).

Gain on lease concessions pertains to the difference between contractual lease payments and the payments made under lease concession agreements directly attributable to COVID-19. Gains related to lease concessions amounted to ₱52.7 million in 2021, ₱94.4 million in 2020 and nil in 2019, (see Note 14).

The future minimum lease payments and present value as at December 31, 2021 is as follows:

	Minimum Lease Payments	Present Value
Not later than one year	₱127,187,102	₱121,678,646
Later than one year but not more than five years	51,666,697	40,276,058
	₱178,853,799	₱161,954,704

18. **Income Taxes**

The provision for current income tax pertains to regular corporate income tax (RCIT) in 2021, 2020 and 2019.

The reconciliation of income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income is as follows:

	2021	2020	2019
Income tax computed at the statutory tax rate			
(25% in 2021, and 30% in 2020 and 2019)	**₱134,387,767**	₱88,535,417	₱36,525,881
Adjustment for:			
Effect of change in income tax rate	**(344,676)**	–	–
Interest income already subjected to final tax	**(177,574)**	(275,785)	(123,222)
Nondeductible expenses	**44,394**	113,761	50,829
	₱133,909,911	₱88,373,393	₱36,453,488

The Company's deferred tax assets in the statements of financial position consist of the following:

	Note	**2021**	2020
Allowance for inventory obsolescence		**₱6,002,679**	₱26,957,540
Retirement liability:			
Profit or loss		**5,871,011**	6,063,113
OCI	16	**2,081,744**	1,490,357
Excess of lease liability over ROU asset		**2,122,229**	2,269,918
		₱16,077,663	₱36,780,928

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020, are 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes.* Details of the adjustments are as follows:

	Current tax expense	Deferred tax expense	Total
Provision for income tax	₱118,841,697	₱15,412,890	₱134,254,587
Change in income tax rate	(6,226,438)	5,881,762	(344,676)
Adjusted income tax expense	₱112,615,259	₱21,294,652	₱133,909,911

19. **Financial Risk Management**

Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk which includes credit risk, liquidity risk and interest rate risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial assets that potentially subject the Company to credit risk consist primarily of cash in banks and trade and other receivables.

Risk Management. To manage credit risk, the Company deals only with reputable banks and creditworthy third parties. Sales to retail customers are required to be settled in cash or through major credit cards, further mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers and/or specific industry sectors.

The table below shows the gross maximum exposure of the Company to credit risk:

	2021	2020
Cash in banks	**₱1,097,065,384**	₱678,931,982
Trade receivables	**19,894,025**	68,939,706
Advances to related parties	**–**	1,098,699,844
Refundable lease deposits	**156,044,735**	139,526,459
	₱1,273,004,144	₱1,986,097,991

As at December 31, 2021 and 2020, the amount of cash in banks and trade receivables are neither past due nor impaired and were classified as "*High Grade*", while advances to related parties and refundable lease deposits were classified as "*Standard Grade"*. The credit quality of such financial assets at amortized cost is further described as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

Security. The Company does not hold collateral as security.

Impairment. Impairment analysis for trade receivables is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings based on customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection.

There are no guarantees against trade receivables but these are due from credit card companies and are generally collectible within three (3) days from transaction date. Historical information and present circumstances does not indicate any significant risk of impairment. Thus, management did not recognize allowance for ECL.

For other financial assets at amortized cost which mainly comprise of cash in banks, advances to related parties and refundable lease deposits, the Company applies the general approach in measuring ECL. Management assessed that the application of the general approach does not result to significant expected credit losses and thus, did not recognize allowance for ECL.

The Company assessed that the credit risk on the financial assets has not increased significantly since initial recognition. The following were considered in the assessment:

- Cash in banks are deposited with reputable counterparty banks, which exhibit good credit ratings.

- For advances to related parties, the Company's related parties have low credit risk and are in good financial standing. The related parties have no history of default and have sufficient assets to cover their advances thus, ECL is not significant.

- For refundable lease deposits, the counterparty lessors are reputable leasing companies which have low credit risk, thus no allowance for ECL was provided.

The following table summarizes the impairment analysis of the Company's financial assets at amortized cost. It indicates whether the financial assets at amortized cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2021			
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Total**
Cash in banks	**₱1,097,065,384**	**₱–**	**₱–**	**₱1,097,065,384**
Trade receivables	**–**	**19,894,025**	**–**	**19,894,025**
Refundable lease deposits	**156,044,735**	**–**	**–**	**156,044,735**
	₱1,253,110,119	**₱19,894,025**	**₱–**	**₱1,273,004,144**

	2020			
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
Cash in banks	₱678,931,982	₱–	₱–	₱678,931,982
Trade receivables	–	68,939,706	–	68,939,706
Advances to related parties	1,098,699,844	–	–	1,098,699,844
Refundable lease deposits	139,526,459	–	–	139,526,459
	₱1,917,158,285	₱68,939,706	₱–	₱1,986,097,991

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	2021			
	1 to 6 Months	**6 Months to 1 Year**	**More than 1 Year**	**Total**
Trade and other payables*	**₱1,743,819,927**	**₱10,343,332**	**₱–**	**₱1,754,163,259**
Bank loans and trust receipts payable	**837,268,084**	**409,166,666**	**–**	**1,246,434,750**
Lease liabilities	**71,319,722**	**55,867,380**	**51,666,697**	**178,853,799**
	₱2,652,407,733	**₱475,377,378**	**₱51,666,697**	**₱3,179,451,808**

**Excluding statutory payables and others totaling ₱33.6 million as at December 31, 2021.*

	2020			
	1 to 6 Months	6 Months to 1 Year	More than 1 Year	Total
Trade and other payables*	₱1,141,412,302	₱10,632,832	₱–	₱1,152,045,134
Bank loans and trust receipts payable	1,395,951,786	939,166,666	150,000,000	2,485,118,452
Lease liabilities	8,369,716	33,617,890	98,768,692	140,756,298
	₱2,545,733,804	₱983,417,388	₱248,768,692	₱3,777,919,884

**Excluding statutory payables and others totaling ₱27.8 million as at December 31, 2020.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's loans payable to local banks are subject to a repricing interest rate with and are exposed to fair value interest rate risk. The repricing of these instruments is done on a semiannual basis.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Company's net income.

These loans are promissory notes under loan facilities which matures within 90 days to one year and bear an effective interest rate ranging from 3.50% to 4.25% in 2021.

20. Fair Value of Financial Assets and Liabilities

Fair values of the Company's financial assets and financial liabilities are shown below:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱1,097,065,384**	**₱1,097,065,384**	₱678,931,982	₱678,931,982
Trade receivables	**19,894,025**	**19,894,025**	68,939,706	68,939,706
Advances to related parties	**–**	**–**	1,098,699,844	1,098,699,844
Refundable lease deposits	**156,044,735**	**156,044,735**	139,526,459	139,526,459
	₱1,273,004,144	**₱1,273,004,144**	₱1,986,097,991	₱1,986,097,991
Financial Liabilities				
Trade and other payables*	**₱1,754,163,259**	**₱1,754,163,259**	₱1,152,202,134	₱1,152,202,134
Bank loans and trust receipts payable	**1,246,434,750**	**1,246,434,750**	2,485,118,452	2,485,118,452
Lease liabilities	**161,954,704**	**174,994,666**	130,929,011	136,050,563
	₱3,162,552,713	**₱3,175,592,675**	₱3,768,249,597	₱3,773,371,149

**Excluding statutory payables and others totaling ₱33.6 million and ₱27.8 million as at December 31, 2021 and 2020, respectively.*

Due to the short-term maturities of cash in banks, trade receivables, advances to related parties, refundable lease deposits, trade and other payables (excluding statutory and other payables), and bank loans and trust receipts payable, their carrying amounts approximate their fair values.

Lease Liabilities. Estimated fair values have been calculated on the lease liabilities' expected cash flows using the prevailing market rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 3).

21. Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in the objectives, policies or processes in 2021, 2020 and 2019.

The capital structure of the Company consists of total liabilities and equity. The Company manages the capital structure and makes adjustments when there are changes in economic condition, its business activities, expansion programs and the risk characteristics of the underlying assets.

The Company is not subject to externally imposed capital requirements.

The Company's debt-to-equity ratio as at December 31, 2021 and 2020 are as follows:

	2021	2020
Total liabilities	**₱3,265,744,498**	₱3,838,012,016
Total equity	**898,219,757**	571,846,331
Debt-to-equity ratio	**3.64:1**	6.71:1

22. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes as at December 31, 2021 and 2020:

	2020	Additions (net of disposals)	Accretion	Payment	Non-cash Changes	2021
Bank loans and trust receipts payable	**₱2,485,118,452**	**₱2,854,817,472**	**₱–**	**(₱4,093,501,174)**	**₱–**	**₱1,246,434,750**
Lease liabilities	**130,929,011**	**131,340,291**	**12,057,292**	**(126,213,919)**	**13,842,029**	**161,954,704**
	₱2,616,047,463	**₱2,986,157,763**	**₱12,057,292**	**(₱4,219,715,093)**	**₱13,842,029**	**₱1,408,389,454**

	2019	Additions	Accretion	Payment	Non-cash Changes	2020
Bank loans and trust receipts payable	₱3,658,785,337	₱4,122,847,904	₱–	(₱3,981,514,789)	(₱1,315,000,000)	₱2,485,118,452
Lease liabilities	188,329,519	130,899,986	12,978,775	(109,976,339)	(91,302,930)	130,929,011
	₱3,847,114,856	₱4,253,747,890	₱12,978,775	(₱4,091,491,128)	(₱1,406,302,930)	₱2,616,047,463

23. Basic and Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2021	2020	2019
Net income	**₱403,641,157**	₱206,744,665	₱85,299,447
Divided by weighted average number of outstanding shares	**267,500,000**	267,500,000	267,500,000
	₱1.51	₱0.77	₱0.32

The Company has no dilutive potential shares in 2021, 2020 and 2019.

24. Operating Segment Information

For management purposes, the Company is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Sales reflected in the statements of comprehensive income are all from external customers and within the Philippines, which is the Company's domicile and primary place of operations. Additionally, the Company's noncurrent assets are also primarily acquired, located and used within the Philippines.

Sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2021, 2020 and 2019.

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68

December 31, 2021

Schedule	Description	Page
A	Financial Assets	N/A
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*	N/A
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	N/A
D	Long-Term Debt**	N/A
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)***	N/A
F	Guarantees of Securities of Other Issuers	N/A
G	Capital Stock	1

** There are no amounts to whom the aggregate indebtedness is ₱41.6 million or 1% of total assets as at December 31, 2021. In addition, the advances were made to the employees to carry out the ordinary course of business.*
*** There are no long-term debt as at December 31, 2021.*
**** Indebtedness to related parties are classified as current as at December 31, 2021.*

UPSON INTERNATIONAL CORP.

(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

SCHEDULE G – CAPITAL STOCK

December 31, 2021

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	1,250,000,000	500,000,000	–	232,500,000	267,000,000	–

UPSON INTERNATIONAL CORP.
(Doing Business Under the Name and Style of Octagon Computer Store; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2021

	Amount
Retained earnings as shown in the financial statements at beginning of year	₱307,823,830
Net deferred tax assets at beginning of year	(36,780,928)
Retained earnings, as adjusted to available for dividend distribution at beginning of year	271,042,902
Net income closed to retained earnings during the year	403,641,157
Movement in deferred tax assets during the year	20,703,265
Dividends declared during the year	(307,000,000)
Total retained earnings available for dividend declaration at end of year	₱388,387,324

Reconciliation:	
Retained earnings as shown in the financial statements at end of year	₱404,464,987
Net deferred tax assets at end of year	(16,077,663)
Retained earnings available for dividend declaration at end of year	₱388,387,324

UPSON INTERNATIONAL CORP.
(Doing Business Under the Name and Style of Octagon Computer Superstore; Microvalley Computer Superstore; Gadget World; Octagon Mobile; Uniso; Gadget King and Lamp Light)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2021 and 2020

Ratio	Formula	2021	2020
Current/Liquidity Ratio			
	Current assets	**₱3,311,481,248**	₱3,490,647,192
	Divided by: Current liabilities	**3,193,657,423**	3,622,305,112
	Current/Liquidity ratio	**1.04:1.00**	0.96:1.00
Solvency Ratio			
	Net income before depreciation and amortization	**₱706,975,909**	₱522,085,841
	Divided by: Total liabilities	**3,265,744,499**	3,838,012,016
	Solvency ratio	**0.22:1.00**	0.14:1.00
Debt-to-Equity Ratio			
	Total liabilities	**₱3,265,744,499**	₱3,838,012,016
	Divided by: Total equity	**898,219,756**	571,846,331
	Debt-to-Equity ratio	**3.64:1.00**	6.71:1.00
Asset-to-Equity Ratio			
	Total assets	**₱4,163,964,255**	₱4,409,858,347
	Divided by: Total equity	**898,219,756**	571,846,331
	Asset-to-Equity ratio	**4.64:1.00**	7.71:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	**₱653,814,334**	₱509,086,778
	Divided by: Interest expense	**116,263,266**	213,968,720
	Interest Rate Coverage ratio	**5.62:1.00**	2.38:1.00
Return on Assets Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total assets	**4,163,964,255**	4,409,858,347
	Return on Assets ratio	**0.10:1.00**	0.05:1.00
Return on Equity Ratio			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Total equity	**898,219,756**	571,846,331
	Return on Equity ratio	**0.45:1.00**	0.36:1.00
Net Profit Margin			
	Net income	**₱403,641,157**	₱206,744,665
	Divided by: Revenues	**8,567,941,202**	8,152,203,754
	Net Profit Margin	**0.05:1.00**	0.03:1.00