MERRYMART CONSUMER CORP.
AND A SUBSIDIARY

(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

Opinion

We have audited the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019, 2018 and 2017, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audits of the consolidated 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.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the separate financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (the "Parent Company") as at and for the years ended December 31, 2018 and 2017 were amended by the Parent Company.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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MERRYMART CONSUMER CORP. AND A SUBSIDIARY
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*

		December 31		
	Note	**2019**	2018	2017 (As Amended - Note 24)
ASSETS				
Current Assets				
Cash and cash equivalents	*5*	**P270,308,599**	P20,907,865	P19,814,939
Receivables	*6*	**9,841,735**	914,421	1,647,760
Inventories	*7*	**183,418,743**	270,448,890	202,159,330
Other current assets	*8*	**46,369,239**	3,838,876	-
Total Current Assets		**509,938,316**	296,110,052	223,622,029
Non-current Assets				
Property and equipment	*9*	**221,794,668**	29,011,645	4,967,385
Right-of-use asset	*10, 20*	**118,264,628**	-	-
Intangible asset	*11*	**14,612,773**	7,200,000	-
Deferred tax assets	*21*	**8,352,008**	1,417,238	1,081,104
Other noncurrent assets	*20*	**41,672,212**	-	-
Total Non-Current Assets		**404,696,289**	37,628,883	6,048,489
		P914,634,605	P333,738,935	P229,670,518
Current Liabilities				
Accounts payable and other current liabilities	*12*	**P145,041,049**	P95,187,658	P108,737,695
Loans payable	*13*	**150,000,000**	-	-
Due to a related party	*18*	**49,762,571**	134,896,958	72,548,854
Income tax payable		**37,782,980**	19,163,976	5,144,074
Total Current Liabilities		**382,586,600**	249,248,592	186,430,623
Noncurrent Liabilities				
Retirement benefits liability	*19*	**6,196,332**	4,255,993	3,603,679
Lease liability	*20*	**117,477,991**	-	-
Deposit for future stock subscription	*18, 22*	**298,750,000**	-	-
Other noncurrent liabilities	*12*	**1,380,000**	-	-
Total Noncurrent Liabilities		**423,804,323**	4,255,993	3,603,679
Total Liabilities		**806,390,923**	253,504,585	190,034,302
EQUITY	*22*			
Capital stock		**1,250,000**	1,250,000	1,250,000
Retained earnings		**106,993,682**	78,984,350	38,386,216
Total Equity		**108,243,682**	80,234,350	39,636,216
		P914,634,605	P333,738,935	P229,670,518

*The statements of financial position as at December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of financial position as at December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*

		Years Ended December 31		
	Note	**2019**	2018	2017 (As Amended - Note 24)
REVENUES	*14*			
Sale of goods		**P2,482,302,804**	P2,095,408,067	P1,750,689,674
Display rental		**20,870,590**	21,562,804	9,409,080
Other operating income	*17*	**12,062,959**	-	-
		2,515,236,353	2,116,970,871	1,760,098,754
COST OF SALES	*15*	**2,370,672,389**	2,023,262,656	1,690,409,665
GROSS PROFIT		**144,563,964**	93,708,215	69,689,089
OPERATING EXPENSES	*16*	**(98,053,988)**	(35,781,808)	(41,189,915)
INCOME FROM OPERATIONS		**46,509,976**	57,926,407	28,499,174
INTEREST EXPENSE	*13, 20*	**(6,653,777)**	-	-
INTEREST INCOME	*5*	**109,993**	49,649	48,082
INCOME BEFORE INCOME TAX		**39,966,192**	57,976,056	28,547,256
INCOME TAX EXPENSE	*21*	**(11,956,860)**	(17,377,922)	(8,549,752)
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P28,009,332**	P40,598,134	P19,997,504
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	*22*	**P2,240.75**	P3,247.85	P1,599.80

*The statements of comprehensive income for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of comprehensive income for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY*

			Retained Earnings			
	Note	Capital Stock	Unappropriated	Appropriated	Total	Total
Balance at January 1, 2017, as amended		P1,250,000	(P1,611,288)	P20,000,000	P18,388,712	P19,638,712
Net income/total comprehensive income for the year		-	19,997,504	-	19,997,504	19,997,504
Appropriation during the year	*22*	-	(8,000,000)	8,000,000	-	-
Balance at December 31, 2017, as amended	*24*	1,250,000	10,386,216	28,000,000	38,386,216	39,636,216
Net income/total comprehensive income for the year		-	40,598,134	-	40,598,134	40,598,134
Appropriation during the year	*22*	-	(9,000,000)	9,000,000	-	-
Balance at December 31, 2018		1,250,000	41,984,350	37,000,000	78,984,350	80,234,350
Net income/total comprehensive income for the year		-	28,009,332	-	28,009,332	28,009,332
Appropriation during the year	*22*	-	(80,000,000)	80,000,000	-	-
Balance at December 31, 2019		**P1,250,000**	**(P10,006,318)**	**P117,000,000**	**P106,993,682**	**P108,243,682**

*The statements of changes in equity for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of changes in equity for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
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CONSOLIDATED STATEMENTS OF CASH FLOWS*

		Years Ended December 31		
	Note	**2019**	2018	2017 (As Amended - Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P39,966,192**	P57,976,056	P28,547,256
Adjustments for:				
Depreciation and amortization	*9, 10, 11, 16*	**18,400,538**	1,367,703	1,218,338
Interest expense	*13, 20*	**6,653,777**	-	-
Retirement benefits expense	*19*	**1,940,339**	652,314	709,742
Interest income	*5*	**(109,993)**	(49,649)	(48,082)
Operating income before working capital changes		**66,850,853**	59,946,424	30,427,254
Decrease (increase) in:				
Receivables		**(8,927,314)**	733,339	(356,975)
Inventories		**87,030,147**	(68,289,560)	(59,908,076)
Other current assets		**(42,530,363)**	(3,838,876)	-
Increase (decrease) in:				
Accounts payable and other current liabilities		**34,229,491**	(13,550,037)	80,911,863
Due to a related party		**(85,134,387)**	62,348,104	(40,672,385)
Cash generated from operations		**51,518,427**	37,349,394	10,401,681
Income tax paid		**(272,626)**	(3,694,154)	(3,730,515)
Interest received		**109,993**	49,649	48,082
Net cash provided by operating activities		**51,355,794**	33,704,889	6,719,248
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*9*	**(201,822,638)**	(25,411,963)	(1,077,910)
Additions to intangible assets	*11*	**(7,562,710)**	(7,200,000)	-
Increase in other noncurrent assets		**(41,672,212)**	-	-
Net cash used in investing activities		**(251,057,560)**	(32,611,963)	(1,077,910)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from deposit for future stock subscription	*22*	**298,750,000**	-	-
Proceeds from availment of loans	*13*	**150,000,000**	-	-
Increase in other noncurrent liabilities		**1,380,000**	-	-
Lease payment		**(1,027,500)**	-	-
Net cash provided by financing activities		**449,102,500**	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**249,400,734**	1,092,926	5,641,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	*5*	**20,907,865**	19,814,939	14,173,601
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*5*	**P270,308,599**	P20,907,865	P19,814,939

*The statements of comprehensive income for the years ended December 31, 2019 and 2018 refer to the consolidated accounts of the Group while the statement of comprehensive income for the year ended December 31, 2017 refers to the accounts of MerryMart Consumer Corp. (formerly Injap Supermart, Inc.) (Note 1)

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MerryMart Consumer Corp. (formerly Injap Supermart Inc.) (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 9, 2009.

The Parent Company's primary purpose is to engage in, conduct and carry on the business of buying, selling, manufacturing, distributing, marketing at wholesale and retail of consumer goods including liquor and agricultural, meat and fresh products; lease out store and office spaces and to offer advertising and maintenance services for a fee to its lessee or lease occupants.

The Parent Company is a wholly-owned subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On November 15, 2019, the Parent Company's Board of Directors (BOD) and the stockholder approved the following relevant amendments of the Articles of Incorporation (AOI):

- Article I: Change in the Company's name to MerryMart Consumer Corp.
- Article II: Change in the primary purpose of the Company, adding the following business purpose:

    - To establish and continue the business of general merchandise, mercantile, trading and marketing, processing, production making and manufacturing of consumer products and commodities, and engage in the importation of consumer goods, food and non-food items, agricultural and seafood products and fresh and processed, and other merchandise for the distribution and wholesale and retail of goods and other similar merchandise.

- Article III: Change in the Company's registered office to 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.
- Article VII: Increase in authorized capital stock (Note 22).

On December 18, 2019, the application for the amendment in AOI Article I was approved by the SEC. As at the reporting date, the Parent Company is still waiting for the SEC's approval on the amendments in Articles II, III and VII.

The financial statements as at and for the years ended December 31, 2019 and 2018 refers to the consolidated financial statements of the Group, comprising the financial statements of the Parent Company and Merrymart Grocery Centers, Inc. (the "Subsidiary") (together with the Parent Company, collectively referred to as the "Group"), while the financial statements as at and for the year ended December 31, 2017 refers to the individual financial statements of the Parent Company.

The registered office of the Parent Company, which is also its principal place of business, is at Injap Bldg, TATC, Plaridel St., Roxas City.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The Group issues the consolidated financial statements which contain additional comparative information on its financial performance and its cash flows for the year ended December 31, 2017 to comply with the requirements of Revised Securities Regulation Code (SRC) Rule 68 in relation to the Group's submission of registration statement for its planned initial public offering within 2020.

The Parent Company's separate financial statements as at and for the years ended December 31, 2018 and 2017 were prepared under the PFRS for Small and Medium Enterprise. Since the Parent Company is in the process of filing its financial statements for its planned initial public offering, the Parent Company adopted the full PFRS in 2019. The adoption of full PFRS did not have any significant impact on the 2018 and 2017 financial statements. Additional disclosures required by full PFRS were included in the consolidated financial statements.

The prior years' financial statements of the Parent Company as at and for the years ended December 31, 2018 and 2017 were amended by the Parent Company (Note 24).

The consolidated financial statements of the Group and the amended Parent Company's financial statements as at and for the years ended December 31, 2019 and 2018 and the amended financial statements as at and for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors (BOD) on January 24, 2020.

Basis of Measurement

The consolidated financial statements of the Group have been prepared using the historical cost basis of accounting, except for retirement benefits liability which is measured at present value of defined benefit obligation.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements as at December 31, 2019 and 2018 include the financial statements of the Parent Company and the Subsidiary. The consolidated financial statements as at December 31, 2017 include the financial statements of the Parent Company only. The Parent Company owns 100% of the Subsidiary.

The Subsidiary was incorporated and registered with the SEC on September 28, 2018. It is engaged to acquire, hold, own, operate or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods and merchandise, on any lands, buildings, supermarkets, malls, stores, stalls or structures owned, leased, held, operated, managed or occupied by the entity.

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiary are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company and its Subsidiary are both domiciled in the Philippines.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following new or revised standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have significant impact on the Group's consolidated financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures)*. The amendments require the application of PFRS 9, *Financial Instruments*, to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or financial assets at fair value through other comprehensive income (FVOCI) irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for the early termination.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to three standards:

  - Previously Held Interest in a Joint Operation (Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements)*. The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

  - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

  Borrowing Costs Eligible for Capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

  Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretation are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards, interpretation and framework on the respective effective dates:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The amendments are effective for annual periods beginning on or after January 1, 2020. This forthcoming amendments do not add new disclosures or amend existing ones.

- Definition of a Business (*Amendments to PFRS 3*). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application is permitted.

- Definition of Material *(Amendments to PAS 1, Presentation of Financial Statements and PAS 8*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized initially at fair value. The initial measurement, except for those designated as FVPL, includes transaction costs.

Financial Assets

Classification and Subsequent Measurement - Policy Applicable from January 1, 2018

The Group classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and how information is provided to management:

- the stated policies and objectives for the portfolio and the operations of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessing the cash flow characteristics of financial assets, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for financial assets acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Group has no financial assets at FVOCI and FVPL as at December 31, 2019 and 2018.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, receivables and security deposits are included in this category (Notes 5 and 6).

Classification and Subsequent Measurement - Policy Applicable before January 1, 2018
The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments, AFS financial assets and financial assets at FVPL as at December 31, 2017.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of comprehensive income on an accrual basis. 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. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents and receivables are included in this category (Notes 5 and 6).

Financial Liabilities
The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at December 31, 2019, 2018 and 2017.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in “Interest expense” account in the consolidated statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group’s accounts payable and other current liabilities (excluding payables to government agencies and unearned franchise fees), due to a related party, loans payable and lease liability are included in this category (Notes 12, 13, 18 and 20).

Derecognition of Financial Assets and Financial 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 primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; 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 Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

Policy Applicable from January 1, 2018

The Group recognizes allowance for expected credit losses (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

Policy Applicable before January 1, 2018

The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Classification of Financial Instruments between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument 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 Group; 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 Group 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 consolidated statements of financial position.

Fair Value Measurements
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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group 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 consolidated 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 prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in-first out (FIFO) method. Cost comprises of purchase price, including duties, applicable landing charges and other incidental expenses incurred in bringing the inventories to its present location and condition. NRV is the estimated selling price in the ordinary course of business less the estimate costs necessary to make the sale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Leasehold improvements	10 years or lease term, whichever is shorter
Furniture, fixtures and equipment	5 to 10
Transportation equipment	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

Construction in-progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs.

Intangible Asset
Intangible asset acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible asset with finite life is amortized using the straight-line method over its useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible asset with finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible asset.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as the life of this intangible asset is considered limited.

Impairment of Non-financial Assets
The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as deduction from equity, net of any tax effects.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Revenue Recognition

Revenue from Contracts with Customers

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues exclude value-added tax (VAT) and other fees collected on behalf of other parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods*
  Sale of goods from retail and food shop is recognized at point in time when the control of the asset is transferred to the customer, generally upon delivery.

- *Concession Income*
  Concession income, included as part of other income, pertains to the net margin from sales of concessionaire supplier's goods inside the store. The income is recognized when earned.

- *Other Income*
  Other income pertains to application fees, merchandise support and other miscellaneous income and are recognized when earned.

Revenues from Other Sources
Display Rental
Display rental from the use of the Group's gondola and store spaces is recognized upon use of the selected area.

Interest Income
Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

<u>Cost of Sales</u>
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

<u>Operating Expenses</u>
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

    i. the Group has the right to operate the asset; or

    ii. the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The Group has no established retirement plan for its permanent employees and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. The cost of providing benefits under the defined benefit retirement plan is periodically assessed by management for the recording of retirement benefit liability and cost.

Taxes

Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward tax benefits of the net operating loss carry-over (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Future taxable profits will be available against which they can be used. If the amount of taxable temporary differences is insufficient to recognize deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plan of the Group.

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 future 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 sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

VAT
Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” account or “Accounts payable and other current liabilities” account in the consolidated statements of financial position.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis. The Group has single segment, which is the sale of goods to customers.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgments, make estimates and use assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Impairment of Non-financial Assets
PFRS require that an impairment review be performed on non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The combined carrying amounts of property and equipment, right-of-use asset and intangible assets with finite lives amounted to P354.67 million, P36.21 million and P4.97 million as at December 31, 2019, 2018 and 2017, respectively (Notes 9, 10 and 11).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements in 2019, 2018 and 2017.

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment for ECL on Other Financial Assets at Amortized Cost (Upon Adoption of PFRS 9). The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on financial assets at amortized cost is not material because majority of the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2019 and 2018.

The carrying amounts of financial assets at amortized cost are as follows:

	Note	**2019**	2018
Cash and cash equivalents (excluding cash on hand)	*5*	**P256,927,558**	P13,589,854
Receivables (excluding advances to supplies)	*6*	**9,018,707**	914,421
Security deposits	*20*	**40,420,029**	-
		P306,366,294	P14,504,275

Allowance for Impairment Losses on Receivables (Prior to Adoption of PFRS 9)
Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.
No impairment loss is recognized for receivables in 2017.

The carrying amounts of the Group's receivables amounted to P1.65 million as at December 31, 2017 (Note 6).

Write-down of Inventories
The Group writes-down the costs of inventories to NRV whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

No inventories were written down to their net realizable values in 2019, 2018 and 2017.

The carrying amounts of the Group's inventories amounted to P183.42 million, P270.45 million and P202.16 million as at December 31, 2019, 2018 and 2017, respectively (Note 7).

Estimating Useful Lives of Property and Equipment and Intangible Asset with Finite Life

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

In addition, the estimation of the useful lives of property and equipment and intangible asset with finite life is based on 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 the property and equipment and intangible asset with finite life would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P221.79 million, P29.01 million and P4.97 million as at December 31, 2019, 2018 and 2017, respectively. Accumulated depreciation and amortization of property and equipment amounted to P16.35 million, P7.31 million and P5.94 million as at December 31, 2019, 2018 and 2017, respectively (Note 9).

Intangible asset with finite life, net of accumulated amortization, amounted to P14.61 million, P7.2 million and nil as at December 31, 2019, 2018 and 2017, respectively. Accumulated amortization of the intangible asset with finite life amounted to P149,937 as at December 31, 2019 (Note 11).

Realizability of Deferred Tax Assets

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group’s assessment on the recognition of deferred tax asset on deductible temporary difference and carryforward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P8.35 million, P1.42 million and P1.08 million as at December 31, 2019, 2018 and 2017, respectively (Note 21).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Cash on hand		**P13,381,041**	P7,318,011	P9,552,167
Cash in banks	*23*	**186,927,558**	13,589,854	10,262,772
Short-term placements	*23*	**70,000,000**	-	-
		P270,308,599	P20,907,865	P19,814,939

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term placement rates.

Total interest income earned from cash and cash equivalents amounted to P109,993, P49,649 and P48,082 in 2019, 2018 and 2017, respectively.

6. Receivables

This account consists of:

	Note	2019	2018	2017 (As Amended - Note 24)
Trade	*23*	**P8,817,130**	P914,421	P1,647,760
Advances to suppliers		**823,028**	-	-
Others	*23*	**201,577**	-	-
		P9,841,735	P914,421	P1,647,760

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 days credit terms.

Others pertain to advances to employees and miscellaneous receivables.

7. Inventories

This account consists of groceries and other consumer products held for sale in the ordinary course of business on wholesale or retail basis.

Cost of inventories as at December 31, 2019, 2018 and 2017 amounted to P183.42 million, P270.45 million and P202.16 million, respectively.

Inventories charged to cost of sales amounted to P2,370.67 million, P2,023.26 million and P1,690.41 million in 2019, 2018 and 2017, respectively (Note 15).

8. Other Current Assets

This account consists of input VAT and other miscellaneous current assets.

Input VAT, which amounted to P46.31 million and P3.84 million as at December 31, 2019 and 2018, respectively, represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

9. Property and Equipment

The movements and balances of this account consist of:

	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Total
Cost					
Balance, January 1, 2017 (as amended - Note 24)	P -	P7,813,050	P2,015,000	P -	P9,828,050
Additions	-	1,077,910	-	-	1,077,910
Balance, December 31, 2017 (as amended - Note 24)	-	8,890,960	2,015,000	-	10,905,960
Additions	-	1,589,067	-	23,822,896	25,411,963
Balance, December 31, 2018	-	10,480,027	2,015,000	23,822,896	36,317,923
Additions	-	2,679,877	3,964,800	195,177,961	201,822,638
Reclassifications	37,669,047	35,793,794	-	(73,462,841)	-
Balance, December 31, 2019	**37,669,047**	**48,953,698**	**5,979,800**	**145,538,016**	**238,140,561**
Accumulated Depreciation and Amortization	-				
Balance, January 1, 2017 (as amended - Note 24)	-	3,703,237	1,017,000	-	4,720,237
Depreciation and amortization	-	1,016,838	201,500	-	1,218,338
Balance, December 31, 2017 (as amended - Note 24)	-	4,720,075	1,218,500	-	5,938,575
Depreciation and amortization	-	1,166,203	201,500	-	1,367,703
Balance, December 31, 2018	-	5,886,278	1,420,000	-	7,306,278
Depreciation and amortization	2,471,568	6,102,227	465,820	-	9,039,615
Balance, December 31, 2019	**2,471,568**	**11,988,505**	**1,885,820**	**-**	**16,345,893**
Carrying Amount					
As at December 31, 2017 (as amended - Note 24)	P -	P4,170,885	P796,500	P -	P4,967,385
As at December 31, 2018	P -	P4,593,749	P595,000	P23,822,896	P29,011,645
As at December 31, 2019	**P35,197,479**	**P36,965,193**	**P4,093,980**	**P145,538,016**	**P221,794,668**

Depreciation and amortization charged to "Operating expense" account amounted to P9.04 million, P1.37 million and P1.22 million in 2019, 2018 and 2017, respectively (see Note 16).

10. Right-of-use Asset

Details of this account follows:

	Note	**2019**
Cost		
Additions during the year	*20*	**P127,475,614**
Accumulated Amortization		
Amortization during the year	*16*	**9,210,986**
		P118,264,628

11. Intangible Asset

This account pertains to computer software licenses as at December 31, 2019. Cost and accumulated amortization as at December 31, 2019 amounted to P2.31 million and P149,937, respectively. Installation cost in progress as at December 31, 2019 and 2018 amounted to P12.45 million and P7.20 million, respectively.

The computer software licenses have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

12. Accounts Payable and Other Current Liabilities

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Trade	*23*	**P106,158,403**	P92,342,919	P106,177,618
Accrued expenses	*23*	**3,069,677**	635,087	334,094
Current portion of lease liability	*23*	**13,138,271**	-	-
Current portion of unearned franchise fees		**380,000**	-	-
Output VAT - net		**14,823,038**	126,934	101,248
Withholding taxes		**4,334,067**	2,075,295	2,124,735
Others	*23*	**3,137,593**	7,423	-
		P145,041,049	P95,187,658	P108,737,695

Trade payables are liabilities arising from the purchases of inventories. These are non-interest bearing and are normally settled within 30-60 days.

Accrued expenses pertain to unbilled expenses for professional fees, utilities and other charges.

Unearned franchise fees pertain to amounts collected in advance in relation to the franchise agreement. Breakdown of the unearned franchise fees follows:

	2019
Current	**P380,000**
Noncurrent	**1,380,000**
	P1,760,000

13. Loans Payable

Loans payable represents unsecured loan obtained from a local bank with due date of October 2020. This loan bears interest of 7.25% per annum. Outstanding balance of the loan amounted to P150,000,000 as at December 31, 2019 (Note 23).

Interest expense recognized in 2019 amounted to P2.48 million.

14. Revenues

Revenues from Contract with Customers

The Group generates revenues primarily from trading and selling goods and consumer products on a wholesale or retail basis. The revenues from contract with customers is disaggregated by revenue streams as follows:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Sale of goods		**P2,482,302,804**	P2,095,408,067	P1,750,689,674
Concession income*	*17*	**9,152,292**	-	-
Application fees*	*17*	**2,200,000**	-	-
		P2,493,655,096	P2,095,408,067	P1,750,689,674

* *Included under “Other Operating income” account*

Sale of goods is recognized at point in time when control of the asset is transferred to the customer, generally upon delivery.

Concession income pertains to the net margin from sales of concessionaire suppliers’ goods inside the store. The Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customers, it does not set prices and take inventory risk. The Group acts as an agent in selling to the end-customers and is receiving a “Commission” in consideration for the service that it is performing to the concessionaire.

Application fees pertain to the amount received in processing the franchise application of its customers. The fees are recognized when the service is rendered, which is generally once the franchise application is executed.

Display Rental

This account pertains to the rental income earned from the suppliers for the exclusive use of gondola and store spaces to display their products in the selling area situated in strategic locations.

15. Cost of Sales

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Beginning inventory	*7*	**P270,448,890**	P202,159,330	P146,038,606
Add: Purchases		**2,283,642,242**	2,091,552,216	1,746,530,389
Total goods available for sale		**2,554,091,132**	2,293,711,546	1,892,568,995
Less: Ending inventory	*7*	**183,418,743**	270,448,890	202,159,330
		P2,370,672,389	P2,023,262,656	P1,690,409,665

16. Operating Expenses

This account consists of:

	Note	**2019**	2018	2017 (As Amended - Note 24)
Salaries, wages and other benefits		**P23,787,350**	P19,568,462	P19,305,728
Depreciation and amortization	*9,10, 11*	**18,400,538**	1,367,703	1,218,338
Marketing		**13,656,957**	39,600	39,600
Taxes and licenses		**9,206,374**	7,455,624	6,858,898
Electricity and water		**8,586,803**	3,208,933	10,186,381
Contracted services		**6,415,950**	57,323	-
Donations and sponsorships		**5,100,000**	-	-
Supplies		**2,830,925**	-	-
Professional fees		**2,569,656**	20,000	20,000
Retirement benefits	*19*	**1,940,339**	652,314	709,742
Communications		**1,303,689**	190,381	210,142
Transportation and travel		**1,296,201**	3,057,661	2,255,237
Repairs and maintenance		**817,102**	109,568	-
Insurance		**615,637**	-	380,316
Miscellaneous	*20*	**1,526,467**	54,239	5,533
		P98,053,988	P35,781,808	P41,189,915

17. Other Operating Income

This account consists of:

	Note	**2019**	2018	2017
Concession income	*14*	**P9,152,292**	P -	P -
Application fees	*14*	**2,200,000**	-	-
Others		**710,667**	-	-
		P12,062,959	P -	P -

18. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref	Amount of Transaction	Outstanding Balances	Terms and Conditions
Stockholders					
Advances from stockholders	**2019**	*a*	**P -**	**P49,762,571**	**Due and demandable; non-interest bearing; unsecured; payable in cash**
	2018	*a*	62,348,104	134,896,958	Due and demandable; non-interest bearing; unsecured; payable in cash
	2017*	*a*	-	72,548,854	Due and demandable; non-interest bearing; unsecured; payable in cash
Deposit for future stock subscription	**2019**	*b*	**298,750,000**	**298,750,000**	**To be applied against future stock subscription**
	2019			**P348,512,571**	
	2018			P134,896,958	
	2017*			P72,548,854	

** As amended, Note 24*

a. *Cash Advances*
These pertain to unsecured, non-interest bearing advances received from the stockholder for working capital requirements. These advances are generally settled within one year from the date of grant.

b. *Deposit for Future Stock Subscription*
In December 2019, the Parent Company received subscription from III for its increase in authorized capital stock (Note 22).

c. *Key Management Personnel*
No key management personnel compensation is recognized in 2019, 2018 and 2017.

19. Retirement Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under Republic Act No. 7641, *The Retirement Pay Law,* which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service of employees who attain the normal retirement age of sixty (60) with at least five (5) years of service.

The Group's retirement benefits liability amounted to P6.20 million, P4.26 million and P3.60 million as at December 31, 2019, 2018 and 2017, respectively. Retirement benefits expense amounting to P1.94 million, P0.65 million and P0.71 million in 2019, 2018 and 2017 is presented under "Operating expenses" account in the consolidated statements of comprehensive income.

20. Lease Arrangements

The Group has various lease agreements for its office, warehouse and store spaces.

Information about leases for which the Group is a lessee that qualifies under PFRS 16 are as follows:

a. The Group leases its office space for a period of 10 years starting April 1, 2019 until January 30, 2029. The monthly rental rate for the first year amounted to P1,022,888, and thereafter, will increase by 5% every four years. The agreement is subject to renewal upon mutual agreement of the parties.

b. The Group leases its warehouse space for a period of 3 years starting November 4, 2019 until November 3, 2022. The monthly rental rate for the first year amounted to P513,750, and thereafter, will increase by 5% every year. The agreement is subject to renewal upon mutual agreement of the parties.

Related right-of-use asset from these lease arrangements are disclosed in Note 10.

The following table sets out a maturity analysis of lease payments, showing undiscounted and discounted lease payments to be received after the reporting date:

December 31, 2019	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Less than one year	**P18,921,244**	**P5,782,973**	**P13,138,271**
Between one to five years	**73,388,670**	**16,712,720**	**56,675,950**
More than 5 years	**67,859,087**	**7,057,046**	**60,802,041**
Total Lease Liability	**P160,169,001**	**P29,552,739**	**P130,616,262**

Total lease payments in 2019 amounted to P1.03 million.

Interest expense recognized in profit or loss amounted to P4.17 million in 2019.

The Group also entered into various lease agreements for its store spaces that do not qualify under PFRS 16. These lease agreements are based on variable consideration. Rent expense recognized from these agreements amounted to P1.00 million in 2019 and is recognized as part of "Miscellaneous" in the "Operating expenses" account.

Total security deposits from these lease arrangements amounted to P40.42 million as at December 31, 2019. These are included under "Other noncurrent assets" account in the consolidated statements of financial position.

21. Income Taxes

Income tax expense consists of:

	2019	2018	2017 (As amended - Note 24)
Current	**P18,891,630**	P17,714,056	P8,762,675
Deferred	**(6,934,770)**	(336,134)	(212,923)
	P11,956,860	P17,377,922	P8,549,752

The components and movements of the Group's deferred tax assets, relating to temporary differences, are shown below.

	January 1, 2019	**Charged to profit or loss**	**December 31, 2019**
NOLCO	P140,440	**P5,240,975**	**P5,381,415**
Retirement benefits liability	1,276,798	**582,102**	**1,858,900**
Lease arrangement	-	**943,693**	**943,693**
Unearned franchise income	-	**168,000**	**168,000**
Total	P1,417,238	**P6,934,770**	**P8,352,008**

	January 1, 2018	Charged to profit or loss	December 31, 2018
NOLCO	P -	P140,440	P140,440
Retirement benefits liability	1,081,104	195,694	1,276,798
Total	P1,081,104	P336,134	P1,417,238

	January 1, 2017 (As Amended, Note 24)	Charged to profit or loss	December 31, 2017
Retirement benefits liability	P868,181	P212,923	P1,081,104

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

	2019	2018	2017 (As amended - Note 24)
Income before income tax	**P39,966,192**	P57,976,056	P28,547,256
Income tax at the statutory income tax rate of 30%	**P11,989,858**	P17,392,817	P8,564,177
Income tax effects of interest income subjected to final tax	**(32,998)**	(14,895)	(14,425)
	P11,956,860	P17,377,922	P8,549,752

Details of the Subsidiary's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Year of Expiration
2019	P17,469,918	2022
2018	468,134	2021
	P17,938,052	

22. Equity and Earnings per Share

Capital Stock
As at December 31, 2019, 2018 and 2017, the authorized and issued capital stock of the Parent Company consists of:

Authorized Capital Stock	
Common - P100 par value	**P5,000,000**
Number of Shares Authorized	
Common	**50,000**
Issued Capital Stock	
Common - P100 par value	**P1,250,000**
Number of Shares Issued	
Common	**12,500**

On November 15, 2019, the Stockholders representing at least 2/3 of the outstanding capital stock and the BOD approved the increase in the Parent Company's authorized capital stock from P5,000,000 divided into 50,000 shares, with P100 par value to P1,200,000,000 divided into 24,000,000,000 shares, with P0.05 par value. Of the total increase in the authorized capital stock, 5,975,000,000 shares, equivalent to P298,750,000, was subscribed by the III. The payment for the subscription was received in December 2019 and was recorded under "Deposit for future stock subscription" account in the consolidated statements of financial position.

The application for the increase in authorized capital stock was filed with the SEC on January 17, 2020.

Retained Earnings
On December 19, 2019, the BOD approved the appropriation of retained earnings amounting to P80 million out of the Parent Company's unappropriated retained earnings as at December 31, 2019. The appropriation is intended for construction and establishment of the Parent Company's branches nationwide within 3 years.

On December 14, 2018, the BOD approved the appropriation of retained earnings amounting to P9 million out of the Parent Company's unappropriated retained earnings as at December 31, 2018. The appropriation is intended for the Parent Company's future expansion within 3 years.

On December 14, 2017, the BOD approved the appropriation of retained earnings amounting to P8 million out of the Parent Company's unappropriated retained earnings as at December 31, 2017. The appropriation is intended for the Parent Company's future expansion within 3 years.

EPS
EPS is computed as follows:

	2019	2018	2017
Net income attributable to common shareholders of the Parent Company	**P28,009,332**	P40,598,134	P19,997,504
Weighted average number of common shares for basic EPS	**12,500**	12,500	12,500
Basic/Diluted EPS	**P2,240.75**	P3,247.85	P1,599.80

23. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund its respective operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial assets include cash and cash equivalents, receivables and security deposits. These financial assets are used to fund the Group's operations and capital expenditures.

Credit Risk
Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Group's cash, receivables and security deposits. The objective is to reduce the risk of loss through default by counterparties.

Exposure to credit risk is monitored on an on-going basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	Note	**2019**	2018	2017 (As Amended Note 24)
Cash and cash equivalents (excluding cash on hand)	*5*	**P256,927,558**	P13,589,854	P10,262,772
Receivables (excluding advances to suppliers)	*6*	**9,018,707**	914,421	1,647,760
Security deposits (included under other noncurrent assets)		**40,420,029**	-	-
		P306,366,294	P14,504,275	P11,910,532

These financial assets are subjected to 12-month ECL.

The Group's process in assessing the ECLs are discussed in Note 4 to the consolidated financial statements.

These financial assets are neither past due nor impaired and has credit quality of high grade financial assets as at December 31, 2019, 2018 and 2017.

The Group assessed the credit quality of cash and cash equivalents as high grade since this is deposited with reputable banks with low probability of insolvency. Receivables assessed as high grade pertains to receivable from banks for credit card purchases and customers that had no default in payment. The Group performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness.

The credit risk for security deposits is considered negligible as these are mainly from Companies that are generally financially stable.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2019	*Note*	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	**P112,365,673**	**P112,365,673**	**P112,365,673**	**P -**	**P -**
Loans payable	*13*	**150,000,000**	**150,000,000**	**150,000,000**	**-**	**-**
Due to a related party	*18*	**49,762,571**	**49,762,571**	**49,762,571**	**-**	**-**
Lease liability**	*12,20*	**130,616,262**	**160,169,001**	**27,697,023**	**64,612,891**	**67,859,087**

** excluding statutory obligations, current portion of lease liability and unearned franchise fees*
***including current portion of lease liability*

December 31, 2018	*Note*	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	P92,985,429	P92,985,429	P92,985,429	P -	P -
Due to a related party	*18*	134,896,958	134,896,958	134,896,958	-	-

** excluding statutory obligations*

December 31, 2017	*Note*	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities						
Accounts payable and other current liabilities*	*12*	P106,511,712	P106,511,712	P106,511,712	P -	P -
Due to a related party	*18*	72,548,854	72,548,854	72,548,854	-	-

** excluding statutory obligations*

<u>Fair Values</u>
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents/Receivables/Accounts Payable and Other Current Liabilities/Loans Payable/Due to a Related Party
The carrying amounts of these accounts approximate their fair values due to the relatively short-term nature of these financial instruments.

Security Deposits/Lease Liability
Security deposits and lease liability are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

<u>Capital Management</u>
The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2019, 2018 and 2017. The Group is not subject to externally-imposed capital requirements.

24. Effect of Amendment

As discussed in Note 2, the separate financial statements of the Parent Company as at and for the year ended December 31, 2017 was amended. The following adjustments were made as a result of the amendment:

Statement of Financial Position

		December 31, 2017		
	Ref.	As Previously Reported	Adjustment	As Amended
ASSETS				
Current Assets				
Cash and cash equivalents	*f*	P2,472,902	P17,342,037	P19,814,939
Receivables	*a*	-	1,647,760	1,647,760
Inventories	*b*	196,630,924	5,528,406	202,159,330
Input VAT	*g*	28,378,174	(28,378,174)	-
Total Current Assets		227,482,000	(3,859,971)	223,622,029
Non-current Assets				
Property and equipment	*c*	5,473,170	(505,785)	4,967,385
Deferred tax assets	*d*	-	1,081,104	1,081,104
Total Non-Current Assets		5,473,170	575,319	6,048,489
		P232,955,170	(P3,284,652)	P229,670,518
Current Liabilities				
Accounts payable and other current liabilities	*f*	P173,925,769	(P65,188,074)	P108,737,695
Due to a related party	*f*	-	72,548,854	72,548,854
Income tax payable	*d*	-	5,144,074	5,144,074
Other current liabilities	*f*	28,591,521	(28,591,521)	-
Total Current Liabilities		202,517,290	(16,086,667)	186,430,623
Noncurrent Liabilities				
Retirement benefits liability	*e*	-	3,603,679	3,603,679
Total Liabilities		202,517,290	(12,482,988)	190,034,302
EQUITY				
Capital stock		1,250,000	-	1,250,000
Retained earnings	*h*	29,187,880	9,198,336	38,386,216
Total Equity		30,437,880	9,198,336	39,636,216
TOTAL LIABILITIES AND EQUITY		P232,955,170	(P3,284,652)	P229,670,518

Statement of Comprehensive Income

		For the year ended December 31, 2017		
	Ref.	As Previously Reported	Adjustment	As Amended
REVENUES				
Sale of goods		P1,750,689,674	P -	P1,750,689,674
Display rental	*f*	1,428,665	7,980,415	9,409,080
		1,752,118,339	7,980,415	1,760,098,754
COST OF SALES	*b*	1,704,527,242	(14,117,577)	1,690,409,665
GROSS PROFIT		47,591,097	22,097,992	69,689,089
OPERATING EXPENSES	*f*	(35,155,775)	(6,034,140)	(41,189,915)
INCOME FROM OPERATIONS		12,435,322	16,063,852	28,499,174
INTEREST INCOME	*f*	-	48,082	48,082
INCOME BEFORE INCOME TAX		12,435,322	16,111,934	28,547,256
INCOME TAX EXPENSE	*d*	(3,730,596)	(4,819,156)	(8,549,752)
NET INCOME/TOTAL COMPREHENSIVE INCOME	*b , e, d, f*	P8,704,726	P11,292,778	P19,997,504

Statement of Cash Flows

		For the Year Ended December 31, 2017		
	Ref.	As Previously Reported	Adjustment	As Amended
Net cash provided by operating activities	*c, b, e, d, f*	P144,177	P6,575,071	P6,719,248
Net cash used in investing activities	*c*	-	(1,077,910)	(1,077,910)
Net increase in cash and cash equivalent		144,177	5,497,161	5,641,338
Cash and cash equivalents at beginning of the year		2,328,725	11,844,876	14,173,601
Cash and cash equivalents at end of the year		P2,472,902	17,342,037	P19,814,939

The following are the nature of the adjustments:

a. The Parent Company recognized receivables which were previously unaccounted in the books amounting to P1,647,760.

b. Inventories were increased to adjust cost of inventory based on rollbackward procedures and recognize price adjustments. Corresponding cost of sales account were also adjusted.

c. The Parent Company written-off obsolete property and equipment and recognized equipment items that were previously unrecognized in the Parent Company's books.

d. The Parent Company assessed the impact of the adjustments on the current and deferred income tax expenses. Accordingly, the Parent Company adjusted the amount of current and deferred income tax expenses and income tax payable.

e. The Parent Company accrued retirement liabilities for their employees amounting to P3,603,679 to conform with the requirements of PAS 19, *Employee Benefits*.

f. Other adjustments pertain to reconciliation of cash accounts, payables and expenses, reconciliation and assessment of the related party transactions and recognition of certain revenue and expenses that were previously unaccounted.

   These adjustments resulted to the following:

   1. Increase in cash and cash equivalents amounting to P17,342,037;
   2. Decrease in accounts payable and other current liabilities amounting to P65,188,074;
   3. Increase in due to a related party amounting to P72,548,854;
   4. Decrease in other current liabilities amounting to P28,591,521;
   5. Increase in display rental amounting to P7,980,415;
   6. Increase in operating expenses amounting to P6,034,140;
   7. Increase in interest income amounting to P48,082

g. The Parent Company balance of input VAT amounting to P28,378,174 were offset to corresponding output VAT account to conform with the presentation in 2019 and 2018.

h. The Company increased its retained earnings as at December 31, 2017 as a result of current year and prior period amendments, arising mainly on unrecognized display rentals, adjustments in cost and expenses and other prior period errors.

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for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 9 3 0 1 2 5

COMPANY NAME

MERRYMART CONSUMER CORP. AND A SUBSIDIARY (FORMERLY INJAP SUPERMARKET, INC.)

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

Injap Bldg., TATC Plaridel St., Roxas City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8856-7111	0917-560-7273

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	November 11	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
RIZZA MARIE JOY J. SIA		8856-7111	

CONTACT PERSON's ADDRESS

Injap Bldg., TATC, Plaridel St., Roxas City

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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group") as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated January 24, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

KPMG

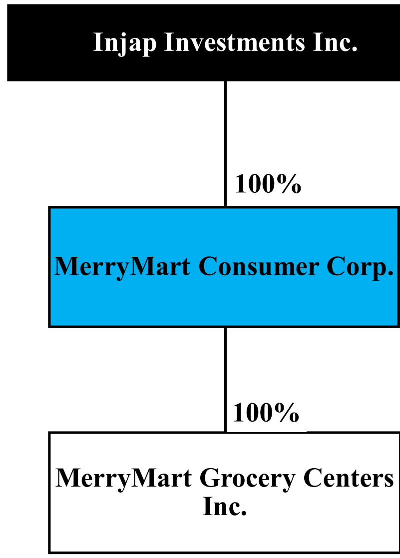
These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

January 24, 2020
Makati City, Metro Manila

CORPORATE STRUCTURE



MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii) (PhP)	Valued based on market quotation at end of reporting period (iii) (PhP)	Income received and accrued (PhP)
Cash and cash equivalents	N/A	270,308,599	270,308,599	109,993
Receivables	N/A	9,841,735	9,841,735	
Due from related parties	N/A	-	-	
Refundable deposits	N/A	40,420,029	40,420,029	

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts collected (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
Injap Investments Inc. (Parent Company)	-	-	-	-	-	-	-
Edgar J. Sia (Chairman)	-	-	-	-	-	-	-
Edgar J. Sia (Director)	-	-	-	-	-	-	-
Pacita J. Sia (Treasurer)	-	-	-	-	-	-	-
Ferdinand J. Sia (Director)	-	-	-	-	-	-	-
Rizza Marie Joy J. Sia (Corporate Secretary)	-	-	-	-	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts eliminated (ii) (PhP)	Amounts written off (iii) (PhP)	Current (PhP)	Not Current (PhP)	Balance at end of period (PhP)
MerryMart Grocery Centers Inc. (Subsidiary)	-	195,750,000.00	195,750,000.00	-	195,750,000.00	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Description (i)	Beginning balance (PhP)	Additions at cost (ii) (PhP)	Charged to cost and expenses (PhP)	Charged to other accounts (PhP)	Other changes additions (deductions) (iii) (PhP)	Ending balance (PhP)
Software licenses	7,200,000	7,562,710	149,937	-	-	14,612,773

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2019

Title of Issue and type of obligation (i)	Amount authorized by indenture (PhP)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii) (PhP)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii) (PhP)
Loans	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of related party (i)	Balance at beginning of period (PhP)	Balance at end of period (ii) (PhP)
Injap Investments Inc. (Parent Company)	134,896,958	49,762,571

The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITES OF OTHER ISSUERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
N/A	N/A	N/A	N/A	N/A

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2019

Title of Issue (i)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common shares	50,000	12,500	-	12,495	5	-

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

MERRYMART CONSUMER CORP.
Injap Bldg., TATC
Plaridel St., Roxas City

Unappropriated Retained Earnings, beginning		**₱42,312,044**
Adjustments:		
(see adjustments in previous year' reconciliation)		-
Unappropriated Retained Earnings, as adjusted, beginning		**42,312,044**
Add: Net income	**42,832,225**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain (loss) net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain (loss)	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustments due to deviation from PFRS/GAAP - gain	-	
Other unrealiazed gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustments due to deviation from PFRS/GAAP - gain	-	
Loss on fair value adjustments of investment Property (after tax)	-	
Net income actual/realized		**42,832,225**
Add (Less):		
Dividend declaration for the period		
Appropriations of Retained Earnings during the period		(80,000,000)
Reversal of appropriations		
Effect of prior period adjustments		
Treasury Shares		-
Unappropriated Retained Earnings, as adjusted, ending		**₱5,144,269**

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
MerryMart Consumer Corp.
Injap Bldg., TATC
Plaridel St., Roxas City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a wholly-owned subsidiary of Injap Investments, Inc.) and its subsidiary (the "Group") as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated January 24, 2020.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

January 24, 2020
Makati City, Metro Manila

MERRYMART CONSUMER CORP.
FINANCIAL RATIOS – KEY PERFORMANCE INDICATORS

	As of and for the years ended December 31,	
	2018	2019
Revenues (₱ in thousands)	2,116,970.9	2,515,236.4
Revenue Growth [(1)]	20.3%	18.8%
Gross Profit (₱ in thousands)	93,708.2	144,564.0
Gross Profit Margin [(2)]	4.4%	5.7%
Net Income (₱ in thousands)	40,598.1	28,009.3
Net Income Margin [(3)]	1.9%	1.1%
EBITDA (₱ in thousands) [(4)]	59,343.7	65,020.5
Current Ratio [(5)]	1.2	1.3
Asset to Equity Ratio [(6)]	4.2	8.4
Debt to Equity Ratio [(7)]	-	1.4
Debt to Total Assets [(8)]	-	0.2
Book Value per Share [(9)]	6,418.75	8,659.49

(1) Net Sales Growth is computed by dividing the current period's net sales less the prior period's net sales by net sales for the prior period.

(2) Gross Profit Margin is computed by dividing Gross Profit by total revenue.

(3) Net Income Margin (Net Income to Revenue) is computed by dividing total net income by total revenue.

(4) EBITDA is computed as net income add interest expense, tax expense and depreciation and amortization.

(5) Current Ratio is computed by dividing the total current assets by total current liabilities.

(6) Asset to Equity Ratio is computed by dividing the total assets by total equity.

(7) Debt to Equity Ratio is computed by dividing the loans payable by total equity.

(8) Debt to Total Assets is computed by dividing the loans payable by total assets.

(9) Book Value per Share is computed by dividing the total equity over total common shares outstanding