

COVER SHEET

for
QUARTERLY FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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I	N	C	.																									

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

V	I	C	S	A	L		B	U	I	L	D	I	N	G	,		C	O	R	N	E	R		O	F		C	.	D
.		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

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

**corporateaffairs@
metroretail.ph**

Company's Telephone Number

(032) 236-8390

Mobile Number

N/A

No. of Stockholders

23

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 **September 30, 2020**
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 | 3,429,375,000 |

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 SEPTEMBER 30, 2020****(With Comparative Audited Figures as at December 31, 2019)**

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	P1,081,856,337	P2,909,123,300
Short-term investments (Note 4)	670,644,434	629,574,974
Receivables (Note 5)	583,866,243	1,149,127,596
Merchandise inventories (Note 6)	5,862,810,334	4,636,576,270
Other current assets (Note 7)	657,557,921	491,626,178
Total Current Assets	8,856,735,269	9,816,028,318
Noncurrent Assets		
Property and equipment (Note 8)	4,864,690,297	4,700,483,138
Right-of-use assets (Note 22)	5,454,150,273	7,512,796,866
Deferred tax assets - net (Note 21)	588,388,706	309,275,514
Other noncurrent assets (Note 9)	803,052,127	1,026,033,995
Total Noncurrent Assets	11,710,281,403	13,548,589,513
TOTAL ASSETS	P20,567,016,672	P23,364,617,831
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 10)	P4,353,371,987	P5,409,499,852
Contract liabilities (Note 11)	74,902,433	103,525,837
Income tax payable	17,290,382	230,178,863
Lease liabilities - current portion (Note 22)	609,738,567	949,045,108
Loans Payable (Note 12)	1,000,000,000	-
Total Current Liabilities	6,055,303,369	6,692,249,660
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 22)	5,292,230,363	6,870,042,722
Retirement benefit obligation (Note 19)	542,850,236	500,623,022
Other noncurrent liabilities (Note 13)	68,303,596	65,737,958
Total Noncurrent Liabilities	5,903,384,195	7,436,403,702
Total Liabilities	11,958,687,564	14,128,653,362
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
Retained earnings (Note 14)	2,717,721,900	3,345,357,261
Remeasurement gains on defined benefit obligation (Note 19)	5,690,059	5,690,059
Total Equity	8,608,329,108	9,235,964,469
TOTAL LIABILITIES AND EQUITY	P20,567,016,672	P23,364,617,831

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	
	2020 (Unaudited)	2019 (Unaudited) As Restated (Note 2)	2020 (Unaudited)	2019 (Unaudited) As Restated (Note 2)
REVENUE				
Net sales (Note 15)	₱6,984,147,860	₱8,685,469,266	₱22,218,328,746	₱25,284,348,579
Rental (Note 22)	32,077,520	65,587,868	112,971,222	187,275,165
	7,016,225,380	8,751,057,134	22,331,299,968	25,471,623,744
COSTS AND EXPENSES				
Cost of sales (Note 17)	5,583,058,512	6,788,385,293	17,694,849,445	19,657,998,179
Operating expenses (Note 18)	1,564,261,918	1,811,666,771	4,746,931,715	5,306,834,119
	7,147,320,430	8,600,052,064	22,441,781,160	24,964,832,298
OPERATING INCOME / (LOSS)	(131,095,050)	151,005,070	(110,481,192)	506,791,446
OTHER INCOME (CHARGES) (Note 16)				
Interest and other income	(213,038,442)	33,209,669	(59,602,849)	511,260,712
Finance costs	(134,284,521)	(152,559,718)	(427,298,774)	(454,463,210)
	(347,322,963)	(119,350,049)	(486,901,623)	56,797,502
INCOME / (LOSS) BEFORE INCOME TAX	(478,418,013)	31,655,021	(597,382,815)	563,588,948
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)				
Current	(23,165,669)	47,946,395	7,004,406	277,790,212
Deferred	(118,039,967)	(38,540,968)	(182,514,360)	(112,389,983)
	(141,205,636)	9,405,427	(175,509,954)	165,400,229
NET INCOME / (LOSS)	(337,212,377)	22,249,594	(421,872,861)	398,188,719
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Remeasurement gains (losses) on defined benefit obligation	-	-	-	-
Income tax effect	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	(₱337,212,377)	₱22,249,594	(₱421,872,861)	₱398,188,719
Basic/Diluted Earnings Per Share (Note 23)	(₱0.10)	₱0.01	(₱0.12)	₱0.12

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30, 2020 and 2019

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Retained Earnings (Note 14)	Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 19)	Total
Balances at December 31, 2019 (Audited)	₱3,429,375,000	₱2,455,542,149	₱3,345,357,261	₱5,690,059	₱9,235,964,469
Net income for the year	-	-	(421,872,861)	-	(421,872,861)
Other comprehensive loss	-	-	-	-	-
Total comprehensive income	-	-	(421,872,861)	-	(421,872,861)
Declaration of dividends (Note 14)	-	-	(205,762,500)	-	(205,762,500)
Balances at September 30, 2020 (Unaudited)	₱3,429,375,000	₱2,455,542,149	₱2,717,721,900	₱5,690,059	₱8,608,329,108
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 year	-	-	398,188,719	-	398,188,719
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	398,188,719	-	398,188,719
Declaration of dividends (Note 14)	-	-	(205,762,500)	-	(205,762,500)
Balances at September 30, 2019 (Unaudited)	₱3,429,375,000	₱2,455,542,149	₱2,967,901,249	₱42,627,159	₱8,895,445,557

See accompanying Notes to Interim Condensed Financial Statements.

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

	For the Nine-month Periods Ended September 30	
	2020	2019 As Restated (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(P597,382,815)	P563,588,948
Adjustments for:		
Depreciation - ROU assets (Note 22)	894,054,001	895,120,822
Depreciation and amortization - PPE (Note 8)	372,294,645	372,053,446
Finance costs (Note 16)	427,298,774	454,463,210
Provisions (Note 16)	396,357,010	-
Provision for impairment of receivables (Note 18)	6,960,963	-
Loss on retirement of property and equipment	306,860	2,999,394
Net gain on insurance claims (Notes 16)	(104,364,149)	(372,771,327)
Gain on lease termination (Note 16 and 22)	(102,803,607)	-
Gain on lease modification (Note 16 and 22)	(67,643,128)	-
Interest income (Note 16)	(36,297,138)	(82,063,637)
Retirement benefits costs (Note 19)	43,329,726	37,679,478
Foreign currency exchange losses (gains) (Note 16)	2,847,807	(2,204,935)
Operating income before working capital changes	1,234,958,949	1,868,865,399
Decrease (increase) in:		
Receivables	460,149,936	173,558,732
Merchandise inventories	(1,226,234,064)	(733,504,728)
Other current assets	(198,249,695)	(24,973,485)
Increase (decrease) in:		
Trade and other payables	(1,147,015,620)	(571,365,174)
Contract liabilities	(28,623,404)	(35,367,501)
Other noncurrent liabilities	2,565,638	5,441,410
Cash flows provided by (used in) operations	(902,448,260)	682,654,653
Proceeds from insurance claims on merchandise inventory and business interruption	208,324,195	828,409,724
Income tax paid	(284,173,767)	(372,975,018)
Interest received	30,487,546	83,018,851
Interest paid	(6,373,294)	(1,304,361)
Net cash provided by (used in) operating activities	(954,183,580)	1,219,803,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(858,165,674)	(1,345,717,779)
Decrease (increase) in short-term investments	(41,069,460)	197,514,630
Decrease (increase) in other noncurrent assets	247,525,795	(12,998,704)
Net cash used in investing activities	(651,709,339)	(1,161,201,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Principal portion of lease liabilities (Note 22)	(606,623,499)	(523,206,786)
Interest portion of lease liabilities (Note 22)	(406,140,471)	(443,384,600)
Cash dividends	(205,762,267)	(205,754,066)
Proceeds from loans payable	1,000,000,000	-
Net cash used in financing activities	(218,526,237)	(1,172,345,452)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,824,419,156)	(1,113,743,456)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	(2,847,807)	2,204,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,909,123,300	3,606,179,404
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	P1,081,856,337	P2,494,640,883

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 with a corporate life of 50 years. The Company is 76.62%-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 Financial Statements

The unaudited interim condensed financial statements of the Company as at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 were approved and authorized by the Board of Directors (BOD) on November 6, 2020.

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, 2019.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 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, 2020.

In 2019, the Company applied PFRS 16, Leases. The nature and effect of changes as a result of adoption of this new accounting standard are described below.

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Company has lease agreements for its stores, warehouses and corporate office space. Before the adoption of PFRS 16, the Company classified its leases (as lessee) at the inception date as operating lease. The Company also has a lease arrangement covering various computer equipment used in the operations. Before the adoption of PFRS 16, the Company classified this lease (as lessee) as finance lease.

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all leases using the lease-by-lease approach except for short-term leases and leases of low-value assets.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments, advance rentals and deferred charges previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

As of January 1, 2019:

- Right-of-use assets of ₱8,259.01 million were recognized and presented separately in the statement of financial position. This includes reclassification of Property, plant and equipment amounting to ₱67.75 million, net of accumulated depreciation, pertaining to portion of leased assets under the finance lease in the prior year.
- Lease liabilities amounting to ₱8,044.06 million were recognized and presented separately in the statement of financial position. This includes reclassification of Finance lease liability amounting to ₱65.39 million, pertaining to the finance lease in the prior year.
- Prepayments of ₱212.59 million related to advance rentals and deferred charges representing excess of principal amount of the security deposits over its fair value were reclassified to right-of-use assets.

For the period ended September 30, 2019 as restated, the impact of the adoption of PFRS 16 on the statement of comprehensive income follows:

	As restated	Balances without adoption of PFRS 16	Effect of change Increase/(Decrease)
Rental	₱357,081,859	₱1,324,216,206	(₱967,134,347)
Depreciation and amortization of right-of-use assets	895,120,822	–	895,120,822
Finance costs	454,463,210	11,919,270	442,543,940
Net income	398,188,719	657,560,009	(259,371,290)

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments did not have significant impact on the financial statements of the Company.

Effective beginning on or after January 1, 2021

- *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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, 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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱149,887,009	₱156,930,765
Cash in banks	729,561,693	2,323,026,855
Cash equivalents	202,407,635	429,165,680
	₱1,081,856,337	₱2,909,123,300

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 ₱11.22 million and ₱75.10 million for the nine-month periods ended September 30, 2020 and 2019, 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 2.5% to 4.0% and 5.75% to 6.25% in 2020 and 2019, respectively.

Short term investments as of September 30, 2020 and December 31, 2019 amounted to ₱670.64 million and ₱629.57 million, respectively.

Interest income earned from short-term investments amounted to ₱25.08 million and ₱6.96 million for the nine-month periods ended September 30, 2020 and 2019, respectively (see Note 16).

5. Receivables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade		
Third parties	₱450,994,310	₱952,711,790
Related parties (Note 20)	491,173	1,409,351
Nontrade		
Receivable from insurance	404,102	104,364,149
Rentals	37,633,821	37,449,489
Related parties (Note 20)	55,851,221	20,934,612
<i>(forward)</i>		

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to employees and officers	2,728,159	4,176,287
Accrued interest receivable	20,328,401	14,518,808
Others	34,047,468	25,175,522
	602,478,655	1,160,740,008
Less allowance for expected credit losses	18,612,412	11,612,412
	₱583,866,243	₱1,149,127,596

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 consists of insurance claims for inventory loss due to fire amounting to ₱0.40 million and ₱104.36 million as of September 30, 2020 and December 31, 2019, respectively.

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 and are normally settled through liquidation within 30 days.

Others consist of construction cash bond for store fit-outs and receivable from Social Security System (SSS) and are collectible on demand.

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning of year	₱11,612,412	₱11,612,412
Provision for impairment of receivables	7,000,000	-
Write-off	-	-
End of year	₱18,612,412	₱11,612,412

6. Merchandise Inventories

The rollforward analysis of this account follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning inventory	₱4,636,576,270	₱3,589,605,171
Add purchases - net	18,898,875,032	29,601,659,711
Cost of goods available for sale	23,535,451,302	33,191,264,882
Less cost of merchandise sold (Note 17)	(17,672,640,968)	(28,554,688,612)
Ending inventory	₱5,862,810,334	₱4,636,576,270

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

No inventories have been pledged as security for the Company's obligations as at September 30, 2020 and December 31, 2019.

No allowance for obsolescence had been recognized as at September 30, 2020 and December 31, 2019.

The Company does not have any purchase commitments as at September 30, 2020 and December 31, 2019.

7. Other Current Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Prepayments	₱75,170,205	₱99,953,762
Input tax – net	220,658,482	–
Deferred input VAT - current	70,465,800	70,964,241
Supplies	68,771,124	61,266,986
Advances to suppliers - trade		
Related parties (Note 20)	211,175,628	234,245,539
Third parties	168,478	14,047,446
Security deposits – current	11,189,990	11,189,990
	657,599,707	491,667,964
Less allowance for impairment losses	41,786	41,786
	₱657,557,921	₱491,626,178

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

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.

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

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, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning of year	₱41,786	₱5,984,803
Provision for impairment losses	-	(5,943,017)
End of year	₱41,786	₱41,786

8. Property and Equipment

For the nine-month periods ended September 30, 2020 and 2019, total additions to property and equipment amounted to ₱536.81 million and ₱1,345.72 million, respectively, while depreciation and amortization amounted to ₱372.29 million and ₱372.05 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

In September 2020, the Company recognized an allowance for impairment losses amounting to ₱321.36 million in connection with its streamlining of operations and store rationalization program in response to the impact of COVID-19 pandemic.

There are no items of property and equipment that are pledged as security to liabilities as at September 30, 2020 and December 31, 2019.

There are no contractual purchase commitments for property and equipment as at September 30, 2020 and December 31, 2019.

As of September 30, 2020 and December 31, 2019, the Company's net book value of property and equipment amounted to ₱4,864.69 million and ₱4,700.48 million, respectively.

9. Other Noncurrent Assets

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deposits	₱453,121,137	₱464,311,328
Advances to suppliers - nontrade		
Third parties	154,226,052	213,594,590
Related parties (Note 20)	78,767,965	242,260,895
Deferred input VAT	125,709,221	142,808,254
	811,824,375	1,062,975,067
Less allowance for impairment losses	8,772,248	36,941,072
	₱803,052,127	₱1,026,033,995

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 suppliers - nontrade 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. In 2020, allowance for impairment losses pertaining to unrecoverable security deposits as a result of the closure of a non-performing store in 2018 was written-off.

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning of year	₱36,941,072	₱49,043,926
Provision for impairment losses	-	6,226,120
Write-off	(28,168,824)	(18,328,974)
End of year	₱8,772,248	₱36,941,072

10. Trade and Other Payables

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade		
Third parties	₱2,810,058,631	₱3,559,741,196
Related parties (Note 20)	7,790,290	66,477,560
Nontrade		
Third parties	608,294,017	818,801,631
Related parties (Note 20)	2,376,309	6,582,946
Accrued expenses	449,054,562	384,938,764
Credit cash bonds	305,153,344	328,537,168
Output VAT - net	-	115,835,443
Others	170,644,834	128,585,144
	₱4,353,371,987	₱5,409,499,852

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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Suppliers and contractors	₱134,099,146	₱107,416,515
Utilities	58,026,999	67,493,995
Rentals	51,917,673	61,595,227
Marketing-related cost	42,978,387	37,418,704
Professional fees	13,856,266	13,370,954
Other accruals	148,176,091	97,643,369
	₱449,054,562	₱384,938,764

Other accruals pertain to sick leave and vacation leave credits, 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 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.

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), withholding tax payables, and other sundry payables. This also includes provision for estimated non-recurring expenses in connection with the Company's workforce rationalization and rightsizing program in response to the impact of COVID-19 pandemic.

11. Contract Liabilities

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Gift check outstanding	₱32,708,782	₱51,457,929
Accrued customer loyalty reward	25,343,205	25,348,205
Stored value cards	16,850,446	26,719,703
	₱74,902,433	₱103,525,837

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

12. Loans Payable

On various dates in 2020, the Company availed a short-term notes payable from a local bank amounting to ₱1,000.00 million, bearing interest at prevailing market rates. The interest payable from these notes range from 3.0% to 4.1%.

The loan is payable within twelve months after the reporting date and were availed for additional working capital requirements. The Company has no collateral, no negative covenants and no prepayment options for its loans payable outstanding as of September 30, 2020.

Finance cost pertaining to loans payable amounted to ₱10.11 million and nil for the nine-month periods ended September 30, 2020 and 2019, respectively.

Loans payable as of September 30, 2020 and December 31, 2019 amounted to ₱1,000.00 million and nil, respectively.

13. Other Noncurrent Liabilities

Other noncurrent liabilities pertain to security deposits from tenants for the lease of space in the Company's stores. These security deposits are refundable to the tenants upon termination of contract.

Other noncurrent liabilities as of September 30, 2020 and December 31, 2019 amounted to ₱68.30 million and ₱65.74 million, respectively.

14. Equity

Capital Stock

The Company's authorized, issued and outstanding shares as of September 30, 2020 and December 31, 2019 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, 2020 and December 31, 2019.

Retained Earnings

On May 14, 2020, 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, 2019 to stockholders of record as of May 29, 2020 to be paid on June 15, 2020.

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 to be paid on May 2, 2019.

15. 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 the Company's revenue by geographical markets and major goods or service lines.

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Geographical markets		
Luzon	₱8,117,545,345	₱9,989,942,292
Visayas	14,100,783,401	15,294,406,287
Total revenue from contracts with customers	₱22,218,328,746	₱25,284,348,579

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Major goods/service lines		
Food retail	₱17,813,536,912	₱16,959,364,946
General Merchandise	4,404,791,834	8,324,983,633
Total revenue from contracts with customers	₱22,218,328,746	₱25,284,348,579

16. Other income (Charges)

Interest and other income

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Gain on insurance claims	₱104,364,149	₱372,771,327
Gain on lease modification (Note 22)	102,803,607	-
Gain on lease termination (Note 22)	67,643,128	-
Interest income (Notes 3 and 4)	36,297,138	82,063,637
Scrap sales	3,364,678	6,087,484
Foreign currency exchange gains	(2,847,807)	2,204,935
Provisions	(396,357,010)	-
Others	25,129,268	48,133,329
	(₱59,602,849)	₱511,260,712

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

Gain on lease modification pertains to the difference between the carrying amount of right-of-use asset and lease liability as a result of a change in future lease payments.

Gain on lease termination pertains to the difference between the carrying amount of right-of-use asset and lease liability when the Company pre-terminated the lease contracts of stores in connection with its streamlining of operations and rationalization of stores.

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

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

Provisions pertain to estimated non-recurring expenses in connection with the streamlining of operations and rationalization of stores and workforce of the Company in response to the impact of COVID-19 pandemic.

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

Finance costs

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Finance cost on lease liabilities (Note 22)	₱406,140,471	₱443,384,600
Interest expense on cash bond (Note 10)	11,045,803	11,078,610
Interest expense on bank loans (Note 12)	10,112,500	-
	₱427,298,774	₱454,463,210

17. Cost of Sales

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Cost of merchandise sold (Note 6)	₱17,672,640,968	₱19,629,460,809
Others (Note 19)	22,208,477	28,537,370
	₱17,694,849,445	₱19,657,998,179

Others pertain to the direct labor and other overhead costs.

18. Operating Expenses

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Personnel cost (Note 19)	₱1,512,149,469	₱1,685,977,863
Depreciation and amortization	894,054,001	895,120,822
Of right-of-use assets (Note 22)		
Light, water and communications	523,220,031	612,895,530
Depreciation and amortization	372,211,733	371,771,815
Taxes and licenses	291,442,353	249,489,582
Contracted services	265,386,294	292,458,312
Repairs and maintenance	178,516,315	177,390,104
Rental (Note 22)	143,498,632	357,081,859
Supplies	121,059,624	154,421,411
Advertising	79,973,996	126,731,452
Insurance	72,746,310	70,878,331
Transportation and travel	64,013,798	79,904,861
Professional fees	62,776,954	83,835,818
Commission	59,940,597	66,909,544
Subscriptions	54,901,605	49,145,613
Provision for impairment of receivables	7,000,000	-
Others	44,040,003	32,821,202
	₱4,746,931,715	₱5,306,834,119

Others pertain to representation, entertainment, donations and contributions.

19. Personnel Cost

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Salaries and wages	₱1,225,501,534	₱1,406,959,651
Retirement benefit cost	43,329,726	37,679,478
Other employee benefits	259,628,275	262,167,955
	₱1,528,459,535	₱1,706,807,084

Personnel cost that were recognized as cost of sales amounted to ₱16.31 million and ₱20.83 million in 2020 and 2019, 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, 2020 the Company's retirement benefit obligation and remeasurement gains on the defined benefit obligation amounted to ₱542.85 million and ₱5.69 million, respectively. As of December 31, 2019, these amounted to ₱500.62 million and ₱5.69 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 September 30, 2020 and December 31, 2019 are as follows:

September 30, 2020

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Rent Expense (Note 5), (b)	₱396,901,060	₱20,018,456	Noninterest-bearing and payable in 30 days, unsecured
Advances (Note 5), (c)	11,242,131	905,469	Noninterest-bearing and due in 30 days, not impaired
<i>Entities Under Common Control</i>			
Sale of goods (Note 5), (c)	386,434	491,173	Noninterest-bearing and due in 30 days, not impaired

	Amount/Volume	Outstanding	Terms and Conditions
Advances and Rental income (Note 5), (d)	52,740,316	34,927,296	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (Notes 7 and 9), (c)	667,063,798	289,943,593	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱312,286,021	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (Note 22), (b)	₱39,681,958	(₱166,739,974)	Noninterest-bearing and payable in 30 days, unsecured
Management fee (Note 10), (a)	30,154,639	-	Noninterest-bearing and payable in 30 days, unsecured
<i>Entities Under Common Control</i>			
Purchase of goods (Note 10), (c)	57,024,084	(7,790,290)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 10), (d)	36,031,711	(2,376,309)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱176,906,573)	

December 31, 2019

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Rent Expense (Note 10), (b)	₱786,486,248	₱2,780,424	Noninterest-bearing and payable in 30 days, unsecured
Advances (Note 5), (c)	20,182,674	2,850,946	Noninterest-bearing and due in 30 days, not impaired
<i>Entities Under Common Control</i>			
Sale of goods (Note 5), (c)	1,380,537	1,409,351	Noninterest-bearing and due in 30 days, not impaired
Advances and rental income (Note 5), (d)	91,660,047	15,303,242	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (Notes 7 and 9), (c)	1,028,799,563	447,840,129	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱470,184,092	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (Note 22), (b)	₱1,701,740,198*	(₱1,077,186,151)	Noninterest-bearing and payable in 30 days, unsecured
Management fee (Note 10), (a)	99,175,258	–	Noninterest-bearing and payable in 30 days, unsecured
<i>Entities Under Common Control</i>			
Purchase of goods (Note 10), (c)	178,242,225	(66,477,560)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 10), (d)	62,938,553	(6,582,946)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(1,150,246,657)	

*Due to adoption of PFRS 16

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

- a. 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.
- b. Rentals from leases for the Company’s store spaces and warehouses. The Company recognized “Lease liabilities” for fixed rent and “Trade and other payables” for variable rent as of September 30, 2020 and December 31, 2019.
- c. The Company has short-term noninterest-bearing receivables/payables in the normal course of business pertaining to the recovery of expenses, sales and purchases of goods and services.
- d. The Company has receivables/payables pertaining to rental transactions in the Company’s stores. These are noninterest-bearing and are collectible within 30 days.

The Company has an approval requirement for all related party transactions. In the event that related party transactions exceed the materiality threshold, which is 10% of the Company’s total assets based on its latest audited financial statements, a more extensive approval process is required.

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱785.26 million and ₱799.46 million in September 30, 2020 and December 31, 2019, respectively, which earn interest based on prevailing market interest rates.

21. Income Taxes

Provision for (benefit from) income tax consists of:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Current	₱7,004,406	₱277,790,212
Deferred	(182,514,360)	(112,389,983)
	(₱175,509,954)	₱165,400,229

The current provision for (benefit from) income tax pertains to final and regular corporate income tax for the nine-month periods ended September 30, 2020 and 2019.

As of September 30, 2020 and December 31, 2019, the Company's deferred tax assets amounted to ₱588.39 million and ₱309.28 million, respectively, which pertains to income tax effect of retirement benefit obligation, provision on doubtful accounts, provisions in connection with the streamlining of operations and rationalization of stores and workforce, contract liability from customer loyalty program, nontaxable excess on insurance proceeds on damaged fixed assets 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:

September 30, 2020

	Right-of-Use: Land	Right-of-Use: Building	Right-of-Use: IT Equipment	Right-of-Use: Others	Right-of-Use: Total
Cost					
At January 1, 2020	₱1,671,903,900	₱7,023,538,757	₱102,522,596	₱1,213,834	₱8,799,179,087
Lease modification and termination	-	(1,165,767,131)	-	-	(1,165,767,131)
Additions	-	-	-	-	-
Asset retirement obligation	-	(860,180,597)	-	(1,213,834)	(861,394,431)
Disposals	-	-	-	-	-
At September 30, 2020	1,671,903,900	4,997,591,029	102,522,596	-	6,772,017,525

	Right-of-Use: Land	Right-of-Use: Building	Right-of-Use: IT Equipment	Right-of-Use: Others	Right-of-Use: Total
Accumulated Depreciation and Amortization					
At January 1, 2020	265,700,613	958,408,226	61,545,082	728,300	1,286,382,221
Depreciation	199,217,740	676,092,885	18,257,842	485,534	894,054,001
Charge from asset retirement obligation	-	(861,335,136)	-	(1,213,834)	(861,394,431)
Disposals	-	-	-	-	-
At September 30, 2020	464,918,353	773,165,975	79,802,924	-	1,317,887,252
Net Book Value	₱1,206,985,547	₱4,224,425,054	₱22,719,672	₱-	₱5,454,130,273

December 31, 2019

	Right-of-Use: Land	Right-of-Use: Building	Right-of-Use: IT Equipment	Right-of-Use: Others	Right-of-Use: Total
Cost					
At January 1, 2019 as previously reported	₱-	₱-	₱-	₱-	₱-
Effect of adoption of standard	1,633,043,394	6,557,002,893	112,675,698	1,213,834	8,303,935,819
At January 1, 2019 as restated	1,633,043,394	6,557,002,893	112,675,698	1,213,834	8,303,935,819
Lease modification	-	-	(10,153,102)	-	(10,153,102)
Additions	38,860,506	466,535,864	-	-	505,396,370
Asset retirement obligation	-	-	-	-	-
Disposals	-	-	-	-	-
At December 31, 2019	1,671,903,900	7,023,538,757	102,522,596	1,213,834	8,799,179,087

Accumulated Depreciation and Amortization					
At January 1, 2019 as previously reported	₱-	₱-	₱-	₱-	₱-
Effect of adoption of standard	-	-	44,929,336	-	44,929,336
At January 1, 2019 as restated	-	-	44,929,336	-	44,929,336
Depreciation	265,700,613	958,408,226	16,615,746	728,300	1,241,452,885
Charge from asset retirement obligation	-	-	-	-	-
Disposals	-	-	-	-	-
At December 31, 2019	265,700,613	958,408,226	61,545,082	728,300	1,286,382,221
Net Book Value	₱1,406,203,287	₱6,065,130,531	₱40,977,514	₱485,534	₱7,512,796,866

The following are the amounts recognized in statement of income:

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Depreciation expense of right-of-use assets (Note 18)	₱894,054,001	₱895,120,822
Finance cost on lease liabilities (Note 16)	406,140,471	443,384,600
Expenses relating to short-term leases (Note 18)*	25,180,528	40,661,752
Variable lease payments (Note 18)*	118,318,104	316,420,107
Gain on lease modification (Note 16)	(102,803,607)	-
Gain on lease termination (Note 16)	(67,643,128)	-
Total amount recognized in statement of income	₱1,273,246,369	₱1,695,587,281

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

The rollforward analysis of lease liabilities follows:

As at January 1, 2020	₱7,819,087,830
Lease modification and termination	(1,310,495,400)
Additions	-
Interest expense (Note 16)	406,140,471
Payments	(1,012,763,971)
<u>As at September 30, 2020</u>	<u>₱5,901,968,930</u>

Classification of lease liabilities as of September 30, 2020 is as follows:

Current portion	₱609,738,567
Noncurrent portion	5,292,230,363
<u>As at September 30, 2020</u>	<u>₱5,901,968,930</u>

Shown below is the maturity analysis of the undiscounted lease payments as of September 30, 2020:

Within one year	₱845,118,176
More than one year but not more than five years	2,384,477,325
More than five years	8,812,552,995

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.

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 ₱68.30 million and ₱65.74 million as of September 30, 2020 and December 31, 2019, respectively (Note 13).

Rental income amounted to ₱112.98 million and ₱187.28 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

23. Earnings Per Share

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

	September 30, 2020	September 30, 2019
	(Unaudited)	(Unaudited)
Net income	(₱421,872,861)	₱398,188,719
Number of common shares	3,429,375,000	3,429,375,000
Basic/Diluted EPS	(₱0.12)	₱0.12

There are no potentially dilutive common shares as of September 30, 2020 and 2019.

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 September 30, 2020 and December 31, 2019, 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), current portions of lease liabilities and finance lease liability, 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 September 30, 2020 and December 31, 2019 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, 2020

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	P-	P2,810,058,631	P-	P2,810,058,631
Related parties	-	7,790,290	-	7,790,290
Nontrade				
Third parties	-	608,294,017	-	608,294,017
Related parties	-	2,376,309	-	2,376,309
Accrued expenses	-	449,054,563	-	449,054,563
Credit cash bonds	-	305,153,344	-	305,153,344
Lease liabilities	-	845,118,176	11,197,030,320	12,042,148,496
Others*	-	124,069,024	-	124,069,024
Other noncurrent liabilities	-	-	68,303,596	68,303,596
	P-	P5,151,914,354	P11,265,333,916	P16,417,248,270

*excluding statutory payables

December 31, 2019

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱-	₱3,559,741,196	₱-	₱3,559,741,196
Related parties	-	66,477,560	-	66,477,560
Nontrade				
Third parties	-	818,801,631	-	818,801,631
Related parties	-	6,582,946	-	6,582,946
Accrued expenses	-	384,938,764	-	384,938,764
Credit cash bonds	-	328,537,168	-	328,537,168
Lease liabilities	-	1,422,083,013	14,078,753,135	15,500,836,148
Others*	-	33,629,691	-	33,629,691
Other noncurrent liabilities	-	-	65,737,958	65,737,958
	₱-	₱6,620,791,969	₱14,144,491,093	₱20,765,283,062

*excluding 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, 2020			
	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	₱450,994,310	₱305,153,344	₱145,840,966	₱305,153,344
Related parties	491,173	-	491,173	-
Nontrade				
Receivable from insurance	404,102	-	404,102	-
Rentals	37,633,821	68,303,596	-	37,633,821
Related parties	55,851,221	-	55,851,221	-
Accrued interest receivable	20,328,401	-	20,328,401	-
Others*	18,078,577	-	18,078,577	-
	₱583,781,605	₱373,456,940	₱240,994,440	₱342,787,165

*excluding receivable from SSS amounting to ₱15,968,891

December 31, 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	₱952,711,790	₱328,537,168	₱624,174,622	₱328,537,168
Related parties	1,409,351	-	1,409,351	-
Nontrade				
Receivable from insurance	104,364,149	-	104,364,149	-
Rentals	37,449,489	65,737,958	-	37,449,489
Related parties	20,934,612	-	20,934,612	-
Accrued interest receivable	14,518,808	-	14,518,808	-
Others*	15,500,741	-	15,500,741	-
	₱1,146,888,940	₱394,275,126	₱780,902,283	₱365,986,657

*excluding receivable from SSS amounting to ₱9,674,781

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, 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 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, 2020

	Days past due					Total
	Current	< 30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Estimated total gross carrying amount at default	389,700,102	68,029,069	7,857,185	29,400,681	107,087,516	602,074,553
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱-

December 31, 2019

	Days past due					Total
	Current	< 30 days	30-60 days	61-90 days	>91 days	
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Estimated total gross carrying amount at default	780,447,898	8,650,114	13,433,677	7,121,041	40,495,255	850,147,985
Expected credit loss	₱-	₱-	₱-	₱-	₱-	₱-

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning of year	₱11,612,412	₱11,612,412
Provision for impairment of receivables	7,000,000	3,703,304
Write-off	-	(3,703,304)
End of year	₱18,612,412	₱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.

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 and the school break in June and July. This is followed by a slowdown in sales in the third quarter due to the rainy season tempered by the opening of the school year in the month of August.

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

Results of Operations

*Nine-month period ended September 30, 2020 versus September 30, 2019 as restated**

**September 2019 was restated to adopt PFRS 16, Leases (Note 2)*

For the nine-month period ended September 30, 2020, the Company's operating income decreased by ₱617.3 million driven by the 12.1% decrease in revenue due to disrupted operations brought about by the COVID-19 outbreak.

In Other Income (Charges), the Company recognized insurance recoveries amounting to ₱104.4 million and ₱372.8 million as of September 30, 2020 and 2019, respectively. The Company also recognized provisions pertaining to estimated non-recurring expenses in connection with its streamlining of operations and rationalization of stores and workforce of the Company in response to the impact of COVID-19 pandemic amounting to ₱396.4 million. As a result, net income after tax decreased by 206.0% over the same period last year.

Revenue

Net sales

For the nine-month period ended September 30, 2020, our net sales were ₱22,218.3 million, a decrease of 12.1% compared to ₱25,284.3 million for the same period last year. Total food retail business increased by 5.0% over the same period last year due to the enhanced community quarantine that took effect in the middle of March 2020, as well as, the opening of two (2) new supermarket stores in the second half of 2019.

Total general merchandise business, however, declined by 47.1% over the same period last year. In the middle of March 2020, department stores were temporarily closed brought about by the COVID-19 outbreak. These were gradually opened but were faced with customer traffic constraint since community quarantine is still in effect.

Blended same store sales declined by 16.6% over the same period last year brought about by the decline in sales of our general merchandise business.

Rental income

For the nine-month period ended September 30, 2020, our rental income was ₱113.0 million, a decrease of 39.7% compared to ₱187.3 million for the same period last year. Decrease in rental income is primarily due to the temporary closure of tenants as a result of the community quarantine implemented brought about by the COVID-19 outbreak.

Cost of sales

For the nine-month period ended September 30, 2020, our cost of sales was ₱17,694.8 million, a decrease of 10.0% compared to ₱19,658.0 million for the same period last year. Cost of sales declined slightly slower 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.

Operating expenses

For the nine-month period ended September 30, 2020, our operating expenses were ₱4,746.9 million, a decrease of 10.6% compared to ₱5,306.8 million for the same period last year.

Operating expenses for same stores, warehouses and shared services declined by 12.7% over the same period last year. The decrease is primarily driven by the disrupted operations of department stores due to COVID-19 pandemic.

Interest and other income

For the nine-month period ended September 30, 2020, our interest and other income was -₱59.6 million, a decrease of 111.7% compared to ₱511.3 million for the same period last year.

The decrease was primarily due to the recognition of provisions pertaining to estimated non-recurring expenses in connection with the streamlining of operations and rationalization of stores and workforce of the Company in response to the impact of COVID-19 pandemic amounting to ₱396.4 million.

Also, decrease is caused by the timing of recognition of recovery from insurance claims of the Company for inventory, property and business interruption of a supermarket and department store that were damaged by fire in January 2018. This amounted to ₱104.4 million and ₱372.8 million as of September 30, 2020 and 2019, respectively.

In addition, there is a decrease in interest income from money market placements due to lower placements coupled with a lower interest rates this year. This amounted to ₱36.3 million and ₱82.1 million in September 30, 2020 and 2019, respectively.

Finance costs

For the nine-month period ended September 30, 2020, finance costs were ₱427.3 million, a decrease of 6.0% compared to ₱454.5 million for the same period last year. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, offset with the increase on finance costs related to the Company's outstanding loans payable.

Provision for (benefit from) income tax

For the nine-month period ended September 30, 2020, our benefit from income tax was ₱175.5 million, a decrease of 206.1% compared to provision for income tax of ₱165.4 million for the nine-month period ended September 30, 2019. The decrease in provision for income tax was primarily due to the decrease in income before tax.

Net income / (loss)

As a result of the foregoing, for the nine-month period ended September 30, 2020, our net loss was ₱421.9 million, a decrease of 206.0% compared to the net income of ₱398.2 million for the nine-month period ended September 30, 2019.

Financial Position

As of September 30, 2020 and December 31, 2019, our net current assets, or the difference between total current assets and total current liabilities, were ₱2,801.4 million and ₱3,123.8 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, 2020 and December 31, 2019 were ₱8,856.7 million and ₱9,816.0 million, respectively. The decrease of 9.8% of current assets is significantly due to decrease of cash and cash equivalents and receivables, offset by the increase in merchandise inventory.

As of September 30, 2020, short-term investment totaled ₱670.6 million, receivables totaled ₱583.9 million, merchandise inventories totaled ₱5,862.8 million and other current assets totaled ₱657.6 million. As of December 31, 2019, short-term investment totaled ₱629.6 million, receivables totaled ₱1,149.1 million, merchandise inventories totaled ₱4,636.6 million and other current assets totaled ₱491.6 million.

As of September 30, 2020, cash and cash equivalents amounted to ₱1,081.9 million, a decrease of 62.8% from ₱2,909.1 million as of December 31, 2019. The decrease were mainly attributable to acquisitions of property and equipment amounting to ₱858.2 million, increase in merchandise inventories of ₱1,226.2 million, settlement of trade and other payables of ₱1,147.0 million and payment of cash dividends of ₱205.7 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets—net and non-current assets. Total noncurrent assets as of September 30, 2020 and December 31, 2019 were ₱11,710.3 million and ₱13,548.6 million, respectively. The decrease of 13.6% in noncurrent assets were a result of the depreciation and amortization of right-of-use assets, as well as, adjustments as a result of lease modification amounting to ₱2,058.6 million and of the decrease in other noncurrent assets amounting to ₱222.9 million, offset by the net increase in property and equipment amounting to ₱164.2 million and increase in deferred tax assets amounting to ₱279.1 million.

Current Liabilities

Total current liabilities as of September 30, 2020 and December 31, 2019 were ₱6,055.3 million and ₱6,692.2 million, respectively. As of September 30, 2020 and December 31, 2019, trade and other payables totaled ₱4,353.4 million and ₱5,409.5 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable outstanding amounted to ₱1,000.0 million and nil as of September 30, 2020 and December 31, 2019, respectively.

Noncurrent liabilities

Total noncurrent liabilities as of September 30, 2020 and December 31, 2019 were ₱5,903.4 million and ₱7,436.4 million, respectively. The decrease of 20.6% was primarily due to the decrease in noncurrent portion of lease liabilities as result of lease modification, offset by the increase in retirement benefit obligation and other noncurrent liabilities.

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,	
	2020	2019
	(₱ million)	
Net cash flows provided by (used in) operating activities	(954.2)	1,219.8
Net cash flows used in investing activities	(651.7)	(1,161.2)
Net cash flows used in financing activities	(218.5)	(1,172.3)
Net decrease in cash	<u>(1,824.4)</u>	<u>(1,113.7)</u>

Net cash flows provided by (used in) operating activities

Our net cash flows used in operating activities for the nine-month period ended September 30, 2020 was ₱954.2 million, which comprised operating income before working capital changes of ₱1,235.0 million, adjusted for changes in working capital, proceeds from insurance claims on merchandise inventory and business interruption 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 ₱1,147.0 million, increase in merchandise inventories of ₱1,226.2 million and increase in other current assets of ₱198.2 million, offset by the decrease in receivables of ₱460.1 million.

For the nine-months period ended September 30, 2019, net cash flows provided by operating activities was ₱1,219.8 million, which comprised operating income before working capital changes of ₱1,868.9 million, adjusted for changes in working capital, proceeds from insurance claims on merchandise inventory and business interruption 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 ₱571.4 million, increase in merchandise inventories of ₱733.5 million, offset by the decrease in receivables of ₱173.6 million.

Net cash flows used in investing activities

For the nine-month period ended September 30, 2020, net cash flows used in investing activities was ₱651.7 million, which resulted from the additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱858.2 million, increase in short-term investments of ₱41.1 million, offset by the decrease in other noncurrent assets of ₱247.5 million.

For the nine-month period ended September 30, 2019, net cash flows used in investing activities was ₱1,161.2 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 ₱13.0 million, offset by the decrease in short-term investments amounting to ₱197.5 million.

Net cash flows used in financing activities

For the nine-month period ended September 30, 2020, net cash flows used in financing activities was ₱218.5 million, which resulted from the payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱1,012.7 million, payment of cash dividends of ₱205.7 million, offset by the proceeds from loans payable of ₱1,000.0 million.

For the nine-month period ended September 30, 2019, net cash flows used in financing activities was ₱1,172.3 million, which resulted from the payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱966.6 million and payment of cash dividends of ₱205.8 million.

Indebtedness

The Company has an outstanding loans payable of ₱1,000.0 million and nil as of September 30, 2020 and December 31, 2019. The short-term loans payable were obtained to support working capital requirements.

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.....

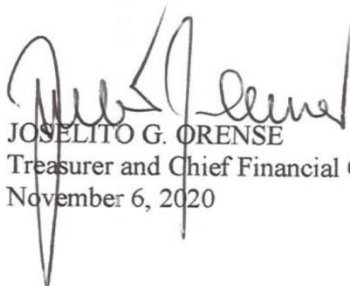
By:



FRANK S. GAISANO
Chairman and Chief Executive Officer
November 6, 2020



MANUEL C. ALBERTO
President and Chief Operating Officer
November 6, 2020



JOSELITO G. ORENSE
Treasurer and Chief Financial Officer
November 6, 2020