

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
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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

vicsal.sec@ metroretail.ph

Company's Telephone Number

(032) 236-8390

Mobile Number

N/A

No. of Stockholders

24

Annual Meeting (Month / Day)

First Friday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Joselito G. Orense

Email Address

joel.orense @metroretail.ph
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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, 2021**
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 | 3,382,487,000 |

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, 2021****(With Comparative Audited Figures as at December 31, 2020)**

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 25)	₱719,773,141	₱2,257,268,691
Short-term investments (Notes 4 and 25)	1,288,956,868	1,270,644,434
Receivables (Notes 5 and 25)	545,049,083	672,127,679
Merchandise inventories (Note 6)	4,730,424,267	4,981,620,260
Other current assets (Notes 7 and 25)	620,646,118	540,865,116
Total Current Assets	7,904,849,477	9,722,526,180
Noncurrent Assets		
Property and equipment (Note 8)	5,323,955,177	4,954,668,833
Right-of-use ("ROU") assets (Note 22)	4,870,192,390	5,408,172,114
Deferred tax assets - net (Note 21)	683,341,349	568,063,929
Other noncurrent assets (Notes 9 and 25)	502,590,918	720,530,258
Total Noncurrent Assets	11,380,079,834	11,651,435,134
TOTAL ASSETS	₱19,284,929,311	₱21,373,961,314
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 25)	₱3,277,649,582	₱4,642,332,394
Contract liabilities (Note 11)	54,077,854	82,133,740
Loans payable – current portion (Note 12)	1,000,000,000	1,500,000,000
Income tax payable	–	21,977,105
Lease liabilities - current portion (Notes 22 and 25)	273,523,598	479,564,316
Total Current Liabilities	4,605,251,034	6,726,007,555
Noncurrent Liabilities		
Lease liabilities – net of current portion (Notes 22 and 25)	5,415,156,486	5,542,385,955
Retirement benefit obligation (Note 19)	594,361,154	563,608,003
Loans payable – net of current portion (Note 12)	500,000,000	–
Other noncurrent liabilities (Notes 13 and 25)	5,624,863	5,624,863
Total Noncurrent Liabilities	6,515,142,503	6,111,618,821
Total Liabilities	11,120,393,537	12,837,626,376
Equity		
Capital stock (Note 14)	3,429,375,000	3,429,375,000
Additional paid-in capital (Note 14)	2,455,542,149	2,455,542,149
Treasury stock (Note 14)	(65,388,553)	–
Retained earnings (Note 14)	2,383,592,559	2,690,003,170
Remeasurement losses on defined benefit obligation (Note 19)	(38,585,381)	(38,585,381)
Total Equity	8,164,535,774	8,536,334,938
TOTAL LIABILITIES AND EQUITY	₱19,284,929,311	₱21,373,961,314

See accompanying Notes to 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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Net sales (Note 15)	₱7,514,139,259	₱6,984,147,860	₱21,317,989,939	₱22,218,328,746
Rental (Note 22)	45,044,934	32,077,520	125,478,465	112,971,222
	7,559,184,193	7,016,225,380	21,443,468,404	22,331,299,968
COSTS AND EXPENSES				
Cost of sales (Note 17)	6,183,877,961	5,583,058,512	17,203,088,667	17,694,849,445
Operating expenses (Note 18)	1,443,523,480	1,564,261,918	4,347,554,218	4,746,931,715
	7,627,401,441	7,147,320,430	21,550,642,885	22,441,781,160
OPERATING INCOME (LOSS)	(68,217,248)	(131,095,050)	(107,174,481)	(110,481,192)
OTHER INCOME (CHARGES) (Note 16)				
Interest and other income	17,736,907	(213,038,442)	53,384,379	(59,602,849)
Finance costs	(115,687,499)	(134,284,521)	(353,326,581)	(427,298,774)
	(97,950,592)	(347,322,963)	(299,942,202)	(486,901,623)
LOSS BEFORE INCOME TAX	(166,167,840)	(478,418,013)	(407,116,683)	(597,382,815)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)				
Current	15,114,240	(23,165,669)	48,082,815	7,004,406
Deferred	(56,816,551)	(118,039,967)	(148,788,887)	(182,514,360)
	(41,702,311)	(141,205,636)	(100,706,072)	(175,509,954)
NET LOSS	(124,465,529)	(337,212,377)	(306,410,611)	(421,872,861)
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 LOSS	(₱124,465,529)	(₱337,212,377)	(₱306,410,611)	(₱421,872,861)
Basic/Diluted Earnings Per Share (Note 23)	(₱0.04)	(₱0.10)	(₱0.09)	(₱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, 2021 and 2020

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Treasury Stock (Note 14)	Retained Earnings (Note 14)	Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 19)	Total
Balances at December 31, 2020 (Audited)	₱3,429,375,000	₱2,455,542,149	₱-	₱2,690,003,170	(₱38,585,381)	₱8,536,334,938
Net loss for the period	-	-	-	(306,410,611)	-	(306,410,611)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(306,410,611)	-	(306,410,611)
Acquisition of treasury shares	-	-	(65,388,553)	-	-	(65,388,553)
Balances at September 30, 2021 (Unaudited)	₱3,429,375,000	₱2,455,542,149	(₱65,388,553)	₱2,383,592,559	(₱38,585,381)	₱8,164,535,774
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 loss for the period	-	-	-	(421,972,861)	-	(421,972,861)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(421,972,861)	-	(421,972,861)
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	₱8,895,445,557

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P407,116,683)	(P597,382,815)
Adjustments for:		
Depreciation and amortization - PPE (Note 8)	432,225,360	372,294,645
Depreciation - ROU assets (Note 22)	410,912,560	709,189,025
Finance costs (Note 16)	353,326,581	427,298,774
Retirement benefits costs (Note 19)	33,887,707	43,329,726
Provision for and impairment of receivables (Note 18)	6,827,101	7,000,000
Foreign currency exchange losses (gains) (Note 16)	(603,058)	2,847,807
Gain on lease modification (Note 16 and 22)	(4,830,438)	(67,643,128)
Interest income (Note 16)	(23,888,116)	(36,297,138)
Provisions (Note 16)	-	396,357,010
Loss on retirement of property and equipment	-	306,860
Gain on lease termination (Note 16 and 22)	-	(102,803,607)
Net gain on insurance claims (Notes 16)	-	(104,364,149)
Operating income before working capital changes	800,741,014	1,050,133,010
Decrease (increase) in:		
Receivables	117,938,889	460,110,899
Merchandise inventories	251,195,993	(1,226,234,064)
Other current assets	(88,666,358)	(198,249,695)
Increase (decrease) in:		
Trade and other payables	(1,374,786,610)	(1,147,015,620)
Contract liabilities	(28,055,886)	(28,623,404)
Other noncurrent liabilities	-	2,565,638
Cash flows used in operations	(321,632,958)	(1,087,313,236)
Proceeds from insurance claims on merchandise inventory and business interruption	-	208,324,195
Income tax paid	(27,663,097)	(284,173,767)
Interest received	26,200,722	30,487,546
Interest paid	(36,896,188)	(6,373,294)
Net cash used in operating activities	(359,991,521)	(1,139,048,556)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(629,201,104)	(858,165,674)
Increase in short-term investments	(18,312,434)	(41,069,460)
Decrease in other noncurrent assets	45,628,740	247,525,795
Net cash used in investing activities	(601,884,798)	(651,709,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stocks (Note 14)	(65,388,553)	-
Proceeds from loans (Note 12)	800,000,000	1,000,000,000
Repayment of loans (Note 12)	(800,000,000)	-
Payment of:		
Principal portion of lease liabilities (Note 22)	(201,372,587)	(421,758,523)
Interest portion of lease liabilities (Note 22)	(309,461,149)	(406,140,471)
Cash dividends	-	(205,762,267)
Net cash used in financing activities	(576,222,289)	(33,661,261)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,538,098,608)	(1,824,419,156)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	603,058	(2,847,807)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,257,268,691	2,909,123,300
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	P719,773,141	P1,081,856,337

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information and Approval of the Financial Statements

Corporate Information

Metro Retail Stores Group, Inc. (MRSGI; the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (the SEC) on August 28, 2003 in the Republic of the Philippines. The Company is 77.69%-owned by Vicsal Development Corporation (VDC), 0.73%-owned by Value Shop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

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

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

Approval of the Financial Statements

The unaudited interim condensed financial statements of the Company as at September 30, 2021 and for the nine-month periods ended September 30, 2021 and 2020 were approved and authorized by the Board of Directors (BOD) on November 10, 2021.

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, 2020.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of September 30, 2021 and for the nine-month periods ended September 30, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Adoption of New and Amended Accounting Standards and Interpretations

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available

for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

- *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- *Amendments to PFRS 9, Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

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

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

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

- 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, 2023, 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, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	₱149,865,116	₱161,303,512
Cash in banks	469,206,390	1,592,950,321
Cash equivalents	100,701,635	503,014,858
	₱719,773,141	₱2,257,268,691

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 ₱5.77 million and ₱11.22 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 16).

4. Short-term Investments

This account pertains to money market placements made for varying periods of up to one year depending on the immediate cash requirement of the Company and earn annual interest at the respective short-term investment rates that range from 1.5% to 2.0% and 2.5% to 4.0% in 2021 and 2020, respectively.

Short term investments as of September 30, 2021 and December 31, 2020 amounted to ₱1,288.96 million and ₱1,270.64 million, respectively.

Interest income earned from short-term investments amounted to ₱18.12 million and ₱25.08 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 16).

5. Receivables

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade		
Third parties	₱425,653,651	₱591,889,200
Related parties (Note 20)	–	362,203
Nontrade		
Rentals	89,224,230	30,863,966
Related parties (Note 20)	13,962,147	42,418,814
Accrued interest receivable	5,943,736	8,256,342
Others	41,860,651	29,932,486
	576,644,415	703,723,011
Less allowance for expected credit losses	31,595,332	31,595,332
	₱545,049,083	₱672,127,679

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

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

Others consist of advances to employees, 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 and rentals from third parties follow:

Trade receivables

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning of period	₱21,595,332	₱11,612,412
Provision for impairment of trade receivables	–	9,982,920
End of period	₱21,595,332	₱21,595,332

Rentals

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning of period	₱10,000,000	₱-
Provision for impairment of rentals	-	10,000,000
End of period	₱10,000,000	₱10,000,000

6. Merchandise Inventories

The rollforward analysis of this account follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning inventory	₱4,981,620,260	₱4,636,576,270
Add purchases - net	16,942,738,027	25,276,452,552
Cost of goods available for sale	21,924,358,287	29,913,028,822
Less cost of merchandise sold (Note 17)	(17,183,013,373)	(24,885,943,294)
	4,741,344,914	5,027,085,528
Less allowance for decline in inventory values	(10,920,647)	(45,465,268)
Ending inventory	₱4,730,424,267	₱4,981,620,260

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, 2021 and December 31, 2020.

The Company does not have any purchase commitments as at September 30, 2021 and December 31, 2020.

7. Other Current Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepayments		
Third parties	₱96,829,622	₱104,081,314
Related parties (Note 20)	-	1,077,567
Input VAT - net	179,316,006	96,163,794
Security deposits – current	88,447,513	93,019,601
Advances to trade suppliers		
Related parties (Note 20)	108,276,802	117,822,501
Third parties	4,648,463	63,451
Supplies	60,996,263	60,061,392

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred input VAT - current	53,474,658	68,617,282
Prepaid income tax	28,698,577	-
	620,687,904	540,906,902
Less allowance for impairment losses	41,786	41,786
	₱620,646,118	₱540,865,116

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

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

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

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

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

The prepaid income tax is a result of overpayment of taxes, where prior year excess credits due to change in MCIT rate and creditable withholding tax at source are higher than the income tax due as of September 30, 2021.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning of period	₱41,786	₱41,786
Provision for impairment losses	-	-
End of period	₱41,786	₱41,786

8. Property and Equipment

For the nine-month periods ended September 30, 2021 and 2020, total additions to property and equipment amounted to ₱629.20 million and ₱858.17 million, respectively, while depreciation and amortization amounted to ₱432.23 million and ₱372.29 million for the nine-month periods ended September 30, 2021 and 2020, 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, 2021 and December 31, 2020.

The Company has contractual purchase commitments related to construction-in-progress amounting to ₱253.55 million and ₱178.59 million as of September 30, 2021 and December 31, 2020, respectively.

As of September 30, 2021 and December 31, 2020, the Company's net book value of property and equipment amounted to ₱5,323.96 million and ₱4,954.67 million, respectively.

9. Other Noncurrent Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deposits	₱264,816,241	₱454,385,733
Advances to nontrade suppliers		
Third parties	98,584,155	121,457,118
Related parties (Note 20)	31,900,919	34,835,265
Deferred input VAT	116,061,851	118,624,390
	511,363,166	729,302,506
Less allowance for impairment losses	8,772,248	8,772,248
	₱502,590,918	₱720,530,258

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

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

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

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

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning of period	₱8,772,248	₱36,941,072
Write-off	-	(28,168,824)
End of period	₱8,772,248	₱8,772,248

10. Trade and Other Payables

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade		
Third parties	₱1,994,600,344	₱2,803,894,480
Related parties (Note 20)	2,852,178	17,379,792
Nontrade		
Third parties	355,252,973	933,812,743
Related parties (Note 20)	11,149,707	6,528,437
Accrued expenses	434,414,692	433,171,456
Credit cash bonds	255,521,404	289,691,212
Others	223,858,284	157,854,274
	₱3,277,649,582	₱4,642,332,394

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Suppliers and contractors	₱131,450,150	₱142,096,805
Rentals	52,554,497	69,640,659
Utilities	67,788,265	68,486,286
Marketing-related cost	21,901,656	23,106,163
Professional fees	4,257,241	11,441,838
Other accruals	156,462,883	118,399,705
	₱434,414,692	₱433,171,456

Other accruals pertain to 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 refunded if the account holder no longer wants to avail of the Company's credit line. These bonds earn interest annually at a fixed rate ranging from 1% 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, current portion of tenant's deposits which pertains to security deposits from tenants for the lease of space in the Company's stores with remaining lease period of one year or less from reporting and other sundry payables.

11. Contract Liabilities

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Gift check outstanding	₱10,075,567	₱38,111,342
Stored value cards	18,661,972	18,682,083
Accrued customer loyalty reward	25,340,315	25,340,315
	₱54,077,854	₱82,133,740

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

12. Loans Payable

This account consists of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Short-term bank loans with floating interest rates ranging from 2.75% to 5.25% per annum	₱1,000,000,000	₱1,500,000,000
Long-term bank loans with fixed interest rate of 4.0% per annum	500,000,000	-
	1,500,000,000	1,500,000,000
Less current portion of loans payable	1,000,000,000	1,500,000,000
Noncurrent portion of loans payable	₱500,000,000	₱-

Short-term bank loans

The Company availed short-term notes payable from local banks in an aggregate amount of ₱300.00 million and ₱1,500.00 million in 2021 and 2020, respectively, with floating interest rates ranging from 2.75% to 5.25% per annum. These are payable within twelve months after the reporting date and were availed for additional working capital requirements. The Company paid short-term loans in 2021 amounting to ₱800.00 million.

Outstanding balance of short-term bank loans amounted to ₱1,000.00 million and ₱1,500.00 million as of September 30, 2021 and December 31, 2020, respectively.

Long-term bank loans

The Company availed of a long-term loan in January 2021 amounting to ₱500.00 million with interest rate of 4.0% per annum and will mature in 2031. These were availed to finance construction of new store buildings.

Outstanding balance of long-term bank loans amounted to ₱500.00 million and nil as of September 30, 2021 and December 31, 2020, respectively.

The Company has no collateral, no negative covenants and no prepayment options for its loans payable outstanding as of September 30, 2021 and December 31, 2020.

Interest expense from bank loans amounted to ₱35.27 million and ₱10.11 million for the nine-month periods ended September 30, 2021 and 2020, respectively (see Note 16).

13. Other Noncurrent Liabilities

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

Other noncurrent liabilities amounted to ₱5.62 million as of September 30, 2021 and December 31, 2020.

14. Equity

Capital Stock

The details of this account follow:

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	No. of shares	Amount	No. of shares	Amount
Common stock - ₱1.00 par value				
Authorized	10,000,000,000	₱10,000,000,000	10,000,000,000	₱10,000,000,000
Issued	3,429,375,000	3,429,375,000	3,429,375,000	3,429,375,000
Outstanding	3,382,487,000	3,382,487,000	3,429,375,000	3,429,375,000
Treasury shares	46,888,000	65,388,552	-	-

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

Additional Paid-in Capital

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

Treasury Shares

On January 22, 2021, the Board of Directors (BOD) approved the Share Buy-Back Program of the Company to enhance and establish an Executive Stock Option Plan. Amount set aside to fund the Share Buy-Back Program amounted to ₱300.0 million, will be taken from the Company's existing cash (without using the IPO proceeds). This is also supported by the unrestricted retained earnings. The Share Buy-Back Program will not involve any active and widespread solicitation from the stockholders and will be implemented in the open market through the trading facilities of the PSE.

As of September 30, 2021, the Company repurchased a total of 46,888,000 shares for a total amount of ₱65.39 million.

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, 2021 and December 31, 2020.

15. Revenue from Contracts with Customers

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

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Net sales	₱21,317,989,939	₱22,218,328,746
Other income (Note 16)		
Scrap sales	7,144,756	3,364,678
Others	16,918,011	25,129,268
Total revenue from contracts with customers	₱21,342,052,706	₱22,246,822,692

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Geographical markets		
Luzon	₱7,641,225,674	₱8,117,545,345
Visayas	13,676,764,265	14,100,783,401
Total revenue from contracts with customers from net sales	₱21,317,989,939	₱22,218,328,746
Major goods/service lines		
Food retail	₱16,955,265,095	₱17,813,536,912
General Merchandise	4,362,724,844	4,404,791,834
Total revenue from contracts with customers from net sales	₱21,317,989,939	₱22,218,328,746

16. Other income (Charges)

Interest and other income

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Interest income (Notes 3 and 4)	₱23,888,116	₱36,297,138
Scrap sales	7,144,756	3,364,678
Gain on lease modification	4,830,438	102,803,607
Foreign currency exchange gains (losses)	603,058	(2,847,807)
Gain on insurance claims	-	104,364,149
Gain on lease termination	-	67,643,128
Provisions	-	(396,357,010)
Others	16,918,011	25,129,268
	₱53,384,379	(₱59,602,849)

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

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

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

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

Finance costs

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Finance cost on lease liabilities (Note 22)	₱309,461,149	₱406,140,471
Interest expense from bank loans (Note 12)	35,272,469	10,112,500
Interest expense on cash bond (Note 10)	8,592,963	11,045,803
	₱353,326,581	₱427,298,774

17. Cost of Sales

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Cost of merchandise sold (Note 6)	₱17,183,013,373	₱17,672,640,968
Others (Note 18)	20,075,294	22,208,477
	₱17,203,088,667	₱17,694,849,445

Others pertain to the direct labor and other overhead costs.

18. Operating Expenses

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Personnel cost (Note 19)	₱1,232,046,859	₱1,512,149,469
Light, water and communications	566,977,058	523,220,031
Rental (Note 22)	555,099,378	328,363,608
Depreciation and amortization	410,912,560	709,189,025
Of right-of-use assets (Note 22)		
Depreciation and amortization	432,176,691	372,211,733
Taxes and licenses	248,134,502	291,442,353
Contracted services	255,452,540	265,386,294
Repairs and maintenance	145,065,508	178,516,315
Supplies	94,870,811	121,059,624
Insurance	85,810,407	72,746,310
Subscriptions	81,900,172	54,901,605
Advertising	75,707,286	79,973,996
Commission	61,620,110	59,940,597
Professional fees	66,453,413	62,776,954
Transportation and travel	15,489,992	64,013,798
Provision for impairment and write-off of receivables	6,827,101	7,000,000
Others	13,009,829	44,040,003
	₱4,347,554,217	₱4,746,931,715

Depreciation and amortization of right-of-use assets recorded in the statements of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱130.67 million and ₱184.86 million in September 30, 2021 and 2020, respectively (see Note 22).

Others pertain to representation, entertainment, donations and contributions.

19. Personnel Cost

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Salaries and wages	₱1,017,321,105	₱1,225,501,534
Retirement benefit cost	33,887,707	43,329,726
Other employee benefits	195,395,965	259,628,275
	₱1,246,604,777	₱1,528,459,535

Personnel cost that were recognized as cost of sales amounted to ₱14.56 million and ₱16.31 million in 2021 and 2020, 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, 2021, the Company's retirement benefit obligation and remeasurement losses on the defined benefit obligation amounted to ₱594.36 million and ₱38.59 million, respectively. As of December 31, 2020, these amounted to ₱563.61 million and ₱38.59 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 may be 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, 2021 and December 31, 2020 are as follows:

September 30, 2021

	Amount/Volume	Outstanding	Terms and Conditions
<i>Entities Under Common Control</i>			
Advances and rental income (Note 5), (c)	50,406,187	13,962,147	Noninterest-bearing and due in 30 days, not impaired
Sale of goods (Note 5), (d)	24,189	-	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (Notes 7 and 9), (d)	414,479,475	140,177,721	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱154,139,868	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (Note 22), (b)	₱5,672,090	(₱90,737,710)	Noninterest-bearing and payable in 30 days, unsecured
Management fee (Note 10), (e)	42,216,495	-	Noninterest-bearing and payable in 30 days, unsecured
Advances (Note 10), (a)	4,166,732	(611,819)	Noninterest-bearing and payable in 30 days, unsecured
Rent payable (Note 10), (b)	666,476,347	(173,727)	Noninterest-bearing and payable in 30 days, unsecured

	Amount/Volume	Outstanding	Terms and Conditions
Entities Under Common Control			
Purchase of goods (Note 10), (d)	73,955,352	(2,852,178)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 10), (c)	88,477,967	(10,364,161)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(104,739,595)	

December 31, 2020

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Advances (Note 5), (a)	₱16,219,314	₱2,115,219	Noninterest-bearing and due in 30 days, not impaired
Prepayments on rentals (Note 7), (b)	985,159,210	1,077,567	Noninterest-bearing and for application within 30 days, not impaired
<i>Entities Under Common Control</i>			
Advances and rental income (Note 5), (c)	75,850,972	40,303,595	Noninterest-bearing and due in 30 days, not impaired
Sale of goods (Note 5), (d)	447,063	362,203	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (Notes 7 and 9), (d)	867,391,440	152,657,766	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱196,516,350	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (Note 22), (b)	₱43,147,196	(₱189,605,821)	Noninterest-bearing and payable in 30 days, unsecured
Management fee (Note 10), (e)	44,226,804	-	Noninterest-bearing and payable in 30 days, unsecured
<i>Entities Under Common Control</i>			
Purchase of goods (Note 10), (d)	133,602,494	(17,379,792)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (Note 10), (c)	75,228,252	(6,528,437)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱213,514,050)	

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

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

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

Cash placements and bank accounts with Wealth Development Bank Corporation (an entity under common control) amounted to ₱440.35 million and ₱906.03 million as of September 30, 2021 and December 31, 2020, respectively, which earn interest based on prevailing market interest rates.

21. Income Taxes

Provision for (benefit from) income tax consists of:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Current	₱48,082,815	₱7,004,406
Deferred	(148,788,887)	(182,514,360)
	(₱100,706,072)	(₱175,509,954)

The provision for current income tax for the nine-month periods ended September 30, 2021 and 2020 pertains to final and minimum corporate income tax.

As of September 30, 2021 and December 31, 2020, the Company's deferred tax assets amounted to ₱683.34 million and ₱568.06 million, respectively, which pertains to income tax effect of retirement benefit obligation, excess MCIT, NOLCO, provision for decline in value of inventories, provision for impairment of assets, contract liability from customer loyalty program, 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, 2021

	Land	Building	IT Equipment	Others	Total
Cost					
At January 1, 2021	₱1,776,088,593	₱5,133,348,214	₱90,985,965	₱-	₱7,000,422,772
Additions	-	36,484,176	-	-	36,484,176
Lease modification	-	(114,016,662)	-	-	(114,016,662)
Asset retirement	(15,982,295)	(53,871,820)	(90,985,965)	-	(160,840,080)
At September 30, 2021	1,760,106,298	5,001,943,908	-	-	6,762,050,206
Accumulated Depreciation and Amortization					
At January 1, 2021	539,250,489	867,248,983	85,888,872	-	1,492,388,344
Depreciation	209,061,163	327,426,372	5,097,093	-	541,584,628
Lease modification	-	81,137,390	-	-	81,137,390
Asset retirement	(15,982,295)	(216,146,600)	(90,985,965)	-	(323,114,860)
At September 30, 2021	732,329,357	1,059,666,145	-	-	1,791,995,502
Less allowance for impairment losses	-	99,862,314	-	-	99,862,314
Net Book Value	₱1,027,776,941	₱3,842,415,449	₱-	₱-	₱4,870,192,390

December 31, 2020

	Land	Building	IT Equipment	Others	Total
Cost					
At January 1, 2020	₱1,671,903,900	₱7,023,538,757	₱102,522,596	₱1,213,834	₱8,799,179,087
Additions	-	104,654,288	-	-	104,654,288
Lease modification	104,184,693	(1,089,643,091)	(11,536,631)	-	(996,995,029)
Asset retirement	-	(905,201,740)	-	(1,213,834)	(906,415,574)
At December 31, 2020	1,776,088,593	5,133,348,214	90,985,965	-	7,000,422,772
Accumulated Depreciation and Amortization					
At January 1, 2020	265,700,613	958,408,226	61,545,082	728,300	1,286,382,221
Depreciation	273,549,876	803,127,725	24,343,790	485,534	1,101,506,925
Lease modification	-	(820,594,360)	-	-	(820,594,360)
Asset retirement	-	(73,692,608)	-	(1,213,834)	(74,906,442)
At December 31, 2020	539,250,489	867,248,983	85,888,872	-	1,492,388,344
Less allowance for impairment losses	-	99,862,314	-	-	99,862,314
Net Book Value	₱1,236,838,104	₱4,166,236,917	₱5,097,093	₱-	₱5,408,172,114

The following are the amounts recognized in statement of income:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Variable lease payments (Note 18)*	₱509,088,619	₱303,183,080
Depreciation expense of right-of-use assets – net (Note 18)	410,912,560	709,189,025
Finance cost on lease liabilities (Note 16)	309,461,149	406,140,471
Expenses relating to short-term leases (Note 18)*	46,010,759	25,180,528
Gain on lease modification (Note 16)	(4,830,438)	(102,803,607)
Gain on lease termination (Note 16)	–	(67,643,128)
Total amount recognized in statement of income	₱1,270,642,649	₱1,273,246,369

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

The rollforward analysis of lease liabilities follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At beginning of year	₱6,021,950,271	₱7,819,087,830
Finance cost (Note 17)	309,461,149	510,956,120
Additions	36,484,176	90,602,317
Waived rentals	(130,672,066)	(228,161,556)
Payments	(510,833,736)	(1,001,989,894)
Lease modification	(37,709,710)	(1,168,544,546)
	₱5,688,680,084	₱6,021,950,271

Classification of lease liabilities follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion	₱273,523,598	₱479,564,316
Noncurrent portion	5,415,156,486	5,542,385,955
	₱5,688,680,084	₱6,021,950,271

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Within one year	₱692,995,092	₱847,590,780
More than one year but not more than five years	2,425,113,255	2,477,403,559
More than five years	8,562,121,964	₱8,808,780,064

Company as lessor

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

Tenants are required to pay for security deposits, subject to adjustment if minimum rent increases; refundable at the end of the lease term, after deducting the amount of damages to the leased premises and unpaid charges, if any. Security deposits amounted to ₱62.88 million and ₱63.32 million as of September 30, 2021 and December 31, 2020, respectively (Notes 10 and 13).

Rental income amounted to ₱125.48 million and ₱112.97 million as of September 30, 2021 and 2020, respectively.

23. Earnings Per Share

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Net loss	(₱306,410,611)	(₱421,872,861)
Number of common shares outstanding (Note 14)	3,382,487,000	3,429,375,000
Basic/Diluted EPS	(₱0.09)	(₱0.12)

There are no potentially dilutive common shares as of September 30, 2021 and 2020.

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, 2021 and December 31, 2020, the Company has no financial asset and liability carried at fair value.

Fair Value Hierarchy

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

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

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

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

Financial Assets

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

Financial Liabilities

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

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

Financial Risk Management Objectives and Policies

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

Liquidity risk

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

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

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

The table below shows the maturity profile of the financial liabilities of the Company as of September 30, 2021 and December 31, 2020 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, 2021

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱-	₱1,994,600,344	₱-	₱1,994,600,344
Related parties	-	2,852,178	-	2,852,178
Nontrade				
Third parties	-	355,252,973	-	355,252,973
Related parties	-	11,149,707	-	11,149,707
Accrued expenses	-	434,414,692	-	434,414,692
Credit cash bonds	-	255,521,404	-	255,521,404
Others*	-	125,947,016	-	125,947,016
Lease liabilities	-	692,995,092	10,987,235,219	11,680,230,311
Other noncurrent liabilities	-	-	5,624,863	5,624,863
	₱-	₱3,872,733,406	₱10,992,860,082	₱14,865,593,488

*excluding statutory payables

December 31, 2020

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱-	₱2,803,894,480	₱-	₱2,803,894,480
Related parties	-	17,379,792	-	17,379,792
Nontrade				
Third parties	-	933,812,743	-	933,812,743
Related parties	-	6,528,437	-	6,528,437
Accrued expenses	-	433,171,456	-	433,171,456
Credit cash bonds	-	289,691,212	-	289,691,212
Others*	-	102,518,380	-	102,518,380
Lease liabilities	-	847,590,780	11,286,183,623	12,133,774,403
Other noncurrent liabilities	-	-	5,624,863	5,624,863
	₱-	₱5,434,587,280	₱11,291,808,486	₱16,726,395,766

*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, 2021				
	Maximum exposure to credit risk	Fair value of collaterals or credit enhancements	Net exposure	Financial effect of collaterals or credit enhancements
Receivables:				
Trade				
Third parties	₱425,653,651	₱79,436,712	₱346,216,939	₱79,436,712
Related parties	-	-	-	-
Nontrade				
Related parties	13,962,147	-	13,962,147	-
Rentals	89,224,230	30,225,228	58,999,002	30,225,228
Accrued interest receivable	5,943,736	-	5,943,736	-
Others*	18,963,059	-	18,963,059	-
	₱553,746,823	₱109,661,940	₱444,084,883	₱109,661,940

*excluding receivable from SSS amounting to ₱22,897,592

December 31, 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	₱591,889,200	₱176,207,811	₱415,681,389	₱176,207,811
Related parties	362,203	-	662,203	-
Nontrade				
Related parties	42,418,814	-	42,118,814	-
Rentals	30,863,966	9,517,056	21,346,910	9,517,056
Accrued interest receivable	8,256,342	-	8,256,342	-
Others*	12,359,418	-	12,359,418	-
	₱686,149,943	₱185,724,867	₱500,425,076	₱185,724,867

*excluding receivable from SSS amounting to ₱17,573,068

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

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

Trade and rent receivables

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

Below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

September 30, 2021

Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.09%	78.14%	
Gross carrying amount	₱398,463,893	₱27,189,758	₱425,653,651
ECL	349,760	21,245,572	21,595,332

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	11.21%	0.00%	
Gross carrying amount	₱89,224,230	₱-	₱89,224,230
ECL	₱10,000,000	-	₱10,000,000

December 31, 2020

Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.01%	91.42%	
Gross carrying amount	₱568,649,225	₱23,239,975	₱591,889,200
ECL	349,760	21,245,572	21,595,332

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	32.40%	0.00%	
Gross carrying amount	₱30,863,966	₱-	₱30,863,966
ECL	₱10,000,000	-	₱10,000,000

Trade receivables are written off when there is no reasonable expectation of recovery. All of the indicators that there is no reasonable expectation of recovery should be present prior to write off which include, amongst others, the failure of a debtor to engage in a repayment plan with the

Company, debtor is experiencing significant financial difficulties, and a failure to make contractual payments for a period of greater than 90 days past due. Provisions are measured using Stage 3 ECL where receivables are considered credit impaired.

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

26. Seasonality of Operations

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

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

Results of Operations

Nine-month period ended September 30, 2021 versus September 30, 2020

Revenue

Net sales

For the nine-month period ended September 30, 2021, our net sales were ₱21,318.0 million, a decrease of 4.1% compared to ₱22,218.3 million for the same period last year.

Total food retail business declined by 4.8%, while general merchandise business declined by 1.0% over the same period last year. In the middle of March 2020, supermarket operations were disrupted and 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 and as consumers prioritized the purchase of essential goods in general.

Blended same store sales declined by 9.0% over the same period last year.

Rental income

For the nine-month period ended September 30, 2021, our rental income was ₱125.5 million, an increase of 11.1% compared to ₱113.0 million for the same period last year. The increase in rental income is primarily due to the gradual re-opening of non-essential tenants.

Cost of sales

For the nine-month period ended September 30, 2021, our cost of sales was ₱17,203.1 million, a decrease of 2.8% compared to ₱17,694.8 million for the same period last year. Cost of sales declined slightly slower than net sales as general merchandise business grew faster than the supermarket business during the year.

Operating expenses

For the nine-month period ended September 30, 2021, our operating expenses were ₱4,347.6 million, a decrease of 8.4% compared to ₱4,746.9 million for the same period last year. The decrease in operating expenses is mainly attributable to the increased efficiency and continuous cost reduction and saving measures implemented by the Company.

Interest and other income

For the nine-month period ended September 30, 2021, our interest and other income was ₱53.4 million, an increase of 189.6% compared to the -₱59.6 million for the same period last year.

The increase 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 in year 2020. This is partially offset 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 nil and ₱104.4 million as of September 30, 2021 and 2020, respectively.

In addition, there is a decrease in interest income from money market placements due to lower placements coupled with lower interest rates this year. This amounted to ₱23.9 million and ₱36.3 million in September 30, 2021 and 2020, respectively.

Finance costs

For the nine-month period ended September 30, 2021, finance costs were ₱353.3 million, a decrease of 17.3% compared to ₱427.3 million for the same period last year. The decrease is primarily driven by the decrease in finance cost related to lease liabilities, partially offset with the increase on finance costs related to the Company's outstanding loans payable.

Provision for (benefit from) income tax

For the nine-month period ended September 30, 2021, our benefit from income tax was ₱100.7 million, a decrease of 42.6% compared to ₱175.5 million for the nine-month period ended September 30, 2020. The decrease in benefit from income tax was primarily due to the increase in income before tax.

Net loss

As a result of the foregoing, for the nine-month period ended September 30, 2021, our net loss was ₱306.4 million, an improvement of 27.4% compared to the net loss of ₱421.9 million for the nine-month period ended September 30, 2020.

Financial Position

As of September 30, 2021 and December 31, 2020, our net current assets, or the difference between total current assets and total current liabilities, were ₱3,299.5 million and ₱2,996.5 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, 2021 and December 31, 2020 were ₱7,904.8 million and ₱9,722.5 million, respectively. The decrease of 18.7% of current assets is significantly due to decrease of cash and cash equivalents, merchandise inventories and receivables.

As of September 30, 2021, short-term investment totaled ₱1,289.0 million, receivables totaled ₱545.0 million, merchandise inventories totaled ₱4,736.5 million and other current assets totaled ₱620.6 million. As of December 31, 2020, short-term investment totaled ₱1,270.6 million, receivables totaled ₱672.1 million, merchandise inventories totaled ₱4,981.6 million and other current assets totaled ₱540.9 million.

As of September 30, 2021, cash and cash equivalents amounted to ₱719.8 million, a decrease of 68.1% from ₱2,257.3 million as of December 31, 2020. The decrease were mainly attributable to settlement of trade and other payables of ₱1,374.8 million and acquisitions of property and equipment amounting to ₱629.2 million.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other noncurrent assets. Total noncurrent assets as of September 30, 2021 and December 31, 2020 were ₱11,380.1 million and ₱11,651.4 million, respectively. While property and equipment increased by ₱629.2 million and deferred tax assets–net by ₱115.2 million, the depreciation and amortization of right-of-use assets and decrease in other noncurrent assets resulted to a decrease of 2.3% in total noncurrent assets.

Current Liabilities

Total current liabilities as of September 30, 2021 and December 31, 2020 were ₱4,605.3 million and ₱6,726.0 million, respectively. As of September 30, 2021 and December 31, 2020, trade and other payables totaled ₱3,277.6 million and ₱4,642.3 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable – current portion outstanding amounted to ₱1,000.0 million and ₱1,500.0 million as of September 30, 2021 and December 31, 2020, respectively.

Noncurrent liabilities

Total noncurrent liabilities as of September 30, 2021 and December 31, 2020 were ₱6,515.1 million and ₱6,111.6 million, respectively. The increase of 6.6% was primarily due to the availment of long-term bank loan of ₱500.0 million in January 2021.

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,	
	2021	2020
	(₱ million)	
Net cash flows used in operating activities	(360.0)	(1,139.0)
Net cash flows used in investing activities	(601.9)	(651.7)
Net cash flows used in financing activities	(576.2)	(33.7)
Net decrease in cash	<u>(1,538.1)</u>	<u>(1,824.4)</u>

Net cash flows used in operating activities

Our net cash flows used in operating activities for the nine-month period ended September 30, 2021 was ₱360.0 million, which comprised operating income before working capital changes of ₱800.7 million, adjusted for changes in working capital and interest received, partially offset by income tax and interest paid. The changes in working capital were mainly attributable to decrease in trade and other payables of ₱1,374.8 million, offset by the decrease in merchandise inventories of ₱251.2 million and decrease in receivables of ₱117.9 million.

Our net cash flows used in operating activities for the nine-month period ended September 30, 2020 was ₱1,139.0 million, which comprised operating income before working capital changes of ₱1,050.1 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.

Net cash flows used in investing activities

For the nine-month period ended September 30, 2021, net cash flows used in investing activities was ₱601.9 million, which resulted from the additions to property and equipment primarily resulting from the construction and fit outs of new stores amounting to ₱629.2 million, increase in short-term investments of ₱18.3 million, offset by the decrease in other noncurrent assets of ₱45.6 million.

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.

Net cash flows used in financing activities

For the nine-month period ended September 30, 2021, net cash flows used in financing activities was ₱576.2 million, which resulted from the payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱510.8 million and purchase of treasury stocks of ₱65.4 million.

For the nine-month period ended September 30, 2020, net cash flows used in financing activities was ₱33.7 million, which resulted from the payment of lease liabilities recognized as a result of PFRS 16 adoption amounting to ₱827.9 million, payment of cash dividends of ₱205.8 million, offset by the proceeds from loans payable of ₱1,000.0 million.

Indebtedness

The Company has an outstanding loans payable of ₱1,500.0 million as of September 30, 2021 and December 31, 2020. The short-term loans payable were obtained to support working capital requirements, while long-term loan payable were availed to finance construction of new store buildings.

PART II--OTHER INFORMATION

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

SIGNATURES

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

METRO RETAIL STORES GROUP, INC.

Issuer.....

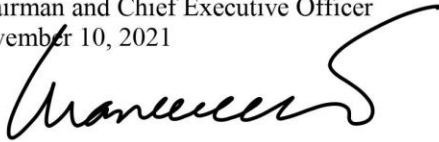
By:



FRANK S. GAISANO

Chairman and Chief Executive Officer

November 10, 2021



MANUEL C. ALBERTO

President and Chief Operating Officer

November 10, 2021



JOSELITO G. ORENSE

Treasurer and Chief Financial Officer

November 10, 2021