

COVER SHEET

for
QUARTERLY FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
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| . | | S | E | N | O | | A | N | D | | W | . | O | . | | S | E | N | O | | S | T | R | E | E | T | S | , | |
| G | U | I | Z | O | , | | N | O | R | T | H | | R | E | C | L | A | M | A | T | I | O | N | | A | R | E | A | , |
| M | A | N | D | A | U | E | | C | I | T | Y | , | | C | E | B | U | | | | | | | | | | | | |

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

| | | |
|---|---|---|
| N | / | A |
|---|---|---|

COMPANY INFORMATION

Company's Email Address

| |
|---------------------------------------|
| vicsal.sec@ metroretail.ph |
|---------------------------------------|

Company's Telephone Number

| |
|-----------------------|
| (032) 236-8390 |
|-----------------------|

Mobile Number

| |
|------------|
| N/A |
|------------|

No. of Stockholders

| |
|-----------|
| 24 |
|-----------|

Annual Meeting (Month / Day)

| |
|----------------------------|
| First Friday of May |
|----------------------------|

Fiscal Year (Month / Day)

| |
|--------------------|
| December 31 |
|--------------------|

CONTACT PERSON INFORMATION

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

Name of Contact Person

| |
|---------------------------|
| Joselito G. Orense |
|---------------------------|

Email Address

| |
|--|
| joel.orense @metroretail.ph |
|--|

Telephone Number/s

| |
|-----------------------|
| (032) 236-7793 |
|-----------------------|

Mobile Number

| |
|------------|
| N/A |
|------------|

CONTACT PERSON'S ADDRESS

Vicsal bldg., Corner of C.D.Seno & W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2022**
2. Commission identification number **CS200315877**
3. BIR Tax Identification No **226-527-915-000**
4. Exact name of issuer as specified in its charter **METRO RETAIL STORES GROUP, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Cebu, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office **Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo,
North Reclamation Area, Mandaue City, Cebu 6014** Postal Code

8. Issuer's telephone number, including area code **(032) 236-8390**
9. Former name, former address and former fiscal year, if changed since last report **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of each Class | Number of shares of common stock
Outstanding and Amount of Debt outstanding |
|----------------------|--|
| Common Shares | 3,328,092,000 |

11. Are any or all of the securities listed on a Stock Exchange?
Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements are filed as part of this form 17-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Management's Discussion and Analysis of Financial Condition and Results of Operations are filed as part of this form 17-Q.

METRO RETAIL STORES GROUP, INC.**UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION****AS AT MARCH 31, 2022****(With Comparative Audited Figures as at December 31, 2021)**

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--|----------------------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 3 and 25) | ₱785,992,517 | ₱1,671,751,798 |
| Short-term investments (Notes 4 and 25) | 2,796,360,460 | 1,091,644,133 |
| Receivables (Notes 5 and 25) | 566,914,181 | 669,943,462 |
| Merchandise inventories (Note 6) | 4,675,984,925 | 4,163,043,783 |
| Other current assets (Notes 7 and 25) | 849,601,608 | 702,255,561 |
| Total Current Assets | 9,674,853,691 | 8,298,638,737 |
| Noncurrent Assets | | |
| Property and equipment (Note 8) | 5,418,352,061 | 5,325,379,067 |
| Right-of-use ("ROU") assets (Note 22) | 4,590,683,453 | 4,700,055,422 |
| Deferred tax assets - net (Note 21) | 614,079,901 | 606,630,930 |
| Other noncurrent assets (Notes 9 and 25) | 448,721,899 | 505,051,360 |
| Total Noncurrent Assets | 11,071,837,314 | 11,137,116,779 |
| TOTAL ASSETS | ₱20,746,691,005 | ₱19,435,755,516 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Trade and other payables (Notes 10 and 25) | ₱3,441,046,119 | ₱3,536,960,607 |
| Contract liabilities (Note 11) | 62,401,144 | 99,893,390 |
| Loans payable – current portion (Note 12) | – | 1,000,000,000 |
| Lease liabilities - current portion (Notes 22 and 25) | 197,280,426 | 212,043,486 |
| Total Current Liabilities | 3,700,727,689 | 4,848,897,483 |
| Noncurrent Liabilities | | |
| Lease liabilities – net of current portion (Notes 22 and 25) | 5,332,742,878 | 5,362,911,707 |
| Retirement benefit obligation (Note 19) | 550,816,912 | 536,848,593 |
| Loans payable – net of current portion (Note 12) | 2,978,060,204 | 496,669,910 |
| Other noncurrent liabilities (Notes 13 and 25) | 17,130,032 | 17,130,032 |
| Total Noncurrent Liabilities | 8,878,750,026 | 6,413,560,242 |
| Total Liabilities | 12,579,477,715 | 11,262,457,725 |
| Equity | | |
| Capital stock (Note 14) | 3,429,375,000 | 3,429,375,000 |
| Additional paid-in capital (Note 14) | 2,455,542,149 | 2,455,542,149 |
| Treasury stock (Note 14) | (141,992,686) | (102,572,930) |
| Retained earnings (Note 14) | 2,405,237,196 | 2,371,901,941 |
| Remeasurement losses on defined benefit obligation (Note 19) | 19,051,631 | 19,051,631 |
| Total Equity | 8,167,213,290 | 8,173,297,791 |
| TOTAL LIABILITIES AND EQUITY | ₱20,746,691,005 | ₱19,435,755,516 |

See accompanying Notes to Financial Statements.

METRO RETAIL STORES GROUP, INC.**UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

| | For the Three-Months Period ended March 31 | |
|---|--|----------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| REVENUE | | |
| Net sales (Note 15) | ₱8,509,869,087 | ₱6,915,708,235 |
| Rentals (Note 22) | 49,268,479 | 38,674,308 |
| | 8,559,137,566 | 6,954,382,543 |
| COSTS AND EXPENSES | | |
| Cost of sales (Note 17) | 6,895,258,397 | 5,544,107,619 |
| Operating expenses (Note 18) | 1,533,622,391 | 1,478,562,129 |
| | 8,428,880,788 | 7,022,669,748 |
| OPERATING INCOME (LOSS) | 130,256,778 | (68,287,205) |
| OTHER INCOME (CHARGES) (Note 16) | | |
| Interest and other income | 28,129,111 | 19,374,382 |
| Finance costs | (114,257,267) | (118,035,582) |
| | (86,128,156) | (98,661,200) |
| INCOME (LOSS) BEFORE INCOME TAX | 44,128,622 | (166,948,405) |
| PROVISION FOR (BENEFIT FROM) | | |
| INCOME TAX (Note 21) | | |
| Current | 18,242,338 | 16,850,808 |
| Deferred | (7,448,971) | (57,326,410) |
| | 10,793,367 | (40,475,602) |
| NET INCOME (LOSS) | 33,335,255 | (126,472,803) |
| OTHER COMPREHENSIVE (LOSS) INCOME | | |
| <i>Not to be reclassified to profit or loss in subsequent periods</i> | | |
| Remeasurement (losses) gains on defined benefit obligation | - | - |
| Income tax effect | - | - |
| | - | - |
| TOTAL COMPREHENSIVE INCOME | ₱33,335,255 | (₱126,472,803) |
| Basic/Diluted Earnings Per Share (Note 23) | ₱0.01 | (₱0.04) |

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2022 and 2021

| | Capital Stock (Note 14) | Additional Paid-in Capital (Note 14) | Treasury Stock (Note 14) | Retained Earnings (Note 14) | Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 19) | Total |
|---|----------------------------|--|-----------------------------|--------------------------------|--|-----------------------|
| Balances at December 31, 2021 (Audited) | ₱3,429,375,000 | ₱2,455,542,149 | (₱102,572,930) | ₱2,371,901,941 | ₱19,051,631 | ₱8,173,297,791 |
| Net loss for the period | - | - | - | 33,335,255 | - | 33,335,255 |
| Other comprehensive loss | - | - | - | - | - | - |
| Total comprehensive loss | - | - | - | 33,335,255 | - | 33,335,255 |
| Acquisition of treasury shares (Note 14) | - | - | (39,419,756) | - | - | (39,419,756) |
| Balances at March 31, 2022 (Unaudited) | ₱3,429,375,000 | ₱2,455,542,149 | (₱141,992,686) | ₱2,405,237,196 | ₱19,051,631 | ₱8,167,213,290 |
| Balances at December 31, 2020 (Audited) | ₱3,429,375,000 | ₱2,455,542,149 | ₱- | ₱2,690,003,170 | (₱38,585,381) | ₱8,536,334,938 |
| Net loss for the period | - | - | - | (126,472,803) | - | (126,472,803) |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive loss | - | - | - | (126,472,803) | - | (126,472,803) |
| Acquisition of treasury shares (Note 14) | - | - | (18,227,786) | - | - | (18,227,786) |
| Balances at March 31, 2021 (Unaudited) | ₱3,429,375,000 | ₱2,455,542,149 | (₱18,227,786) | ₱2,563,530,367 | (₱38,585,381) | ₱8,391,634,349 |

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

| | For the Three-month Periods Ended March 31 | |
|---|--|-----------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | ₱44,128,622 | (₱166,948,405) |
| Adjustments for: | | |
| Depreciation and amortization - PPE (Note 8) | 148,684,616 | 135,597,554 |
| Finance costs (Note 16) | 114,257,267 | 118,035,582 |
| Depreciation - ROU assets (Note 22) | 88,533,385 | 159,943,460 |
| Retirement benefits costs (Note 19) | 15,253,285 | 11,736,370 |
| Foreign currency exchange gains (Note 16) | (7,269,526) | (346,735) |
| Interest income (Note 16) | (9,221,777) | (9,889,004) |
| Operating income before working capital changes | 394,365,872 | 248,128,822 |
| Decrease (increase) in: | | |
| Receivables | 107,367,479 | 138,069,138 |
| Merchandise inventories | (512,941,143) | 254,823,545 |
| Other current assets | (164,374,738) | 32,647,841 |
| Increase (decrease) in: | | |
| Trade and other payables | (97,518,017) | (1,580,582,920) |
| Contract liabilities | (37,492,246) | (12,174,220) |
| Cash flows used in operations | (310,592,793) | (919,087,794) |
| Income tax paid | (1,213,647) | (2,497,536) |
| Interest received | 4,883,578 | 11,772,626 |
| Interest paid | (12,210,049) | (11,749,234) |
| Retirement benefits paid | (1,284,965) | - |
| Net cash used in operating activities | (320,417,876) | (921,561,938) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment (Note 8) | (241,657,610) | (192,979,106) |
| Increase in short-term investments | (1,704,716,327) | (7,960,515) |
| Decrease in other noncurrent assets | 56,329,462 | 34,864,644 |
| Net cash used in investing activities | (1,890,044,475) | (166,074,977) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loans (Note 12) | 2,500,000,000 | 800,000,000 |
| Repayment of loans (Note 12) | (1,000,000,000) | (800,000,000) |
| Purchase of treasury stocks (Note 14) | (39,419,756) | (18,227,786) |
| Payment of: | | |
| Principal portion of lease liabilities (Note 22) | (124,396,700) | (191,403,206) |
| Debt issue cost (Note 12) | (18,750,000) | - |
| Net cash provided by (used in) financing activities | 1,317,433,544 | (209,630,992) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (893,028,807) | (1,297,267,907) |
| EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16) | 7,269,526 | 346,735 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,671,751,798 | 2,257,268,691 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3) | ₱785,992,517 | ₱960,347,519 |

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information and Approval of the Financial Statements

Corporate Information

Metro Retail Stores Group, Inc. (MRSGI; the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (the SEC) on August 28, 2003 in the Republic of the Philippines. The Company is 78.31%-owned by Vicsal Development Corporation (VDC), 0.74%-owned by Value Shop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

The Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 24, 2015 (see Note 14).

The Company's principal place of business is located at Vicsal Building, corner of C.D. Seno and W.O. Seno Streets, Guizo North Reclamation Area, Mandaue City, Cebu.

Approval of the Financial Statements

The unaudited interim condensed financial statements of the Company as at March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021 were approved and authorized by the Board of Directors (BOD) on May 6, 2022.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is the Company's functional currency. Amounts are rounded off to the nearest Philippine Peso, except where otherwise indicated.

The accompanying unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2021.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018–2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*, Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the '10 percent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture*, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

These amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are

largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Cash and Cash Equivalents

This account consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|------------------|---|-----------------------------------|
| Cash on hand | ₱122,097,818 | ₱135,648,257 |
| Cash in banks | 562,460,987 | 1,434,909,883 |
| Cash equivalents | 101,433,712 | 101,193,658 |
| | ₱785,992,517 | ₱1,671,751,798 |

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

Interest income earned from cash and cash equivalents amounted to ₱0.67 million and ₱3.44 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Note 16).

4. Short-term Investments

This account pertains to money market placements made for varying periods of up to one year depending on the immediate cash requirement of the Company and earn annual interest at the respective short-term investment rates that range from 1.60% to 1.75% and 1.75% to 2.00% in 2022 and 2021, respectively.

Short term investments as of March 31, 2022 and December 31, 2021 amounted to ₱2,796.36 million and ₱1,091.64 million, respectively.

Interest income earned from short-term investments amounted to ₱8.55 million and ₱6.45 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Note 16).

5. Receivables

This account consists of:

| | March 31, 2022 | December 31, 2021 |
|---|---------------------------|----------------------|
| Trade | | |
| Third parties | ₱478,915,988 | ₱584,619,138 |
| Nontrade | | |
| Rentals | 25,814,111 | 39,095,564 |
| Related parties (see Note 20) | 41,361,645 | 21,346,974 |
| Receivable from SSS | 25,205,892 | 23,034,715 |
| Accrued interest receivable | 8,119,505 | 4,079,885 |
| Others | 23,103,059 | 33,373,205 |
| | 602,520,200 | 705,549,481 |
| Less allowance for expected credit losses | 35,606,019 | 35,606,019 |
| | ₱566,914,181 | ₱669,943,462 |

Trade receivables consist of receivables from third parties and related parties. Trade receivables from third parties pertain to credit sales mainly from the Company's credit account holders and credit card companies. These are noninterest-bearing and are generally collectible within 30–90 days.

Rentals pertain to receivables from tenants that lease spaces in the Company's stores. These are noninterest-bearing and are collectible within 15 days.

Receivable from Social Security System (SSS) pertains to maternity loans proceeds and are collectible on demand.

Others consist of advances to employees and construction cash bond for store fit-outs and are collectible on demand.

Movements in the allowance for expected credit losses for individually and collectively impaired trade and rentals from third parties follow:

Trade receivables

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|----------------------|---|-----------------------------------|
| Beginning of period | ₱25,606,019 | ₱21,595,332 |
| Add provisions | - | 7,376,230 |
| Less write-off | - | (3,365,543) |
| End of period | ₱25,606,019 | ₱25,606,019 |

Rentals

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|----------------------|---|-----------------------------------|
| Beginning of period | ₱10,000,000 | ₱10,000,000 |
| Add provisions | - | - |
| End of period | ₱10,000,000 | ₱10,000,000 |

6. Merchandise Inventories

The rollforward analysis of this account follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--|---|-----------------------------------|
| Beginning inventory | ₱4,163,043,783 | ₱4,981,620,260 |
| Add purchases - net | 7,466,001,655 | 24,568,611,392 |
| Cost of goods available for sale | 11,629,045,438 | 29,550,231,652 |
| Less cost of merchandise sold (Note 17) | (6,887,518,619) | (25,287,751,375) |
| Less inventory loss due to typhoon Odette | - | (33,894,600) |
| | 4,741,526,819 | 4,228,585,677 |
| Less allowance for decline in inventory values | (65,541,894) | (65,541,894) |
| Ending inventory | ₱4,675,984,925 | ₱4,163,043,783 |

Net purchases include cost of inventory, freight charges, insurance and customs duties.

In December 2021, various stores in Visayas were hit by typhoon Odette. The cost of the damaged inventories amounted to ₱33.89 million.

No inventories have been pledged as security for the Company's obligations as at March 31, 2022 and December 31, 2021. The Company does not have any purchase commitments as at March 31, 2022 and December 31, 2021.

7. Other Current Assets

This account consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--------------------------------------|---|-----------------------------------|
| Input VAT - net | ₱373,899,719 | ₱172,979,561 |
| Prepayments | | |
| Third parties | 150,374,856 | 127,432,839 |
| Advances to trade suppliers | | |
| Related parties (Note 20) | 121,234,119 | 194,523,890 |
| Third parties | 5,415,538 | 5,128,128 |
| Security deposits – current | 69,694,588 | 69,694,588 |
| Deferred input VAT - current | 58,561,552 | 61,011,134 |
| Supplies | 54,294,935 | 52,678,665 |
| Prepaid income tax | 22,391,531 | 25,071,986 |
| | 855,866,838 | 708,520,791 |
| Less allowance for impairment losses | 6,265,230 | 6,265,230 |
| | ₱849,601,608 | ₱702,255,561 |

Input VAT pertains to taxes imposed on purchase of goods and services. These are expected to be fully amortized within one year.

Prepayments consist of prepaid insurance and advance rental payments on short-term leases.

Advances to suppliers pertain to down payments made to suppliers for purchases of merchandise inventories, supplies and other services.

Security deposits - current pertains to leases with remaining lease period of one year or less from reporting period.

Supplies pertain to office and store supplies purchased by the Company for general and administrative purposes. These are recognized at cost.

The prepaid income tax is a result of overpayment of taxes due to carryover of prior year excess credits resulting from the change in MCIT rate in 2020 and from the creditable withholding tax at source being higher than the income tax due in 2021.

Allowance for impairment losses pertains to estimated unrecoverable security deposits and long-outstanding advances to third party trade suppliers. Movements in the allowance for impairment loss for other current assets follow:

Security deposits

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------|---|-----------------------------------|
| Beginning of period | ₱6,223,444 | ₱– |
| Add provisions | – | 6,223,444 |
| End of period | ₱6,223,444 | ₱6,223,444 |

Advances to trade suppliers

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------|---|-----------------------------------|
| Beginning of period | ₱41,786 | ₱41,786 |
| Add provisions | - | - |
| End of period | ₱41,786 | ₱41,786 |

8. Property and Equipment

For the three-month periods ended March 31, 2022 and 2021, total additions to property and equipment amounted to ₱241.66 million and ₱365.29 million, respectively, while depreciation and amortization amounted to ₱148.68 million and ₱135.60 million for the three-month periods ended March 31, 2022 and 2021, respectively.

There are no items of property and equipment that are pledged as security to liabilities as at March 31, 2022 and December 31, 2021.

The Company has contractual purchase commitments related to construction-in-progress amounting to ₱174.28 million and ₱289.82 million as of March 31, 2022 and December 31, 2021, respectively.

As of March 31, 2022 and December 31, 2021, the Company's net book value of property and equipment amounted to ₱5,418.35 million and ₱5,325.38 million, respectively.

9. Other Noncurrent Assets

This account consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--------------------------------------|---|-----------------------------------|
| Deposits | ₱290,497,735 | ₱290,489,082 |
| Advances to nontrade suppliers | | |
| Third parties | 89,455,241 | 101,940,328 |
| Related parties (Note 20) | 9,057,217 | 39,167,965 |
| Deferred input VAT | 68,483,954 | 82,226,233 |
| | 457,494,147 | 513,823,608 |
| Less allowance for impairment losses | 8,772,248 | 8,772,248 |
| | ₱448,721,899 | ₱505,051,360 |

Deposits are payments to lessors for advance rental and security deposits and utility companies for meter deposits. Security deposits, less any unpaid rent and other charges, are refundable to the Company at the end of contract term.

Advances to nontrade suppliers pertain to advance payments made for the acquisition of property and equipment and are to be delivered up to six months.

Deferred input VAT arises from purchases of capital goods above ₱1.00 million. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter.

Allowance for impairment losses pertains to long outstanding advances to nontrade suppliers.

Movements in the allowance for impairment losses for other noncurrent assets follow:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------|---|-----------------------------------|
| Beginning of period | ₱8,772,248 | ₱8,772,248 |
| Write-off | - | - |
| End of period | ₱8,772,248 | ₱8,772,248 |

10. Trade and Other Payables

This account consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------------|---|-----------------------------------|
| Trade | | |
| Third parties | ₱2,142,913,513 | ₱2,283,372,264 |
| Related parties (Note 20) | 15,186,822 | 23,897,296 |
| Nontrade | | |
| Third parties | 399,760,615 | 365,464,453 |
| Related parties (Note 20) | 21,170,332 | 20,532,248 |
| Accrued expenses | 454,912,598 | 383,657,912 |
| Credit cash bonds | 249,045,269 | 250,884,882 |
| Taxes payable | 46,571,746 | 52,356,238 |
| Others | 111,485,224 | 156,795,314 |
| | ₱3,441,046,119 | ₱3,536,960,607 |

Trade payables pertain to payables to third parties and related parties arising mainly from purchases of merchandise inventories. These are generally noninterest-bearing and are normally settled in 30 days.

Nontrade payables consist of purchases of supplies, property and equipment and other services and retention payables to contractors for the Company's store equipment, leasehold improvements and liabilities in line with the Company's operating expenses. These are normally settled within twelve months.

Accrued expenses consist of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------------|---|-----------------------------------|
| Suppliers and contractors | ₱128,043,131 | ₱129,824,159 |
| Short-term rentals | 74,304,079 | 59,945,719 |
| Utilities | 66,128,218 | 71,923,516 |
| Marketing-related cost | 24,249,795 | 19,066,888 |
| Professional fees | 7,133,840 | 6,728,939 |
| Other accruals | 155,053,535 | 96,168,691 |
| | ₱454,912,598 | ₱383,657,912 |

Other accruals pertain to government remittances, and other operating related expenses.

Credit cash bonds pertain to cash bonds received by the Company as security for the unpaid balances of the receivables from credit account holders. This will be refunded if the account holder no longer wants to avail of the Company's credit line. These bonds earn interest annually at a fixed rate ranging from 1%–6% based on accumulated cash bond and purchases volume.

Taxes payable pertains to amount of taxes withheld by the Company on income payments yet to be remitted to the government.

Others include amounts payable to government agencies for mandatory contributions and payments to the SSS, Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), current portion of tenant's deposits which pertains to security deposits from tenants for the lease of space in the Company's stores with remaining lease period of one year or less from reporting period and other sundry payables.

11. Contract Liabilities

This account consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------------------|---|-----------------------------------|
| Accrued customer loyalty reward | ₱30,129,692 | ₱30,129,692 |
| Stored value cards | 25,356,279 | 27,368,264 |
| Gift check outstanding | 6,915,173 | 42,395,434 |
| | ₱62,401,144 | ₱99,893,390 |

These items can only be redeemed from the Company's own stores. These are expected to be redeemed within twelve months.

12. Loans Payable

This account consists of the following:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|-----------------------------------|
| Long-term bank loans with nominal interest rates ranging from 4.0%–5.09% per annum | ₱3,000,000,000 | 500,000,000 |
| Short-term bank loans with floating interest rates ranging from 2.75%–3.00% per annum | - | ₱1,000,000,000 |
| | 3,000,000,000 | 1,500,000,000 |
| Less current portion of loans payable | - | 1,000,000,000 |
| | 3,000,000,000 | 500,000,000 |
| Less unamortized debt issue cost | 21,939,796 | 3,330,090 |
| Noncurrent portion of loans payable | ₱2,978,060,204 | ₱496,669,910 |

Short-term bank loans

The Company availed short-term notes payable from local banks in an aggregate amount of nil and ₱800.00 million in 2022 and 2021, respectively, with floating interest rates ranging from 2.75%–3.00% per annum. These are payable within twelve months after the reporting date and were availed for additional working capital requirements. The Company paid short-term loans in 2022 and 2021 amounting to ₱1,000.00 million and ₱1,300.00 million, respectively.

Outstanding balance of short-term bank loans amounted to nil and ₱1,000.00 million as of March 31, 2022 and December 31, 2021, respectively.

Long-term bank loans

On March 30, 2021, the Company availed of a long-term loan of ₱500.00 million payable in thirty-two equal quarterly installments of ₱15.63 million commencing on June 30, 2023 to March 28, 2031. The loan bears a nominal interest rate of 4.0% per annum.

On March 3, 2022, the Company availed of a long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0% per annum.

On March 17, 2022, the Company availed of a long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0% per annum.

On March 24, 2022, the Company availed of a long-term loan of ₱1,500.00 million payable in twenty equal quarterly installments of ₱75.00 million commencing on June 24, 2024 to March 23, 2029. The loan bears a nominal interest rate of 5.09% per annum.

Long-term bank loans were availed to finance construction of new store buildings.

The Company's long-term debt consists of:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|------------------------------------|---|-----------------------------------|
| 10-year loan due on March 28, 2031 | ₱500,000,000 | ₱500,000,000 |
| 10-year loan due on March 3, 2032 | 500,000,000 | - |
| 10-year loan due on March 3, 2032 | 500,000,000 | - |
| 7-year loan due on March 23, 2029 | 1,500,000,000 | - |
| Less unamortized debt issue cost | 21,939,796 | 3,330,090 |
| | ₱2,978,060,204 | ₱496,669,910 |

The Company has no collateral, no negative covenants and no prepayment options for its loans payable outstanding as of March 31, 2022 and December 31, 2021.

Interest expense from bank loans amounted to ₱11.27 million and ₱10.83 million as of March 31, 2022 and 2021, respectively (see Note 16).

The movement of the unamortized debt issue cost follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------|---|-----------------------------------|
| Beginning of period | ₱3,330,090 | ₱- |
| Additions | 18,750,000 | 3,750,000 |
| Amortization | (140,294) | (419,910) |
| End of period | ₱21,939,796 | ₱3,330,090 |

The repayment schedule of Company's long-term debt is as follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|-----------|---|-----------------------------------|
| 2022 | ₱- | ₱- |
| 2023 | 130,208,333 | 46,875,000 |
| 2024 | 398,611,111 | 62,500,000 |
| 2025 | 473,611,111 | 62,500,000 |
| 2026-2031 | 1,997,569,445 | 328,125,000 |
| | ₱3,000,000,000 | ₱500,000,000 |

13. Other Noncurrent Liabilities

Other noncurrent liabilities pertain to security deposits from tenants for the lease of space in the Company's stores, with remaining lease period of more than one year from the reporting period. These security deposits are refundable to the tenants upon termination of contract.

Other noncurrent liabilities amounted to ₱17.13 million as of March 31, 2022 and December 31, 2021.

14. Equity

Capital Stock

The Company's common stock consists of:

| | March 31, 2022 (Unaudited) | | December 31, 2021 (Audited) | |
|--------------------------------|-------------------------------|-----------------|--------------------------------|-----------------|
| | No. of shares | Amount | No. of shares | Amount |
| Common stock - ₱1.00 par value | | | | |
| Authorized | 10,000,000,000 | ₱10,000,000,000 | 10,000,000,000 | ₱10,000,000,000 |
| Issued | 3,429,375,000 | 3,429,375,000 | 3,429,375,000 | 3,429,375,000 |
| Outstanding, beginning of year | 3,355,996,000 | 3,326,802,070 | 3,429,375,000 | 3,429,375,000 |
| Less treasury shares | (27,904,000) | (39,419,756) | (73,379,000) | (102,572,930) |
| Outstanding, end of year | 3,328,092,000 | ₱3,287,382,314 | 3,355,996,000 | ₱3,326,802,070 |

The Company was listed on the Main Board of the PSE on November 24, 2015 wherein it offered 905,375,000 shares at an offer price of ₱3.99 per share.

Additional Paid-in Capital

The Company recorded additional paid-in capital amounting to ₱2,455.54 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO amounting to ₱251.53 million charged against "Additional paid-in capital" in the statements of financial position.

Treasury Shares

On January 22, 2021, the BOD of the Company has approved the implementation of a share buyback program of up to ₱300.00 million worth of the Company's common shares to be taken from the Company's existing cash (without using the IPO proceeds) and supported by the unrestricted retained earnings.

As of March 31, 2022, the Company repurchased a total of 101,283,000 shares for a total amount of ₱141.99 million. These treasury shares are recorded at cost.

Stock Option Plan

The BOD and stockholders of the Company have adopted resolutions on July 27, 2015 approving the establishment of a stock option plan to offer up to 103,320,000 shares out of its unissued capital stock to key personnel. However, the Company has not formalized the stock option plan, hence, no actual grant has been made as of March 31, 2022 and December 31, 2021.

15. Revenue from Contracts with Customers

All of the Company's net sales and portion of other income are revenue from contracts with customers recognized at a point in time or when it transfers control of a product to a customer.

The Company's revenue from contracts with customers accounted for under PFRS 15 are presented in the statements of comprehensive as follows:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|--|---|----------------------------------|
| Net sales | ₱8,509,869,087 | ₱6,915,708,235 |
| Other income (Note 16) | | |
| Others | 8,576,089 | 5,286,588 |
| Total revenue from contracts with customers | ₱8,518,445,176 | ₱6,920,994,823 |

The following table disaggregates the Company's net sales by geographical markets and major goods or service lines.

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|---|----------------------------------|
| Geographical markets | | |
| Luzon | ₱3,284,835,900 | ₱2,371,605,774 |
| Visayas | 5,225,033,187 | 4,544,102,461 |
| Total revenue from contracts with customers from net sales | ₱8,509,869,087 | ₱6,915,708,235 |
| Major goods/service lines | | |
| Food retail | ₱6,583,844,814 | ₱5,432,316,290 |
| General Merchandise | 1,926,024,273 | 1,483,391,945 |
| Total revenue from contracts with customers from net sales | ₱8,509,869,087 | ₱6,915,708,235 |

16. Other income (Charges)

Interest and other income

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---------------------------------|---|----------------------------------|
| Interest income (Notes 3 and 4) | ₱9,221,777 | ₱9,889,004 |
| Foreign currency exchange gains | 7,269,526 | 346,735 |
| Scrap sales | 3,061,719 | 3,852,055 |
| Others | 8,576,089 | 5,286,588 |
| | ₱28,129,111 | ₱19,374,382 |

Interest income pertains to the interest earned from deposits in banks, cash placements and finance charges earned from short-term installment receivables from guarantors and employees.

Scrap sales pertain to the sale of non-reusable cartons, sacks, containers, and other scrap items from the Company's stores.

Others include income from various sources such as parking income, lotto operations, penalties and others.

Finance costs

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|---|---|
| Finance cost on lease liabilities (Note 22) | ₱100,303,396 | ₱104,243,576 |
| Interest expense from bank loans (Note 12) | 11,267,006 | 10,833,333 |
| Interest expense on cash bond (Note 10) | 2,686,865 | 2,958,673 |
| | ₱114,257,267 | ₱118,035,582 |

17. Cost of Sales

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|-----------------------------------|---|---|
| Cost of merchandise sold (Note 6) | ₱6,887,518,619 | ₱5,537,519,152 |
| Others (Note 18) | 7,739,778 | 6,588,467 |
| | ₱6,895,258,397 | ₱5,544,107,619 |

Others pertain to the direct labor and other overhead costs.

18. Operating Expenses

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|---|---|
| Personnel cost (Note 19) | ₱389,645,524 | ₱433,851,260 |
| Rental (Note 22) | 289,389,453 | 176,283,617 |
| Light, water and communications | 203,196,514 | 179,897,097 |
| Depreciation and amortization | 148,679,878 | 135,576,972 |
| Taxes and licenses | 94,632,996 | 91,339,619 |
| Depreciation and amortization of right-of-use assets (Note 22) | 88,533,385 | 159,943,460 |
| Contracted services | 82,326,805 | 87,492,528 |
| Repairs and maintenance | 72,861,220 | 44,855,180 |
| Supplies | 31,929,481 | 35,404,800 |
| Subscriptions | 30,446,267 | 26,820,308 |
| Insurance | 26,586,303 | 28,929,122 |
| Commission | 23,519,753 | 20,999,963 |

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---------------------------|---|----------------------------------|
| Advertising | 23,019,466 | 24,560,106 |
| Professional fees | 15,708,933 | 20,853,804 |
| Transportation and travel | 6,418,664 | 7,046,563 |
| Others | 6,727,749 | 4,707,730 |
| | ₱1,533,622,391 | ₱1,478,562,129 |

Depreciation and amortization of right-of-use assets recorded in the statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱20.84 million and ₱29.79 million in March 31, 2022 and 2021, respectively (see Note 22).

Others pertain to representation, entertainment, donations and contributions.

19. Personnel Cost

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|-------------------------|---|----------------------------------|
| Salaries and wages | ₱320,388,757 | ₱359,521,944 |
| Retirement benefit cost | 15,253,285 | 11,736,370 |
| Other employee benefits | 58,972,543 | 67,517,016 |
| | ₱394,614,585 | ₱438,775,330 |

Personnel cost that were recognized as cost of sales amounted to ₱4.96 million and ₱4.92 million as of March 31, 2022 and 2021, respectively.

Other employee benefits consist of the required employer contributions to SSS, PHIC and HDMF, 13th month pay and other incentives.

As of March 31, 2022, the Company's retirement benefit obligation and remeasurement losses on the defined benefit obligation amounted to ₱550.82 million and ₱19.05 million, respectively. As of December 31, 2021, these amounted to ₱536.85 million and ₱19.05 million, respectively.

20. Related Party Transactions

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 maybe individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at terms agreed by the parties. Outstanding balances at year end are unsecured, noninterest-bearing and settled in cash usually within one year. There have been no guarantees or collaterals provided or received for any related party receivables or payables.

The significant related party transactions and outstanding balances as of and for the years ended March 31, 2022 and December 31, 2021 are as follows:

March 31, 2022

| | Amount/Volume | Outstanding | Terms and Conditions |
|--|---------------|---------------------|--|
| <i>Parent Company (VDC)</i> | | | |
| Advances (see Note 5; a) | ₱18,928,242 | ₱15,322,302 | Noninterest-bearing and due in 30 days, unsecured |
| <i>Entities Under Common Control</i> | | | |
| Advances and rental income (see Note 5; c and d) | 23,660,233 | 26,039,343 | Noninterest-bearing and due in 30 days, not impaired |
| Advances to suppliers (see Notes 7 and 9; d) | 167,309,473 | 130,291,336 | Noninterest-bearing and for application within 30 days, not impaired |
| Due from related parties | | ₱171,652,981 | |

| | Amount/Volume | Outstanding | Terms and Conditions |
|---|---------------|----------------------|---|
| <i>Parent Company (VDC)</i> | | | |
| Lease liabilities (see Note 22; b) | ₱827,427 | (₱63,620,577) | Noninterest-bearing and payable in 30 days, unsecured |
| Rent expense (see Note 10; b) | 259,714,109 | (8,005,669) | Noninterest-bearing and for application within 30 days, unsecured |
| Management fee (see Note 10; e) | 10,670,103 | - | Noninterest-bearing and payable in 30 days, unsecured |
| <i>Entities Under Common Control</i> | | | |
| Purchase of goods (see Note 10; d) | 36,214,376 | (15,186,822) | Noninterest-bearing and payable in 30 days, unsecured |
| Purchases of services and rent expense (see Note 10; c and d) | 21,599,179 | (13,164,663) | Noninterest-bearing and payable in 30 days, unsecured |
| Due to related parties | | (₱99,977,731) | |

December 31, 2021

| | Amount/Volume | Outstanding | Terms and Conditions |
|--|---------------|---------------------|--|
| <i>Entities Under Common Control</i> | | | |
| Advances and rental income (see Note 5; c and d) | ₱72,241,236 | ₱21,346,974 | Noninterest-bearing and due in 30 days, not impaired |
| Advances to suppliers (see Notes 7 and 9; d) | 652,001,157 | 233,691,855 | Noninterest-bearing and for application within 30 days, not impaired |
| Due from related parties | | ₱255,038,829 | |

| | Amount/Volume | Outstanding | Terms and Conditions |
|---|---------------|----------------|---|
| <i>Parent Company (VDC)</i> | | | |
| Lease liabilities (see Note 22; b) | ₱6,680,102 | (₱75,128,391) | Noninterest-bearing and payable in 30 days, unsecured |
| Rent expense (see Note 10; b) | 940,128,962 | (9,910,811) | Noninterest-bearing and for application within 30 days, unsecured |
| Advances (see Note 10; a) | 5,972,681 | (2,168,547) | Noninterest-bearing and due in 30 days, unsecured |
| Management fee (see Note 10; e) | 57,988,660 | – | Noninterest-bearing and payable in 30 days, unsecured |
| <i>Entities Under Common Control</i> | | | |
| Purchase of goods (see Note 10; d) | 96,749,984 | (23,897,296) | Noninterest-bearing and payable in 30 days, unsecured |
| Purchases of services and rent expense (see Note 10; c and d) | 117,982,206 | (8,452,890) | Noninterest-bearing and payable in 30 days, unsecured |
| Due to related parties | | (₱119,557,935) | |

The Company, in the normal course of business, entered into the following transactions with related parties:

- a. Advances to VDC pertain to expenses paid by the Company on behalf of VDC and vice versa.
- b. Rentals from leases for the Company's store spaces and warehouses. The Company recognized "Lease liabilities" for fixed rent and "Prepayments" under Other Current Assets representing advance payments to the lessor to be applied to the subsequent billing and "Trade and other payables" for variable rent.
- c. The Company has receivables and payables pertaining to rental transactions in the Company's stores. These are noninterest-bearing and are collectible within 30 days.
- d. The Company has short-term noninterest-bearing receivables and payables in the normal course of business pertaining to the recovery of expenses, sales and purchases of goods and services.
- e. The Company entered into an agreement with VDC for legal and other services. Management fee is lodged in "Contracted services" under "Operating expenses" in the statements of comprehensive income.

The Company has an approval requirement and limits on the amount and extent on any related party transactions which is 10% or higher of the Company's total assets based on its latest audited financial statements.

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱797.00 million and ₱662.07 million as of March 31, 2022 and December 31, 2021, respectively, which earn interest based on prevailing market interest rates.

21. Income Taxes

Provision for (benefit from) income tax consists of:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|----------|---|----------------------------------|
| Current | ₱18,242,338 | ₱16,850,808 |
| Deferred | (7,448,971) | (57,326,410) |
| | ₱10,793,367 | (₱40,475,602) |

The provision for current income tax for the three-month periods ended March 31, 2022 and 2021 pertains to final and minimum corporate income tax.

As of March 31, 2022 and December 31, 2021, the Company's deferred tax assets amounted to ₱614.08 million and ₱606.63 million, respectively, which pertains to income tax effect of retirement benefit obligation, excess MCIT, NOLCO, provision for decline in value of inventories, provision for impairment of assets, contract liability from customer loyalty program, unamortized debt issuance cost and PFRS 16 adjustments.

22. Lease Commitments

Company as a lessee

The Company enters into lease agreements with third parties and related parties for Company's stores, warehouses and corporate office space. The Company also entered into lease arrangements covering various computer equipment used in the operations of the Company. These leases have terms ranging from one to 41 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market conditions.

The Company's obligations under its leases are subject to interest and penalty in cases of default of payment. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of equipment and staff-houses with lease terms of 12 months or less and leases of equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

March 31, 2022

| | Land | Building | Total |
|--------------------------|----------------------|----------------------|----------------------|
| Cost | | | |
| At January 1, 2022 | ₱1,760,106,298 | ₱5,001,943,908 | ₱6,762,050,206 |
| Additions | - | - | - |
| Lease modification | - | - | - |
| Asset retirement | - | - | - |
| At March 31, 2022 | 1,760,106,298 | 5,001,943,908 | 6,762,050,206 |

| | Land | Building | Total |
|--------------------------------------|---------------------|-----------------------|-----------------------|
| Accumulated depreciation | | | |
| At January 1, 2022 | 800,465,064 | 1,161,667,406 | 1,962,132,470 |
| Depreciation | 15,736,320 | 93,635,649 | 109,371,969 |
| Lease modification | - | - | - |
| Asset retirement | - | - | - |
| At March 31, 2022 | 816,201,384 | 1,255,303,055 | 2,071,504,439 |
| Less allowance for impairment losses | - | 99,862,314 | 99,862,314 |
| Net Book Value | ₱943,904,914 | ₱3,646,778,539 | ₱4,590,683,453 |

December 31, 2021

| | Land | Building | IT Equipment | Total |
|--------------------------------------|---------------------|-----------------------|--------------|-----------------------|
| Cost | | | | |
| At January 1, 2021 | ₱1,776,088,593 | ₱5,133,348,214 | ₱90,985,965 | ₱7,000,422,772 |
| Additions | - | 36,484,176 | - | 36,484,176 |
| Lease modification | - | (114,016,662) | - | (114,016,662) |
| Asset retirement | (15,982,295) | (53,871,820) | (90,985,965) | (160,840,080) |
| At December 31, 2021 | 1,760,106,298 | 5,001,943,908 | - | 6,762,050,206 |
| Accumulated depreciation | | | | |
| At January 1, 2021 | 539,250,489 | 867,248,983 | 85,888,872 | 1,492,388,344 |
| Depreciation | 277,196,870 | 429,427,633 | 5,097,093 | 711,721,596 |
| Lease modification | - | (81,137,390) | - | (81,137,390) |
| Asset retirement | (15,982,295) | (53,871,820) | (90,985,965) | (160,840,080) |
| At December 31, 2021 | 800,465,064 | 1,161,667,406 | - | 1,962,132,470 |
| Less allowance for impairment losses | - | 99,862,314 | - | 99,862,314 |
| Net Book Value | ₱959,641,234 | ₱3,740,414,188 | ₱- | ₱4,700,055,422 |

The following are the amounts recognized in statement of income:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|----------------------------------|----------------------------------|
| Variable lease payments (Note 18)* | ₱251,461,469 | ₱167,620,459 |
| Finance cost on lease liabilities (Note 16) | 100,303,396 | 104,243,576 |
| Depreciation expense of right-of-use assets – net (Note 18) | 88,533,385 | 159,943,460 |
| Expenses relating to short-term leases (Note 18)* | 37,927,984 | 8,663,158 |
| Total amount recognized in statement of income | ₱478,226,234 | ₱440,470,653 |

*Included in "Rental" under "Operating Expenses" in the statement of comprehensive income

The rollforward analysis of lease liabilities follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---------------------------------------|----------------------------------|-----------------------------------|
| At beginning of year | ₱5,574,955,193 | ₱6,021,950,271 |
| Finance cost (Note 16) | 100,303,396 | 418,922,032 |
| Additions | - | 36,484,176 |
| Payments | (124,396,700) | (677,225,703) |
| Lease modification and waived rentals | (20,838,585) | (225,175,583) |
| | ₱5,530,023,304 | ₱5,574,955,193 |

Classification of lease liabilities follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--------------------|---|-----------------------------------|
| Current portion | ₱197,280,426 | ₱212,043,486 |
| Noncurrent portion | 5,332,742,878 | 5,362,911,707 |
| | ₱5,530,023,304 | ₱5,574,955,193 |

Shown below is the maturity analysis of the undiscounted lease payments:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|-----------------------------------|
| Within one year | ₱597,602,349 | ₱596,627,470 |
| More than one year but not more than five years | 2,386,189,502 | 2,406,926,886 |
| More than five years | 8,190,041,864 | 8,315,514,643 |
| | ₱11,173,833,715 | ₱11,319,068,999 |

Company as lessor

The Company entered into lease agreements with tenants for the use of space in the Company's stores. These lease agreements have terms ranging from one to four years. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market rate conditions.

Tenants are required to pay for security deposits, subject to adjustment if minimum rent increases; refundable at the end of the lease term, after deducting the amount of damages to the leased premises and unpaid charges, if any. Security deposits amounted to ₱58.43 million and ₱79.55 million as of March 31, 2022 and December 31, 2021, respectively (Notes 10 and 13).

Rental income amounted to ₱49.27 million and ₱38.67 million as of March 31, 2022 and 2021, respectively.

23. Earnings Per Share

The following table presents information necessary to calculate EPS on net income:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|---|----------------------------------|
| Net loss | ₱33,335,255 | (₱126,472,803) |
| Number of common shares outstanding (Note 14) | 3,328,092,000 | 3,417,375,000 |
| Basic/Diluted EPS | ₱0.01 | (₱0.04) |

There are no potentially dilutive common shares as of March 31, 2022 and 2021.

24. Segment Reporting

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8.

The Company's store operations is its only income generating activity and such is the measure used by the CODM in allocating resources.

The Company conducts its operations through the following store formats:

Department Stores

Department stores are engaged in the business of trading goods, commodities, wares and merchandise of any kind, such as clothes, bags, accessories, toys, and household goods.

Supermarket

Supermarkets offer a wide selection of meats, seafoods, fruits and vegetables and organic produce. This format also offers ancillary services such as pharmacy, bakeshop, café and fastfood outlets. A supermarket maybe a stand-alone supermarket or opened together with a department store.

Hypermarkets

Hypermarkets consist of "superstores" which is a combination of supermarket and department store which offer a wide range of product including full grocery lines and general merchandise.

The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% or more to the revenues of the Company.

25. Financial Instruments

Fair Value of Financial Instruments

As of March 31, 2022 and December 31, 2021, the Company has no financial asset and liability carried at fair value.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

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

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

Financial Assets

Due to the short-term nature of the transaction, the fair values of cash and cash equivalents, short-term investments, trade receivables, rentals and receivable from related parties, other receivables (Claims from insurers and accrued interest receivable) and security deposits under "Other current assets" approximate the carrying values at end of reporting period.

Financial Liabilities

Due to the short-term nature of trade and other payables (excluding statutory payables), loans payable, current portions of lease liabilities, their carrying values approximate fair value at end of reporting period.

There were no transfers between levels 1, 2 and 3.

Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term obligations.

The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its operating expenses.

The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial liabilities of the Company as of March 31, 2022 and December 31, 2021 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

March 31, 2022

| | On Demand | Within One (1) Year | More than One (1) Year | Total |
|-------------------------------------|-----------|------------------------|---------------------------|------------------------|
| Financial liabilities: | | | | |
| Trade and other payables | | | | |
| Trade | | | | |
| Third parties | P- | P2,142,913,513 | P- | P2,142,913,513 |
| Related parties | - | 15,186,822 | - | 15,186,822 |
| Nontrade | | | | |
| Third parties | - | 399,760,615 | - | 399,760,615 |
| Related parties | - | 21,170,332 | - | 21,170,332 |
| Accrued expenses | - | 454,912,598 | - | 454,912,598 |
| Credit cash bonds | - | 249,045,269 | - | 249,045,269 |
| Others | - | 111,485,224 | - | 111,485,224 |
| Long-term bank loans: | | | | |
| Principal | - | - | 3,000,000,000 | 3,000,000,000 |
| Future interest payments | - | 135,620,377 | 545,259,988 | 680,880,365 |
| Lease liabilities | - | 597,602,349 | 10,576,231,366 | 11,173,833,715 |
| Other noncurrent liabilities | - | - | 17,130,032 | 17,130,032 |
| | P- | P4,127,697,099 | P14,138,621,386 | P18,266,318,485 |

December 31, 2021

| | On Demand | Within One (1) Year | More than One (1) Year | Total |
|---------------------------------|-----------|------------------------|---------------------------|-----------------|
| Financial liabilities: | | | | |
| Trade and other payables | | | | |
| Trade | | | | |
| Third parties | ₱- | ₱2,283,372,264 | ₱- | ₱2,283,372,264 |
| Related parties | - | 23,897,296 | - | 23,897,296 |
| Nontrade | | | | |
| Third parties | - | 365,464,453 | - | 365,464,453 |
| Related parties | - | 20,532,248 | - | 20,532,248 |
| Accrued expenses | - | 383,657,912 | - | 383,657,912 |
| Credit cash bonds | - | 250,884,882 | - | 250,884,882 |
| Others | - | 156,004,906 | - | 156,004,906 |
| Short-term bank loans: | | | | |
| Principal | - | 1,000,000,000 | - | 1,000,000,000 |
| Future interest payments | - | 3,875,000 | - | 3,875,000 |
| Long-term bank loans: | | | | |
| Principal | - | - | 500,000,000 | 500,000,000 |
| Future interest payments | - | 20,000,000 | 87,551,370 | 107,551,370 |
| Lease liabilities | - | 596,627,470 | 10,722,441,529 | 11,319,068,999 |
| Other noncurrent liabilities | - | - | 17,130,032 | 17,130,032 |
| | ₱- | ₱5,105,106,839 | ₱11,327,122,931 | ₱16,432,229,770 |

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's receivables are actively monitored by its collection department to avoid significant concentrations of credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits for each counterparty; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

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

| | March 31, 2022 | | | |
|-----------------------------|--|---|---------------------|---|
| | Maximum exposure to credit risk | Fair value of collaterals or credit enhancements | Net exposure | Financial effect of collaterals or credit enhancements |
| Receivables: | | | | |
| Trade | | | | |
| Third parties | ₱478,915,988 | ₱145,560,325 | ₱333,355,663 | ₱145,560,325 |
| Nontrade | | | | |
| Rentals | 25,814,111 | 22,381,819 | 3,432,292 | 22,381,819 |
| Related parties | 41,361,645 | - | 41,361,645 | - |
| Accrued interest receivable | 8,119,505 | - | 8,119,505 | - |
| Others | 23,103,059 | - | 23,103,059 | - |
| | ₱577,314,308 | ₱167,942,144 | ₱409,372,164 | ₱167,942,144 |

| | December 31, 2021 | | | |
|-----------------------------|---------------------------------|--|---------------------|--|
| | Maximum exposure to credit risk | Fair value of collaterals or credit enhancements | Net exposure | Financial effect of collaterals or credit enhancements |
| Receivables: | | | | |
| Trade | | | | |
| Third parties | ₱584,619,138 | ₱150,831,871 | ₱433,787,267 | ₱150,831,871 |
| Nontrade | | | | |
| Related parties | 21,346,974 | - | 21,346,974 | - |
| Rentals | 39,095,564 | 13,685,869 | 25,409,695 | 13,685,869 |
| Accrued interest receivable | 4,079,885 | - | 4,079,885 | - |
| Others | 33,373,205 | - | 33,373,205 | - |
| | <u>₱682,514,766</u> | <u>₱164,517,740</u> | <u>₱517,997,026</u> | <u>₱164,517,740</u> |

Collaterals or credit enhancements pertain to cash bonds posted by credit account holders to secure payment of credit purchases through the Company's credit facilities. These also pertain to tenants' security deposits which shall be applied against the tenants' last billing.

Other than those disclosed above, the carrying amount of the financial assets represent the maximum exposure of the Company to credit risk.

Impairment of financial assets

The Company has the following financial assets that are subject to the expected credit loss model:

- trade receivables from third party and related parties for sales of inventory;
- rent receivables from third party and related parties for rental of spaces;
- other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include cash and cash equivalents, short-term investments, accrued interest receivables, refundable security deposits and receivable from insurance. These are also subject to the impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Trade and rent receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and rent receivables. To measure the expected credit losses, trade and rent receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade and rent receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the country in which it sells its goods and accordingly adjusts the historical loss rates based on expected changes in these factors.

Below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as of March 31, 2022 and December 31, 2021:

March 31, 2022

Trade receivables

| | Current Stage 1 (12-month ECL) | Credit-impaired Stage 3 | Total |
|----------------------------|-----------------------------------|----------------------------|--------------|
| Expected credit loss rates | 0.01% | 92.06% | |
| Gross carrying amount | ₱451,480,379 | ₱27,435,609 | ₱478,915,988 |
| ECL | 349,760 | 25,256,259 | 25,606,019 |

Rental

| | Current Stage 1 (12-month ECL) | Credit-impaired Stage 3 | Total |
|----------------------------|-----------------------------------|----------------------------|-------------|
| Expected credit loss rates | 14.65% | 0.00% | |
| Gross carrying amount | ₱68,266,414 | ₱- | ₱68,266,414 |
| ECL | ₱10,000,000 | - | ₱10,000,000 |

December 31, 2021

Trade receivables

| | Current Stage 1 (12-month ECL) | Credit-impaired Stage 3 | Total |
|----------------------------|-----------------------------------|----------------------------|--------------|
| Expected credit loss rates | 0.01% | 92.36% | |
| Gross carrying amount | ₱557,272,079 | ₱27,347,059 | ₱584,619,138 |
| ECL | 349,760 | 25,256,259 | 25,606,019 |

Rental

| | Current Stage 1 (12-month ECL) | Credit-impaired Stage 3 | Total |
|----------------------------|-----------------------------------|----------------------------|-------------|
| Expected credit loss rates | 25.58% | 0.00% | |
| Gross carrying amount | ₱39,095,564 | ₱- | ₱39,095,564 |
| ECL | ₱10,000,000 | - | ₱10,000,000 |

Trade receivables are written off when there is no reasonable expectation of recovery. All of the indicators that there is no reasonable expectation of recovery should be present prior to write off which include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, debtor is experiencing significant financial difficulties, and a failure to make contractual payments for a period of greater than 90 days past due. Provisions are measured using Stage 3 ECL where receivables are considered credit impaired.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

26. Seasonality of Operations

The Company experiences seasonal fluctuations in supermarket, department store and hypermarket operations. Historically, sales peak in December of each year, thereafter it slows down in the first quarter of the year and begins to increase in the second quarter, driven by the summer season, the school break in June and July. This is followed by a slowdown in sales in the third quarter due to the rainy season.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three-month period ended March 31, 2022 versus March 31, 2021

Revenue

Net sales

For the three-month period ended March 31, 2022, our net sales were ₱8,509.9 million, an increase of 23.1% compared to ₱6,915.7 million for the same period last year.

Total food retail and general merchandise business grew by 21.2% and 29.8%, respectively, over the same period last year. The growth is brought about by the reopening of the economy and as quarantine restrictions continued to be eased.

Blended same store sales grew by 23.4% over the same period last year. This excludes the disrupted operations of a store damaged by typhoon Odette last December 16, 2021.

Rental income

For the three-month period ended March 31, 2022, our rental income was ₱49.3 million, an increase of 27.4% compared to ₱38.7 million for the same period last year. The increase in rental income is primarily due to the re-opening of non-essential tenants.

Cost of sales

For the three-month period ended March 31, 2022, our cost of sales was ₱6,895.3 million, an increase of 24.4% compared to ₱5,544.1 million for the same period last year. Cost of sales increased slightly higher than net sales as consumers prioritized the purchase of essential goods, which generally have lower margins.

Operating expenses

For the three-month period ended March 31, 2022, our operating expenses were ₱1,533.6 million, an increase of 3.7% compared to ₱1,478.6 million for the same period last year. Operating expenses for same stores, warehouses and shared services only grew by 1.5% over the same period last year. This is mainly attributable to the increased efficiency and continuous cost reduction and saving measures implemented by the Company.

Interest and other income

For the three-month period ended March 31, 2022, our interest and other income was ₱28.1 million, an increase of 44.8% compared to the ₱19.4 million for the same period last year.

The increase was primarily due to a higher foreign exchange gain in 2022 amounting to ₱7.3 million compared to ₱0.3 million in 2021.

Finance costs

For the three-month period ended March 31, 2022, finance costs were ₱114.3 million, a decrease of 3.1% compared to ₱118.0 million for the same period last year. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, partially offset with the increase on finance costs related to the Company's outstanding loans payable.

Provision for (benefit from) income tax

For the three-month period ended March 31, 2022, our provision for income tax was ₱10.8 million, an increase of 126.7% compared to the benefit from income tax of ₱40.5 million for the three-month period ended March 31, 2021. The increase in provision for income tax was primarily due to the increase in income before tax.

Net loss

As a result of the foregoing, for the three-month period ended March 31, 2022, our net income was ₱33.3 million, an improvement of 126.3% compared to the net loss of ₱126.5 million for the three-month period ended March 31, 2021.

Financial Position

As of March 31, 2022 and December 31, 2021, our net current assets, or the difference between total current assets and total current liabilities, were ₱5,974.2 million and ₱3,449.7 million respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, short-term investment, receivables, merchandise inventories and other current assets. Total current assets as of March 31, 2022 and December 31, 2021 were ₱9,674.9 million and ₱8,298.6 million, respectively. The increase of 16.6% of current assets is significantly due to the increase in short-term investment, merchandise inventories and other current assets.

As of March 31, 2022, short-term investment totaled ₱2,796.4 million, receivables totaled ₱566.9 million, merchandise inventories totaled ₱4,676.0 million and other current assets totaled ₱849.6 million. As of December 31, 2021, short-term investment totaled ₱1,091.6 million, receivables totaled ₱669.9 million, merchandise inventories totaled ₱4,163.0 million and other current assets totaled ₱702.3 million.

As of March 31, 2022, cash and cash equivalents amounted to ₱786.0 million, a decrease of 53.0% from ₱1,671.8 million as of December 31, 2021. The decrease were mainly attributable to the increase in merchandise inventories of ₱512.9 million, increase in other current assets of ₱164.4 million, increase in short-term investments of ₱1,704.7 million, acquisition of property and equipment amounting to ₱241.7 million, repayment of loans of ₱1,000.0 million offset by availment of term loans of ₱2,500.0 million, decrease in receivables of ₱107.4 million and decrease in other noncurrent assets of ₱56.3 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other noncurrent assets. Total noncurrent assets as of March 31, 2022 and December 31, 2021 were ₱11,071.8 million and ₱11,137.1 million, respectively. While property and equipment increased by ₱93.0 million and deferred tax assets–net by ₱7.4 million, the depreciation and amortization of right-of-use assets and decrease in other noncurrent assets resulted to a decrease of 0.6% in total noncurrent assets.

Current Liabilities

Total current liabilities as of March 31, 2022 and December 31, 2021 were ₱3,700.7 million and ₱4,848.9 million, respectively. As of March 31, 2022 and December 31, 2021, trade and other payables totaled ₱3,441.0 million and ₱3,537.0 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable – current portion amounted to nil and ₱1,000.0 million as of March 31, 2022 and December 31, 2021, respectively.

Noncurrent liabilities

Total noncurrent liabilities as of March 31, 2022 and December 31, 2021 were ₱8,878.8 million and ₱6,413.6 million, respectively. The increase of 38.4% was primarily due to the availment of long-term bank loan of ₱2,500.0 million in March 2022.

Cash Flows

The following table sets out information from our statements of cash flows for the periods indicated.

| | For the three-month periods ended March 31, | |
|---|--|------------------|
| | 2022 | 2021 |
| | (₱ million) | |
| Net cash flows used in operating activities | (320.4) | (921.6) |
| Net cash flows used in investing activities | (1,890.0) | (166.1) |
| Net cash flows provided by (used in) financing activities | 1,317.4 | (209.6) |
| Net decrease in cash | <u>(893.0)</u> | <u>(1,297.3)</u> |

Net cash flows used in operating activities

Our net cash flows used in operating activities for the three-month period ended March 31, 2022 was ₱320.4 million, which comprised operating income before working capital changes of ₱394.4 million, adjusted for changes in working capital and interest received, partially offset by income tax and interest paid. The changes in working capital were mainly attributable to increase in merchandise inventories of ₱512.9 million, increase in other current assets of ₱164.4 million, decrease in trade and other payables of ₱97.5 million, decrease in contract liabilities of ₱37.5 million, offset by the decrease in receivables of ₱107.4 million.

Our net cash flows used in operating activities for the three-month period ended March 31, 2021 was ₱921.6 million, which comprised operating income before working capital changes of ₱248.1 million, adjusted for changes in working capital and interest received, partially offset by income tax and interest paid. The changes in working capital were mainly attributable to decrease in trade and other payables of ₱1,580.6 million, offset by the decrease in merchandise inventories of ₱254.8 million and decrease in receivables of ₱138.1 million.

Net cash flows used in investing activities

For the three-month period ended March 31, 2022, net cash flows used in investing activities was ₱1,890.0 million, which resulted from the additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱241.7 million, increase in short-term investments of ₱1,704.7 million, offset by the decrease in other noncurrent assets of ₱56.3 million.

For the three-month period ended March 31, 2021, net cash flows used in investing activities was ₱166.1 million, which resulted from the additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱193.0 million, increase in short-term investments of ₱8.0 million, offset by the decrease in other noncurrent assets of ₱34.9 million.

Net cash flows used in financing activities

For the three-month period ended March 31, 2022, net cash flows provided by financing activities was ₱1,317.4 million, which resulted from availment of loan of ₱2,500.0 million, offset by the repayment of loans of ₱1,000.0 million, payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱124.4 million, purchase of treasury stocks of ₱39.4 million and payment of debt issuance cost of ₱18.8 million.

For the three-month period ended March 31, 2021, net cash flows used in financing activities was ₱209.6 million, which resulted from the payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱191.4 million and purchase of treasury stock of ₱18.2 million.

Indebtedness

The Company has an outstanding loans payable of ₱2,978.1 million and ₱1,496.7 million as of March 31, 2022 and December 31, 2021, respectively. The short-term loans payable were obtained to support working capital requirements, while long-term loan payable were availed to finance construction of new store buildings.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METRO RETAIL STORES GROUP, INC.

Issuer.....

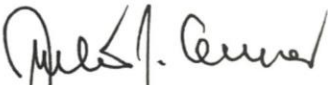
By:



FRANK S. CAISANO
Chairman and Chief Executive Officer
May 6, 2022



MANUEL C. ALBERTO
President and Chief Operating Officer
May 6, 2022



JOSELITO G. ORENSE
Treasurer and Chief Financial Officer
May 6, 2022