COVER SHEET
for
QUARTERLY FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	1	5	8	7	7

COMPANY NAME

METRO RETAIL STORES GROUP, INC.

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

VICSAL BUILDING, CORNER OF C.D. SENO AND W.O. SENO STREETS, GUIZO, NORTH RECLAMATION AREA, MANDAUE CITY, CEBU

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@metroretail.com.ph	**(032) 236-8390**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
23	**First Friday of May**	**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
Joselito G. Orense	**joel.orense@metroretail.com.ph**	**(032) 236-7793**	**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 **September 30, 2019**

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 Postal Code

   Vicsal Building, corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu 6014

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	**3,429,375,000**

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

    Yes [x] 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 [x] No [ ]

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

    Yes [x] 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 SEPTEMBER 30, 2019
(With Comparative Audited Figures as at December 31, 2018)

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**₱2,494,640,883**	₱3,606,179,404
Short-term investments (Note 4)	**160,923,774**	358,438,404
Receivables (Note 5)	**741,441,405**	1,371,593,749
Merchandise inventories (Note 6)	**4,323,109,899**	3,589,605,171
Other current assets (Note 7)	**477,373,607**	495,107,374
Total Current Assets	**8,197,489,568**	9,420,924,102
Noncurrent Assets		
Property and equipment (Note 8)	**4,280,441,630**	3,286,048,181
Deferred tax assets - net (Note 20)	**154,226,088**	152,995,229
Other noncurrent assets (Note 9)	**993,655,153**	1,008,491,592
Total Noncurrent Assets	**5,428,322,871**	4,447,535,002
TOTAL ASSETS	**₱13,625,812,439**	₱13,868,459,104

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 10)	**₱3,833,093,595**	₱4,392,287,409
Contract liabilities (Note 11)	**67,828,158**	103,195,660
Income tax payable	**28,560,493**	158,339,929
Finance lease liability - current portion (Note 23)	**42,964,661**	36,744,720
Total Current Liabilities	**3,972,446,907**	4,690,567,718
Noncurrent Liabilities		
Finance lease liability - net of current portion (Note 23)	**11,593,170**	28,648,744
Retirement benefit obligation (Note 18)	**428,297,702**	393,006,901
Other noncurrent liabilities (Note 12)	**58,657,813**	53,216,403
Total Noncurrent Liabilities	**498,548,685**	474,872,048
Total Liabilities	**4,470,995,592**	5,165,439,766
Equity		
Capital stock (Note 13)	**3,429,375,000**	3,429,375,000
Additional paid-in capital (Note 13)	**2,455,542,149**	2,455,542,149
Retained earnings (Note 13)	**3,227,272,539**	2,775,475,030
Remeasurement gains on defined benefit obligation (Note 18)	**42,627,159**	42,627,159
Total Equity	**9,154,816,847**	8,703,019,338
TOTAL LIABILITIES AND EQUITY	**₱13,625,812,439**	₱13,868,459,104

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
REVENUE				
Net sales (Note 14)	**₱8,685,469,266**	₱7,806,577,069	**₱25,284,348,579**	₱22,790,583,458
Rental (Note 23)	**65,587,868**	57,722,665	**187,275,165**	175,743,073
	8,751,057,134	7,864,299,734	**25,471,623,744**	22,966,326,531
COSTS AND EXPENSES				
Cost of sales (Note 16)	**6,788,385,293**	6,112,869,294	**19,657,998,179**	17,671,282,133
Operating expenses (Note 17)	**1,823,413,343**	1,621,347,500	**5,378,847,644**	4,736,214,772
	8,611,798,636	7,734,216,794	**25,036,845,823**	22,407,496,905
OTHER INCOME (CHARGES)				
Interest and other income (Note 15)	**33,209,670**	31,462,822	**511,260,712**	103,940,769
Finance costs (Notes 10 and 23)	**(3,910,976)**	(5,007,720)	**(11,919,270)**	(12,918,691)
	29,298,694	26,455,102	**499,341,442**	91,022,078
INCOME BEFORE INCOME TAX	**168,557,192**	156,538,042	**934,119,363**	649,851,704
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)				
Current	**47,946,394**	49,026,518	**277,790,212**	205,018,281
Deferred	**2,529,684**	(3,044,425)	**(1,230,858)**	(10,101,255)
	50,476,078	45,982,093	**276,559,354**	194,917,026
NET INCOME	**118,081,114**	110,555,949	**657,560,009**	454,934,678
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains (losses) on defined benefit obligation	**–**	–	**–**	–
Income tax effect	**–**	–	**–**	–
	–	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱118,081,114**	₱110,555,949	**₱657,560,009**	₱454,934,678
Basic/Diluted Earnings Per Share (Note 21)	**₱0.03**	₱0.03	**₱0.19**	**₱0.13**

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30, 2019 and 2018

	Capital Stock (Notes 13 and 21)	Additional Paid-in Capital (Note 13)	Retained Earnings (Note 13)	Remeasurement Gains (Losses) on Defined Benefit Obligation	Total
Balances at December 31, 2018 (Audited)	**₱3,429,375,000**	**₱2,455,542,149**	**₱2,775,475,030**	**₱42,627,159**	**₱8,703,019,338**
Net income for the period	**–**	**–**	**657,560,009**	**–**	**657,560,009**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Income	**–**	**–**	**657,560,009**	**–**	**657,560,009**
Declaration of dividends (Note 13)	**–**	**–**	**(205,762,500)**	**–**	**(205,762,500)**
Balances at September 30, 2019 (Unaudited)	**₱3,429,375,000**	**₱2,455,542,149**	**₱3,227,272,539**	**₱42,627,159**	**₱9,154,816,847**
Balances at December 31, 2017 (Audited)	₱3,429,375,000	₱2,455,542,149	₱2,015,860,010	₱42,487,257	₱7,943,264,416
Net income for the period	–	–	454,934,678	–	454,934,678
Other comprehensive income	–	–	–	–	–
Total Comprehensive Income	–	–	454,934,678	–	454,934,678
Declaration of dividends (Note 13)	–	–	(205,762,500)	–	(205,762,500)
Balances at September 30, 2018 (Unaudited)	₱3,429,375,000	₱2,455,542,149	₱2,265,032,188	₱42,487,257	₱8,192,436,594

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

UNAUDTIED INTERIM STATEMENTS OF CASH FLOWS

	Nine-month Periods Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱934,119,363**	₱649,851,704
Adjustments for:		
Depreciation and amortization (Note 9)	**372,053,446**	374,191,058
Net gain on insurance claims (Notes 6, 7, 9 and 16)	**(372,771,327)**	–
Retirement benefits costs (Note 20)	**37,679,478**	34,249,480
Finance costs (Notes 11 and 23)	**11,919,270**	12,918,691
Loss on retirement of property and equipment	**2,999,394**	25,802
Reversal of allowance for impairment loss	–	(155,972)
Interest income (Note 16)	**(82,063,637)**	(54,264,411)
Foreign currency exchange gains (Note 16)	**(2,204,935)**	(25,416,334)
Operating income before working capital changes	**901,731,052**	991,400,018
Decrease (increase) in:		
Receivables	**1,001,968,456**	(383,198,624)
Merchandise inventories	**(733,504,728)**	350,082,657
Other current assets	**(16,860,865)**	(120,613,389)
Increase (decrease) in:		
Trade and other payables	**(571,365,174)**	(495,677,370)
Contract liabilities	**(35,367,501)**	92,484,216
Other noncurrent liabilities	**5,441,410**	4,230,827
Cash flows generated from (used in) operating activities	**552,042,650**	438,708,335
Interest received	**83,018,851**	52,795,572
Income tax paid	**(372,975,018)**	(331,992,294)
Interest paid	**(2,145,021)**	(3,753,327)
Net cash generated from (used in) operating activities	**259,941,462**	155,758,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 9)	**(1,345,717,779)**	(885,820,741)
Increase in other noncurrent assets	**(8,892,070)**	(102,956,946)
Decrease(increase) in short-term investments	**197,514,630**	(405,524,494)
Net cash used in by investing activities	**(1,157,095,219)**	(1,394,302,181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Finance lease liability (Note 23)	**(10,835,633)**	(10,695,866)
Dividend	**(205,754,066)**	(205,754,341)
Net cash used in financing activities	**(216,589,699)**	(216,450,207)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,113,743,456)**	(1,454,994,102)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	**2,204,935**	25,416,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,606,179,404**	3,707,152,708
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,494,640,883**	₱2,277,574,940

See accompanying Notes to 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 with a corporate life of 50 years. The Company is 74.42%-owned by Vicsal Development Corporation (VDC), 0.72%-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 13).

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 Unaudited Interim Condensed Financial Statements

The unaudited interim condensed financial statements of the Company as at September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018 were approved and authorized by the Board of Directors (BOD) on November 12, 2019.

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, 2018.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018 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 which became effective January 1, 2019.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

  These amendments are not expected to have any impact in the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and,
  - How an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Company is currently assessing the impact of adopting this interpretation.

3. Cash and Cash Equivalents

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	**₱112,915,575**	₱136,731,652
Cash in banks	**923,386,634**	1,487,443,196
Cash equivalents	**1,458,338,674**	1,982,004,556
	₱2,494,640,883	₱3,606,179,404

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 ₱75.10 million and ₱26.50 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 15).

4. Short-term Investments

These pertain 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 4.0% to 6.0% and 3.4% to 3.75% in 2019 and 2018, respectively.

Short term investments as of September 30, 2019 and December 31, 2018 amounted to ₱160.92 million and ₱358.44 million, respectively.

Interest income earned from short-term investments amounted to ₱6.96 million and ₱27.76 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 15).

5. Receivables

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade		
Third parties	**₱665,001,284**	₱838,558,786
Related parties (Note 19)	**949,036**	420,314
Nontrade		
Receivable from insurance	**–**	455,625,348
Rentals	**33,244,915**	29,838,612
Advances to employees and officers	**7,778,371**	4,224,559
Related parties (Note 19)	**12,620,430**	24,295,195
Accrued interest receivable (Note 15)	**8,478,170**	9,433,385
Others	**24,981,611**	20,809,962
	753,053,817	1,383,206,161
Less allowance for expected credit losses	**11,612,412**	11,612,412
	₱741,441,405	₱1,371,593,749

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

Receivable from insurance consist of insurance claims of the Company for loss of income against insurance coverage for business interruption pertaining to the damaged store in 2018.

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

Advances to employees and officers pertain mainly to cash advances for travel and expenses related to store operations such as purchases of supplies and other expenses.

Others include advances for maternity benefits, construction bonds and other miscellaneous advances.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	**₱11,612,412**	₱9,488,256
Provision for impairment of receivables	**–**	5,889,959
Write-off	**–**	(5,889,959)
End of year	**₱11,612,412**	₱11,612,412

6. **Merchandise Inventories**

The rollforward analysis of this account follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning inventory	**₱3,589,605,171**	₱4,002,495,549
Add purchases - net	**20,362,965,537**	25,497,242,262
Cost of goods available for sale	**23,952,570,708**	29,499,737,811
Less cost of merchandise sold (Note 16)	**(19,629,460,809)**	(25,609,645,879)
Inventory loss due to fire	**–**	(300,486,761)
Ending inventory	**₱4,323,109,899**	₱3,589,605,171

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

In January 2018, a department store and supermarket of the company were seriously damaged by fire. The net book value of the damaged inventory amounted to ₱300.49 million.

No inventories have been pledged as security for the Company's obligations as at September 30, 2019 and December 31, 2018.

The Company does not have any purchase commitments as at September 30, 2019 and December 31, 2018.

7. **Other Current Assets**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Prepayments	**₱75,290,442**	₱82,302,483
Input tax – net	**40,801,735**	–
Deferred input VAT - current	**68,877,355**	60,903,530
Supplies	**63,994,509**	58,822,792
Advances to trade suppliers		
Related parties (Note 19)	**210,428,779**	288,563,247
Third parties	**14,833,789**	7,311,341
Deposits – current	**3,188,784**	3,188,784
	477,415,393	501,092,177
Less allowance for impairment losses	**41,786**	5,984,803
	₱477,373,607	₱495,107,374

Prepayments consist of prepaid insurance and advance rental payments.

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

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

Deposits – current are payments to lessors for rental deposits with terminated lease contracts. These will be offset against the Company's outstanding balance upon final determination of lease obligations.

Allowance for impairment losses pertains to long outstanding advances to third party trade suppliers.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	**₱5,984,803**	₱–
Provision for impairment losses (Note 17)	**–**	5,984,803
Write-off	**(5,942,927)**	–
End of year	**₱41,876**	₱5,984,803

8. Property and Equipment

For the nine-month periods ended September 30, 2019 and 2018, total additions to property and equipment amounted to ₱1,345.72 million and ₱885.82 million, respectively, while depreciation and amortization amounted to ₱372.05 million and ₱374.19 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

There are no items of property and equipment that are pledged as security to liabilities as at September 30, 2019 and December 31, 2018.

There are no contractual purchase commitments for property and equipment as at September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2019, the Company's net book value of property and equipment amounted to ₱4,280.44 million and ₱3,286.05 million, respectively.

9. Other Noncurrent Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposits	**₱565,509,851**	₱516,578,880
Advances to nontrade suppliers		
Related parties (Note 19)	**144,987,551**	206,194,971
Third parties	**168,121,034**	203,816,267
Deferred input VAT	**145,751,669**	130,945,400
	1,024,370,105	1,057,535,518
Allowance for impairment losses	**(30,714,952)**	(49,043,926)
	₱993,655,153	₱1,008,491,592

Deposits are payments to lessors and utility companies for rental and meter deposits. These will be offset against the Company's outstanding balance at the end of the 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 and security deposits which may not be recoverable due to the acceleration of lease termination date as a result of the closure of a non-performing store in 2018.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	**₱49,043,926**	₱28,168,824
Provision for impairment losses	**–**	20,875,102
Write-off	**(18,328,974)**	–
End of year	**₱30,714,952**	**₱49,043,926**

10. **Trade and Other Payables**

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade		
Third parties	**₱2,552,933,712**	₱3,023,314,615
Related parties (Note 19)	**23,446,108**	73,333,005
Nontrade	**365,032,029**	400,728,580
Credit cash bonds	**327,493,176**	328,163,607
Accrued expenses	**437,268,704**	297,442,442
Output VAT – net	**–**	182,599,123
Others	**126,919,866**	86,706,037
	₱3,833,093,595	₱4,392,287,409

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

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.

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 can also be applied against the account holder's remaining balance 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% to 6% based on accumulated cash bond and purchases volume.

Finance cost pertaining to the cash bonds amounted to ₱11.08 million and ₱10.77 million for the nine-month periods ended September 30, 2019 and 2018, respectively. These were settled through deduction in the credit account holders' receivable balance.

Accrued expenses consist of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Personnel	**₱116,236,492**	₱24,908,180
Suppliers and contractors	**109,855,018**	80,342,977
Utilities	**61,400,944**	63,502,862
Rentals	**59,348,619**	58,381,013
Marketing-related cost	**25,666,781**	26,235,151
Professional fees	**5,829,228**	12,288,843
Other accruals	**58,931,622**	31,783,416
	₱437,268,704	₱297,442,442

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

Others include provision pertaining to the store closure of non-performing store in 2018, amounts payable to government agencies for mandatory contributions and payments to the Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), withholding tax payables, and other sundry payables.

11. Contract Liabilities

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Gift check outstanding	**₱15,583,950**	₱47,092,121
Stored value cards	**32,291,873**	29,235,254
Accrued customer loyalty reward	**19,952,335**	26,868,285
	₱67,828,158	₱103,195,660

These items can only be redeemed from the Company's own stores.

12. Other Noncurrent Liabilities

Other noncurrent liabilities mainly pertain to security deposits from tenants that lease space from the Company's stores. These are to be applied against the tenant's outstanding balance at the end of the contract term.

Other noncurrent liabilities as at September 30, 2019 and December 31, 2018 amounted to ₱58.66 million and ₱53.22 million, respectively.

13. Equity

Capital Stock

The Company's authorized, issued and outstanding shares as of September 30, 2019 and December 31, 2018 are as follows:

	No. of shares	Amount
Common stock - ₱1.00 par value		
Authorized	10,000,000,000	₱10,000,000,000
Issued and outstanding	3,429,375,000	₱3,429,375,000

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.

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 September 30, 2019 and December 31, 2018.

Retained Earnings

On March 18, 2019, the BOD approved the declaration of cash dividends amounting to ₱205.76 million or ₱0.06 per share, out of the Company's retained earnings as of December 31, 2018 to stockholders of record as of April 15, 2019 and was paid on May 2, 2019.

On March 16, 2018, the BOD approved the declaration of cash dividends amounting to ₱205.76 million or ₱0.06 per share, out of the Company's retained earnings as of December 31, 2017 to stockholders of record as of April 13, 2018 and was paid on May 2, 2018.

14. Net sales

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

The following table disaggregates our revenue by geographical markets and major goods or service lines.

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Geographical markets		
Luzon	**₱9,989,942,292**	₱9,478,491,980
Visayas	**15,294,406,287**	13,312,091,478
Total revenue from contracts with customers	**₱25,284,348,579**	₱22,790,583,458

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Major goods/service lines		
Food retail	**₱16,959,364,946**	₱14,789,162,988
General Merchandise	**8,324,983,633**	8,001,420,470
Total revenue from contracts with customers	**₱25,284,348,579**	₱22,790,583,458

15. **Interest and Other Income**

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Gain on insurance claims	**₱372,771,327**	₱–
Interest income (Notes 3 and 4)	**82,063,637**	54,264,411
Foreign currency exchange gains	**2,204,935**	25,416,334
Scrap sales	**6,087,484**	8,348,464
Others	**48,133,329**	15,911,560
	₱511,260,712	₱103,940,769

Gain on insurance claims pertains to insurance recoveries and reimbursement of losses against business interruption claims relating to the damaged store in 2018.

Interest income pertains to the interest earned from cash placements and deposits in banks.

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 and others.

16. **Cost of Sales**

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Cost of merchandise sold (Note 6)	**₱19,629,460,809**	₱17,640,251,242
Others (Note 18 and 23)	**28,537,370**	31,030,891
	₱19,657,998,179	₱17,671,282,133

Others pertain to the direct labor and other overhead costs.

17. **Operating Expenses**

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Personnel cost (Note 18)	**₱1,685,977,863**	₱1,570,710,864
Rental (Note 23)	**1,324,216,206**	1,056,110,258
Light, water and communications	**612,895,530**	569,938,005
Depreciation and amortization (Note 8)	**371,771,815**	372,676,244
Contracted services	**292,458,312**	237,495,903
Taxes and licenses	**249,489,582**	239,673,193
Repairs and maintenance	**177,390,104**	163,945,240
Supplies	**154,421,411**	119,676,915
Advertising	**126,731,452**	115,699,157
Transportation and travel	**79,904,861**	71,887,786
Professional fees	**83,835,818**	69,897,260
Insurance	**70,878,331**	38,377,827
Commission	**66,909,544**	56,975,150
Subscriptions	**49,145,613**	32,230,901
Others	**32,821,202**	20,920,069
	₱5,378,847,644	₱4,736,214,772

Others pertain to representation, entertainment, donations and contributions.

18. **Personnel Cost**

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Salaries and wages	**₱1,406,959,651**	₱1,299,113,571
Retirement benefit cost	**37,679,478**	34,249,480
Other employee benefits	**262,167,955**	257,955,036
	₱1,706,807,084	₱1,591,318,087

Personnel cost that were recognized as cost of sales amounted to ₱20.83 million and ₱20.61 million in 2019 and 2018, respectively.

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

As of September 30, 2019, the Company’s retirement benefit obligation and remeasurement gains on the defined benefit obligation amounted to ₱428.30 million and ₱42.63 million, respectively. As of December 31, 2018, these amounted to ₱393.01 million and ₱42.63 million, respectively.

19. 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 at September 30, 2019 and December 31, 2018 are as follows:

September 30, 2019

	Amount/Volume for the nine-month period ended September 30, 2019 (Unaudited)	**Outstanding Balance as of September 30, 2019 (Unaudited)**	**Terms and Conditions**
Parent Company (VDC)			
Rental expense (Note 5)	**(₱597,735,920)**	**₱656,325**	**Noninterest-bearing and due in 30 days, unsecured**
Advances (Note 5)	**(1,272,004)**	**2,994,911**	**Noninterest-bearing and due in 30 days, not impaired**
Management fee	**(75,670,103)**	**–**	**Noninterest-bearing and payable in 30 days, unsecured**
Entities Under Common Control			
Purchase, sale of goods and services and rental income (Notes 5, 7, 9 and 10)	**(815,928,989)**	**341,888,452**	**Noninterest-bearing and payable in 30 days, not impaired**
Due from related parties		**₱345,539,688**	

December 31, 2018

	Amount/Volume for the year ended December 31, 2018 (Audited)	Outstanding Balance as of December 31, 2018 (Audited)	Terms and Conditions
Parent Company (VDC)			
Rental expense (Note 5)	(₱1,205,781,177)	₱1,293,591	Noninterest-bearing and due in 30 days, unsecured
Advances (Note 5)	(9,239,086)	5,828,210	Noninterest-bearing and due in 30 days,

	Amount/Volume for the year ended December 31, 2018 (Audited)	Outstanding Balance as of December 31, 2018 (Audited)	Terms and Conditions
Parent Company (VDC)			
			not impaired
Management fee	(52,849,506)	–	Noninterest-bearing and payable in 30 days, unsecured
Entities Under Common Control			
Purchase, sale of goods and services and rental income (Notes 5, 7, 9 and 10)	(865,916,324)	439,018,921	Noninterest-bearing and payable in 30 days, not impaired
Due from related parties		₱446,140,722	

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

a. rental expense from leases for the Company's store spaces and warehouses;
b. short-term noninterest-bearing payables/receivables in the normal course of business pertaining to intercompany recovery of expenses and trade-related transactions;
c. purchases of goods, services and concession activities;
d. rent income from related party tenants that lease spaces in the Company's stores. These are noninterest-bearing and are collectible within 15 days;
e. management fee pertaining to legal and other services

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱914.51 million and ₱1,480.29 million as at September 30, 2019 and December 31, 2018, respectively, which earn interest based on prevailing market interest rates.

20. **Income Taxes**

Provision for income tax consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Current	**₱277,790,212**	₱205,018,281
Deferred	**(1,230,858)**	(10,101,255)
	₱276,559,354	₱194,917,026

The current provision for income tax pertains to final and regular corporate income tax for the nine-month periods ended September 30, 2019 and 2018.

As of September 30, 2019 and December 31, 2018, the Company's deferred tax assets amounted to ₱154.23 million and ₱153.00 million, respectively, which pertains to income tax effect of retirement benefit obligation, provision for impairment of assets, deferred revenue from customer loyalty program, provisions and allowance for impairment of receivables.

21. **Earnings Per Share**

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

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Net income	**₱657,560,009**	₱454,934,678
Number of common shares	**3,429,375,000**	3,429,375,000
Basic/Diluted EPS	**₱0.19**	₱0.13

EPS is calculated using the net income divided by the weighted average number of common shares.

There are no potentially dilutive common shares as of September 30, 2019 and 2018.

22. **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 operation 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.

23. **Lease Commitments**

Operating leases - Company as lessee
The Company enters into lease agreements with third parties and related parties for Company's stores, warehouses and corporate office space. These leases have terms ranging from one to twenty-five 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.

Rent expense amounted to ₱1,324.22 million and ₱1,056.79 million for the nine-month periods ended September 30, 2019 and 2018, respectively (see Note 17).

The rent expense that were recognized as cost of sales amounted to ₱0.68 million in 2018 (see Note 16).

Minimum lease payments amounted to ₱940.26 million and ₱682.08 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Contingent rent payments amounted to ₱383.96 million and ₱374.71 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Operating leases - 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 five years. Certain leases include a clause to enable upward revision on the rental charge on an annual basis based on prevailing market rate conditions.

Rent income amounted to ₱187.28 million and ₱175.74 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Finance lease - Company as lessee
The Company entered into finance lease arrangements covering various computer equipment used in the operations of the Company.

The finance lease obligation amounted to ₱54.56 million and ₱65.39 million as of September 30, 2019 and December 31, 2018. The present value of minimum lease payments is as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Gross finance lease obligation:		
Not later than one year	**₱42,964,661**	₱36,744,720
Later than one year but no later than five years	**11,593,170**	28,648,744
	₱54,557,831	₱65,393,464

The finance cost related to finance lease obligation amounted to ₱0.84 million and ₱2.15 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

24. **Financial Instruments**

Fair Value of Financial Instruments
The fair value of the Company's financial instruments approximates the carrying amount as of September 30, 2019 and December 31, 2018.

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" and "Receivables" (excluding "Advances to employees and officers") 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), their carrying values approximate fair value.

As of September 30, 2019 and December 31, 2018, the Company has no financial asset and liability carried at fair value. There were no transfers between level 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

September 30, 2019 and December 31, 2018 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

September 30, 2019

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	**₱–**	**₱2,552,933,712**	**₱–**	**₱2,552,933,712**
Related parties	**–**	**23,446,108**	**–**	**23,446,108**
Nontrade	**–**	**365,032,029**	**–**	**365,032,029**
Credit cash bonds	**–**	**327,493,176**	**–**	**327,493,176**
Accrued expenses	**–**	**437,268,704**	**–**	**437,268,705**
Finance lease liability	**–**	**42,964,661**	**11,593,170**	**54,557,831**
Others*	**–**	**54,593,618**	**–**	**54,593,618**
Other noncurrent liabilities	**–**	**–**	**58,657,813**	**58,657,813**
	₱–	**₱3,803,732,008**	**₱70,250,983**	**₱3,873,982,992**

**** Others excludes statutory payables***

December 31, 2018

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱–	₱3,023,314,615	₱–	₱3,023,314,615
Related parties	–	73,333,005	–	73,333,005
Nontrade	–	400,728,580	–	400,728,580
Credit cash bonds	–	328,163,607	–	328,163,607
Accrued expenses	–	297,442,442	–	297,442,442
Finance lease liability	–	36,744,720	28,648,744	65,393,464
Others*	–	36,574,287	–	36,574,287
Other noncurrent liabilities	–	–	53,216,403	53,216,403
	₱–	₱4,196,301,256	₱81,865,147	₱4,278,166,403

** Others excludes statutory payables*

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 maximum exposure of the Company to credit risk:

	September 30, 2019			
	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	**₱665,001,284**	**₱327,493,176**	**₱337,508,108**	**₱327,493,176**
Related parties	**949,036**	**–**	**949,036**	**–**
Nontrade				
Rentals	**33,244,915**	**58,657,813**	–	**33,244,915**
Related parties	**12,620,430**	–	**12,620,430**	–
Advances to employees and officers	**7,778,371**	–	**7,778,371**	–
Receivable from insurance	–	–	–	–
Accrued interest receivable	**8,478,170**	–	**8,478,170**	–
Others	**24,981,611**	–	**24,981,611**	–
	₱753,053,817	**₱386,150,989**	**₱392,315,726**	**₱360,738,091**

	December 31, 2018			
	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	₱838,558,786	₱328,163,607	₱510,395,179	₱328,163,607
Related parties	420,314	–	420,314	–
Nontrade				
Rentals	29,838,612	53,216,403	–	29,838,612
Related parties	24,295,195	–	24,295,195	–
Advances to employees and officers	4,224,559	–	4,224,559	–
Receivable from insurance	455,625,348	–	455,625,348	–
Accrued interest receivable	9,433,385	–	9,433,385	–
Others	20,809,962	–	20,809,962	–
	₱1,383,206,161	₱381,380,010	₱1,025,203,942	₱358,002,219

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.

Impairment of financial assets
The Company has the following financial assets that are subject to the expected credit loss model:
- trade receivables to third party and related parties for sales of inventory;
- other debt instruments carried at amortized cost

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

Trade receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade 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:

September 30, 2019

	Days past due					
	Current	**< 30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Estimated total gross carrying amount at default	**469,348,956**	**183,190,669**	**8,289,760**	**15,574,751**	**76,649,681**	**753,053,817**
Expected credit loss	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

December 31, 2018

	Days past due					
	Current	< 30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	₱–	₱–	₱–	₱–	₱–	₱–
Estimated total gross carrying amount at default	699,292,715	180,838,698	4,117,457	2,330,319	41,001,624	927,580,813
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Beginning of year	**₱11,612,412**	₱9,488,256
Provision for impairment of receivables	**–**	5,889,959
Write-off	**–**	(5,889,959)
End of year	**₱11,612,412**	₱11,612,412

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.

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.

25. 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 April and May, and particularly the beginning of the school year in the month of June. 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

The nine-month period ended September 30, 2019 compared with the nine-month period ended September 30, 2018 results of operations are as follows:

Revenue

Net sales

For the nine-month period ended September 30, 2019, our net sales were ₱25,284.3 million, an increase of 10.9% compared to ₱22.790.6 million for the same period last year. The opening of new stores and the re-opening of the damaged supermarket due to fire boosted sales, in addition to the same store sales growth of 2.5% over the same period last year.

Rental income

For the nine-month period ended September 30, 2019, our rental income was ₱187.3 million, an increase of 6.6% compared to ₱175.7 million for the same period last year. Increase in rental income is primarily due to the opening of new stores, which led to an increase in net leasable space, coupled with increase in rental fees due to escalation clauses in our existing lease agreements.

Interest and other income

For the nine-month period ended September 30, 2019, our interest and other income was ₱511.3 million, an increase of 392.1% compared to ₱103.9 million for the same period last year. The increase is due to the recovery from insurance claim for reimbursement of losses against business interruptions. In addition, there is an increase in interest income from money market placements due to higher interest rates this year.

Cost of sales

For the nine-month period ended September 30, 2019, our cost of sales was ₱19,658.0 million, an increase of 11.2% compared to ₱17,671.3 million for the same period last year. Cost of sales grew slightly faster than net sales due to faster rate of growth of our food retail business, which typically have a higher cost of sales compared to our general merchandise. The company has continued to execute its margin enhancement plan that included among others, negotiation with suppliers, improvement of share to business of outright sales, and rationalization of sales to resellers.

Operating expenses

For the nine-month period ended September 30, 2019, our operating expenses were ₱5,378.8 million, an increase of 13.6% compared to ₱4,736.2 million for the same period last year.

The increase in operating expenses was primarily driven by the opening of new stores, as well as, the re-opening of a damaged store.

Operating expenses for same stores, warehouses and shared services offset by the closure of a non-performing store only grew by 2.1%.

Rent expense grew by 25.4% due to the opening of new stores and to the increase in rental fees due to escalation clauses in our existing lease agreements. In terms of absolute peso, new stores contributed to 75.7% of the increase in rent expense.

Finance costs

For the nine-month period ended September 30, 2019, finance costs were ₱11.9 million, a decrease of 7.8% compared to ₱12.9 million for the same period last year.

Provision for income tax

For the nine-month period ended September 30, 2019, our provision for income tax was ₱276.6 million, an increase of 41.9% compared to ₱194.9 million for the same period last year. The increase in provision for income tax was primarily due to the increase in income before tax.

Net income

As a result of the foregoing, for the nine-month period ended September 30, 2019, our net income was ₱657.6 million, an increase of 44.6% compared to ₱454.9 million for the same period last year.

Financial Position

As of September 30, 2019 and December 31, 2018, our net current assets, or the difference between total current assets and total current liabilities, were ₱4,225.0 million and ₱4,730.4 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 September 30, 2019 and December 31, 2018 were ₱8,197.5 million and ₱9,420.9 million, respectively. The decrease of 13.0% of current assets is significantly due to decrease of cash and cash equivalents.

As of September 30, 2019, short-term investment totaled ₱160.9 million, receivables totaled ₱741.4 million, merchandise inventories totaled ₱4,323.1 million and other current assets totaled ₱477.4 million. As of December 31, 2018, short-term investment totaled ₱358.4 million, receivables totaled ₱1,371.6 million, merchandise inventories totaled ₱3,589.6 million and other current assets totaled ₱495.1 million.

As of September 30, 2019, cash and cash equivalents amounted to ₱2,494.6 million, a decrease of 30.8% from ₱3,606.2 million as of December 31, 2018. The decrease were mainly attributable to additions to property and equipment amounting to ₱1,345.7 million and payments of dividend amount to ₱205.8 million.

Current Liabilities

Total current liabilities as of September 30, 2019 and December 31, 2018 were ₱3,972.4 million and ₱4,690.6 million, respectively. As of September 30, 2019 and December 31, 2018, trade and other payables totaled ₱3,833.1 million and ₱4,392.3 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory.

Cash Flows

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

	For the nine-month periods ended September 30,	
	2019	**2018**
	(₱ million)	
Net cash flows generated from operating activities	259.9	155.8
Net cash flows used in investing activities	(1,157.1)	(1,394.3)
Net cash flows used in financing activities	(216.6)	(216.5)
Net decrease in cash	(1,113.8)	(1,455.0)

Net cash flows generated from operating activities

Our net cash flows generated from operating activities for the nine-month period ended September 30, 2019 was ₱259.9 million, which comprised operating income before working capital changes of ₱901.7 million, decreased by changes in working capital and income tax and interest paid and offset by interest received. The changes in working capital were mainly attributable to decrease in trade and other payables of ₱571.4 million, decrease in contract liabilities of ₱35.4 million, and increase in merchandise inventories of ₱733.5 million and other current assets of ₱47.3 million, offset by the decrease in receivables of ₱1,002.0 million.

For the nine-months period ended September 30, 2018, net cash flows provided by operating activities was ₱155.8 million, which comprised operating income before working capital changes of ₱991.4 million, decreased by changes in working capital and income tax and interest paid and offset by interest received. The changes in working capital were mainly attributable to decrease in trade and other payables of ₱495.7 million, increase in receivables of ₱383.2 million, increase in other current assets of ₱120.6 million, offset by the decrease in merchandise inventories of ₱350.1 million.

Net cash flows used in investing activities

For the nine-month period ended September 30, 2019, net cash flows used in investing activities was ₱1,157.1 million, which resulted from the additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱1,345.7 million, increase in other noncurrent assets amounting to ₱8.9 million, offset by the decrease in short-term investments amounting to ₱197.5 million.

For the nine-month period ended September 30, 2018, net cash flows used in investing activities was ₱1,394.3 million, which resulted from additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱885.8 million, increase in short-term investments amounting to ₱405.5 million and increase in other noncurrent assets amounting to ₱103.0 million.

Net cash flows used in financing activities
Net cash flows used in financing activities was ₱216.6 million for the nine-month period ended September 30, 2019, as a result of payment of cash dividends amounting to ₱205.8 million and payment of finance lease liability amounting to ₱10.8 million.

Cash flows used in financing activities for the nine-month period ended September 30, 2018 resulted from the payment of cash dividends amounting to ₱205.8 million and payment of finance lease liability amounting to ₱10.7 million.

Indebtedness
The Company has no outstanding loans payable as of September 30, 2019 and December 31, 2018.

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. GAISANO
Chairman and Chief Executive Officer
November 12, 2019

MANUEL C. ALBERTO
President and Chief Operating Officer
November 12, 2019

JOSELITO G. ORENSE
Treasurer and Chief Financial Officer
November 12, 2019