

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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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

vicsal.sec@ metroretail.ph

Company's Telephone Number

(032) 236-8390

Mobile Number

N/A

No. of Stockholders

22

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 **March 31, 2024**
2. Commission identification number **CS200315877**
3. BIR Tax Identification No **226-527-915-000**
4. Exact name of issuer as specified in its charter **METRO RETAIL STORES GROUP, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Cebu, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code **(032) 236-8390**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock Outstanding and Amount of Debt outstanding
Common Shares	3,247,899,000

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

Yes No

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

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

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

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

METRO RETAIL STORES GROUP, INC.**UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION****AS AT MARCH 31, 2024****(With Comparative Audited Figures as at December 31, 2023)**

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 25)	₱3,223,458,676	₱4,154,363,416
Short-term investments (Notes 4 and 25)	285,551,935	–
Receivables (Notes 5 and 25)	688,734,233	1,043,174,346
Merchandise inventories (Note 6)	6,103,347,415	5,866,225,830
Other current assets (Notes 7 and 25)	520,382,040	486,164,132
Total Current Assets	10,821,474,299	11,549,927,724
Noncurrent Assets		
Property and equipment (Note 8)	6,791,580,534	6,373,530,237
Right-of-use (“ROU”) assets (Note 22)	4,426,094,325	4,505,295,292
Deferred tax assets - net (Note 21)	483,275,642	450,592,836
Other noncurrent assets (Notes 9 and 25)	664,619,620	784,031,320
Total Noncurrent Assets	12,365,570,121	12,113,449,685
TOTAL ASSETS	₱23,187,044,420	₱23,663,377,409
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 25)	₱4,467,572,901	₱4,942,167,213
Contract liabilities (Note 11)	94,343,464	107,146,727
Income tax payable	127,839,864	105,455,968
Loans payable – current portion (Note 12)	489,236,111	398,611,111
Lease liabilities - current portion (Notes 22 and 25)	110,970,098	102,340,465
Total Current Liabilities	5,289,962,438	5,655,721,484
Noncurrent Liabilities		
Lease liabilities – net of current portion (Notes 22 and 25)	5,550,057,164	5,580,838,903
Retirement benefit obligation (Note 19)	516,364,517	530,155,045
Loans payable – net of current portion (Note 12)	2,339,054,926	2,456,425,450
Other noncurrent liabilities (Notes 13 and 25)	19,357,528	17,930,465
Total Noncurrent Liabilities	8,424,834,135	8,585,349,863
Total Liabilities	13,714,796,573	14,241,071,347
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)	(254,787,677)	(254,419,975)
Retained earnings (Note 14)	3,761,364,366	3,711,054,879
Share-based equity (Note 14)	5,001,736	5,001,736
Remeasurement losses on defined benefit obligation (Note 19)	75,752,273	75,752,273
Total Equity	9,472,247,847	9,422,306,062
TOTAL LIABILITIES AND EQUITY	₱23,187,044,420	₱23,663,377,409

See accompanying Notes to Financial Statements.

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

	For the Three-Months Period ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
REVENUE		
Net sales (Note 15)	₱8,728,611,522	₱8,310,177,510
Rentals (Note 22)	93,759,152	80,176,541
	8,822,370,674	8,390,354,051
COSTS AND EXPENSES		
Cost of sales (Note 17)	6,910,729,365	6,488,674,646
Operating expenses (Note 18)	1,781,476,647	1,745,695,945
	8,692,206,012	8,234,370,591
OPERATING INCOME	130,164,662	155,983,460
OTHER INCOME (CHARGES) (Note 16)		
Interest and other income	61,058,828	62,347,240
Finance costs	(128,749,549)	(134,617,230)
	(67,690,721)	(72,269,990)
INCOME BEFORE INCOME TAX	62,473,941	83,713,470
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 21)		
Current	30,075,591	29,279,075
Deferred	(17,911,137)	(5,607,410)
	12,164,454	23,671,665
NET INCOME	50,309,487	60,041,805
OTHER COMPREHENSIVE (LOSS) INCOME		
<i>Not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement (losses) gains on defined benefit obligation	-	-
Income tax effect	-	-
	-	-
TOTAL COMPREHENSIVE INCOME	₱50,309,487	₱60,041,805
Basic/Diluted Earnings Per Share (Note 23)	₱0.02	₱0.02

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.

STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2024 and 2023

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Treasury Stock (Note 14)	Retained Earnings (Note 14)	Share-based Equity (Note 14)	Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 19)	Total
Balances at December 31, 2023 (Audited)	₱3,429,375,000	₱2,455,542,149	(₱254,419,975)	₱3,711,054,879	₱5,001,736	₱75,752,273	₱9,422,306,062
Net income for the period	-	-	-	50,309,487	-	-	50,309,487
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	50,309,487	-	-	50,309,487
Declaration of dividends (Note 14)	-	-	-	-	-	-	-
Acquisition of treasury shares (Note 14)	-	-	(367,702)	-	-	-	(367,702)
Balances at March 31, 2024 (Unaudited)	₱3,429,375,000	₱2,455,542,149	(₱254,787,677)	₱3,761,364,366	₱5,001,736	₱75,752,273	₱9,472,247,847
Balances at December 31, 2022 (Audited)	₱3,429,375,000	₱2,455,542,149	(₱207,150,258)	₱3,289,176,015	₱-	₱94,047,690	₱9,060,990,596
Net income for the period	-	-	-	60,041,805	-	-	60,041,805
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	60,041,805	-	-	60,041,805
Declaration of dividends (Note 14)	-	-	-	(196,140,840)	-	-	(196,140,840)
Acquisition of treasury shares (Note 14)	-	-	(18,378,921)	-	-	-	(18,378,921)
Balances at March 31, 2023 (Unaudited)	₱3,429,375,000	₱2,455,542,149	(₱225,529,179)	₱3,153,076,980	₱-	₱94,047,690	₱8,906,512,640

See accompanying Notes to Interim Condensed Financial Statements.

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

	For the Three-month Periods Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱62,473,941	₱83,713,470
Adjustments for:		
Depreciation and amortization - PPE (Note 8)	168,606,281	146,112,396
Finance costs (Note 16)	128,749,549	134,617,230
Depreciation - ROU assets (Note 22)	72,297,312	90,843,246
Gain on lease contract termination (Note 18)	-	(29,107,167)
Retirement benefits costs (Note 19)	18,612,746	17,379,999
Provision for expected credit losses and write-off of receivables	273,210	-
Loss on retirement/disposal of fixed assets (Note 18)	20,068	18
Foreign currency exchange gains (Note 16)	(5,913,368)	(3,759,284)
Interest income (Note 16)	(42,897,642)	(45,091,575)
Operating income before working capital changes	402,222,097	394,708,333
Decrease (increase) in:		
Receivables	368,165,276	179,907,233
Merchandise inventories	(237,121,585)	(332,811,509)
Other current assets	66,902,498	(73,966,737)
Increase (decrease) in:		
Trade and other payables	(474,430,251)	(1,126,634,961)
Contract liabilities	(12,803,262)	(12,284,828)
Other current liabilities	1,427,063	-
Cash flows generated from (used in) operations	114,361,836	(971,082,469)
Income tax paid	(123,583,770)	(7,635,037)
Interest received	28,899,269	41,872,714
Retirement benefits paid	(32,403,273)	(15,752,305)
Net cash used in operating activities	(12,725,938)	(952,597,097)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(418,622,107)	(176,495,521)
Proceeds from insurance claim	-	53,681,402
Increase in short-term investments	(285,551,935)	-
Increase in other noncurrent assets	(48,642,840)	(49,834,817)
Net cash used in investing activities	(752,816,882)	(172,648,936)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans (Note 12)	(27,777,778)	-
Purchase of treasury stocks (Note 14)	(367,702)	(18,378,921)
Payment of:		
Lease liabilities (Note 22)	(102,672,457)	(130,040,959)
Interest	(40,457,351)	(37,896,841)
Net cash used in financing activities	(171,275,288)	(186,316,721)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(936,818,108)	(1,311,562,754)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE (Note 16)	5,913,368	3,759,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,154,363,416	5,162,583,002
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱3,223,458,676	₱3,854,779,532

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 80.92%-owned by Vicsal Development Corporation (VDC), 0.76%-owned by Valueshop Stores, Inc., and the rest by the public. Its primary purpose is to buy, sell and trade, goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

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

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

Approval of the Financial Statements

The unaudited interim condensed financial statements of the Company as at March 31, 2024 and for the three-month periods ended March 31, 2024 and 2023 were approved and authorized by the Board of Directors (BOD) on May 3, 2024.

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, 2023.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of March 31, 2024 and for the three-month periods ended March 31, 2024 and 2023 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, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- 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, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

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

- Amendments to PAS 21, *Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Deferred effectivity

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

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

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

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash on hand	₱132,757,883	₱114,609,727
Cash in banks	999,709,238	1,574,814,344
Cash equivalents	2,090,991,555	2,464,939,345
	3,223,458,676	₱4,154,363,416

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 ₱41.11 million and ₱45.09 million for the three-month periods ended March 31, 2024 and 2023, 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 3.85% to 6.25% in 2024.

Short term investments amounted to ₱285.55 million and nil as of March 31, 2024 and December 31, 2023, respectively.

Interest income earned from short-term investments amounted to ₱1.79 million and nil for the three-month periods ended March 31, 2024 and 2023, respectively (see Note 16).

5. Receivables

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade		
Third parties	₱458,753,902	₱895,450,692
Rental		
Third parties	106,520,687	87,993,013
Related parties (see Note 22)	6,484,703	9,530,200
Nontrade		
Related parties (see Note 22)	49,237,046	41,006,797
Receivable from SSS	30,799,354	29,377,373
Accrued interest receivable	21,023,792	7,025,419
Others	59,840,449	16,716,552
	732,659,933	1,087,100,046
Less allowance for expected credit losses	(43,925,700)	(43,925,700)
	688,734,233	₱1,043,174,346

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

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

Receivable from Social Security System (SSS) pertains to maternity loans proceeds and are collectible within one (1) year.

Others consist of advances to employees and construction cash bond for store fit-outs and are collectible within the year.

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

Trade receivables

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of period	₱28,926,995	₱28,926,995
Add provisions	-	-
End of period	₱28,926,995	₱28,926,995

Rentals

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of period	₱14,998,705	₱14,998,705
Add provisions	-	-
End of period	₱14,998,705	₱14,998,705

6. Merchandise Inventories

The rollforward analysis of this account follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning inventory	₱5,866,225,830	₱5,495,332,780
Add purchases - net	7,161,743,429	30,442,504,361
Cost of goods available for sale	13,027,969,259	35,937,837,141
Less cost of merchandise sold (Note 17)	(6,898,317,043)	(29,983,229,280)
	6,129,652,216	5,954,607,861
Less allowance for shrinkage and decline in inventory values	(26,304,801)	(88,382,031)
Ending inventory	₱6,103,347,415	₱5,866,225,830

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 March 31, 2024 and December 31, 2023. The Company does not have any purchase commitments as at March 31, 2024 and December 31, 2023.

7. Other Current Assets

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Prepayments		
Third parties	₱159,446,361	₱122,816,150
Related parties (Note 20)	–	3,069,563
Security deposits – current	124,785,427	124,785,427
Advances to trade suppliers		
Related parties (Note 20)	68,469,687	132,082,544
Third parties	2,876,421	285,860
Input VAT - net	118,217,321	52,550,568
Supplies	40,553,397	41,349,567
Deferred input VAT - current	8,583,426	11,774,453
	522,932,040	488,714,132
Less allowance for impairment losses	(2,550,000)	(2,550,000)
	₱520,382,040	₱486,164,132

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

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

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

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

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

Allowance for impairment losses pertains to estimated unrecoverable security deposits. Movements in the allowance for impairment loss for other current assets follow:

Security deposits

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of period	₱2,550,000	₱2,550,000
Add provisions	–	–
Write-off	–	–
End of period	₱2,550,000	₱2,550,000

8. Property and Equipment

For the three-month periods ended March 31, 2024 and 2023, total additions to property and equipment amounted to ₱586.68 million and ₱175.71 million, respectively, while depreciation and amortization amounted to ₱168.61 million and ₱146.11 million for the three-month periods ended March 31, 2024 and 2023, respectively.

There are no items of property and equipment that are pledged as security to liabilities as at March 31, 2024 and December 31, 2023.

The Company has contractual purchase commitments related to construction-in-progress amounting to ₱1,024.15 million and ₱1,150.40 million as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024 and December 31, 2023, the Company's net book value of property and equipment amounted to ₱6,791.58 million and ₱6,373.53 million, respectively.

9. Other Noncurrent Assets

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Advances to nontrade suppliers		
Third parties	₱355,839,009	₱448,781,378
Related parties (Note 20)	50,084,310	75,212,955
Deposits	252,464,651	249,340,143
Deferred input VAT	18,677,342	23,142,536
	677,065,312	796,477,012
Less allowance for impairment loss	(12,445,692)	(12,445,692)
	₱664,619,620	784,031,320

Deposits are payments to lessors for advance rental and security deposits and to 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 prior to 2022. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter.

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

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of period	₱12,445,692	₱12,445,692
Additions	-	-
End of period	₱12,445,692	₱12,445,692

10. Trade and Other Payables

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade		
Third parties	₱2,990,345,131	₱3,269,715,795
Related parties (Note 20)	14,140,278	58,061,743
Nontrade		
Third parties	502,530,292	606,198,467
Related parties (Note 20)	20,564,861	27,941,607
Accrued expenses	476,712,982	520,556,561
Credit cash bonds	235,052,083	235,571,609
Taxes payable	46,833,047	58,939,987
Others	181,394,227	165,181,444
	₱4,467,572,901	₱4,942,167,213

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

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

Accrued expenses consist of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Suppliers and contractors	₱158,039,409	₱150,935,569
Utilities	83,709,127	95,278,593
Short-term rentals	108,312,065	107,176,281
Marketing-related cost	19,230,814	22,065,947
Professional fees	12,571,213	17,025,718
Other accruals	94,850,354	128,074,453
	₱476,712,982	₱520,556,561

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

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

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

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

11. Contract Liabilities

This account consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Gift check outstanding	₱31,495,102	₱43,263,101
Accrued customer loyalty reward	32,388,155	32,390,404
Stored value cards	30,460,207	31,493,222
	₱94,343,464	₱107,146,727

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

12. Loans Payable

This account consists of the following:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Long-term bank loans with nominal interest rates ranging from 4.0%–6.4% per annum	₱2,842,013,889	₱2,869,791,666
Less current portion of loans payable	(489,236,111)	(398,611,111)
	2,352,777,778	2,471,180,555
Less unamortized debt issue cost	(13,722,852)	(14,755,105)
Noncurrent portion of loans payable	₱2,339,054,926	₱2,456,425,450

Long-term bank loans

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

On March 3, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0%-6.4% per annum.

On March 17, 2022, the Company availed an unsecured long-term loan of ₱500.00 million payable in thirty-six equal quarterly installments of ₱13.89 million commencing on June 5, 2023 to March 3, 2032. The loan bears a nominal interest rate of 4.0%-6.4% per annum.

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

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

The Company's long-term debt consists of:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
10-year loan due on March 28, 2031	₱453,125,000	₱453,125,000
10-year loan due on March 3, 2032	444,444,445	458,333,333
10-year loan due on March 3, 2032	444,444,444	458,333,333
7-year loan due on March 23, 2029	1,500,000,000	1,500,000,000
	2,842,013,889	2,869,791,666
Less unamortized debt issue cost	(13,722,852)	(14,755,105)
	₱2,828,291,037	₱2,855,036,561

The Company has no negative covenants and no prepayment options for its loans payable outstanding as of March 31, 2024 and December 31, 2023.

Interest expense from bank loans amounted to ₱39.29 million and ₱38.44 million as of March 31, 2024 and 2023, respectively (see Note 16).

The movement of the unamortized debt issue cost follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Beginning of period	₱14,755,105	₱18,913,493
Amortization	(1,032,253)	(4,158,388)
End of period	₱13,722,852	₱14,755,105

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
2024	₱370,833,334	₱398,611,111
2025	473,611,111	473,611,111
2026	473,611,111	473,611,111
2027-2031	1,523,958,333	1,523,958,333
	₱2,842,013,889	₱2,869,791,666

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 ₱19.36 million and ₱17.93 million as of March 31, 2024 and December 31, 2023, respectively.

14. Equity

Capital Stock

The Company's common stock consists of:

	March 31, 2024 (Unaudited)		December 31, 2023 (Audited)	
	No. of shares	Amount	No. of shares	Amount
Common stock - ₱1.00 par value				
Authorized	10,000,000,000	₱10,000,000,000	10,000,000,000	₱10,000,000,000
Issued	3,429,375,000	3,429,375,000	3,429,375,000	3,429,375,000
Outstanding, beginning of year	3,248,183,000	3,174,955,025	3,282,303,000	3,222,224,742
Treasury shares acquired during the year	(284,000)	(367,702)	(34,120,000)	(47,269,717)
Outstanding, end of year	3,247,899,000	₱3,174,587,323	3,248,183,000	₱3,174,955,025

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

Additional Paid-in Capital

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

Treasury Shares

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

As of March 31, 2024, the Company repurchased a total of 181,476,000 shares for a total amount of ₱254.79 million. These treasury shares are recorded at cost.

Stock Option Plan

The BOD and stockholders of the Company have adopted resolutions on July 27, 2015 approving the establishment of a stock option plan to offer up to 103,320,000 shares out of its unissued capital stock to key personnel.

On December 23, 2022, the Board of Directors has approved the MRSGI Executive Stock Option Plan or MESOP. The Company has allotted 1% of the total outstanding capital stock as of December 20, 2022 or 32,832,230 common shares out of its Treasury Shares for the MESOP. In a Special Meeting of the stockholders held on February 7, 2023, the stockholders of MRSGI owning at least 2/3 of the total outstanding capital stock have ratified the MESOP. An application for the approval of the MESOP was submitted to the Securities and Exchange Commission on February 17, 2023 and this was approved by the Commission on May 29, 2023.

In 2023, 28,028,562 stock options were granted. Likewise, there were no exercise or cancellation of stock options during the year.

Retained Earnings

On March 31, 2023, the BOD approved the declaration of cash dividends amounting to ₱196.14 million or ₱0.06 per share, out of the Company's retained earnings as of December 31, 2022 to stockholders of record as of April 19, 2023 and paid on May 4, 2023.

15. Revenue from Contracts with Customers

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

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

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Net sales	₱8,728,611,522	₱8,310,177,510
Other income (Note 16)		
Others	9,541,159	10,220,092
Total revenue from contracts with customers	₱8,738,152,681	₱8,320,397,602

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

	March 31, 2024 (Unaudited)	March 31, 2022 (Unaudited)
Geographical markets		
Luzon	₱2,536,004,231	₱2,547,978,323
Visayas	6,192,607,291	5,762,199,187
Total revenue from contracts with customers from net sales	₱8,728,611,522	₱8,310,177,510
Major goods/service lines:		
Food retail	₱6,593,812,120	₱6,111,863,251
General Merchandise	2,134,799,402	2,198,314,259
Total revenue from contracts with customers from net sales	₱8,728,611,522	₱8,310,177,510

16. Other income

Interest and other income

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Interest income (Notes 3 and 4)	₱42,897,642	₱45,091,575
Foreign currency exchange gains	5,913,368	3,759,284
Scrap sales	2,706,659	3,276,289
Others	9,541,159	10,220,092
	₱61,058,828	₱62,347,240

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

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

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

Finance costs

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Finance cost on lease liabilities (Note 22)	₱87,424,007	₱94,659,835
Interest expense from bank loans (Note 12)	39,289,969	38,443,880
Interest expense on cash bond (Note 10)	2,035,573	1,513,515
	₱128,749,549	₱134,617,230

17. Cost of Sales

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Cost of merchandise sold (Note 6)	₱6,898,317,043	₱6,479,257,329
Others (Note 18)	12,412,322	9,417,317
	₱6,910,729,365	₱6,488,674,646

Others pertain to the direct labor and other overhead costs.

18. Operating Expenses

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Personnel cost (Note 19)	₱484,088,845	₱448,848,856
Rental (Note 22)	364,446,353	324,201,373
Light, water and communications	177,739,967	282,214,553
Depreciation and amortization	168,595,167	146,104,397
Contracted services	111,828,145	103,419,558
Taxes and licenses	102,030,053	97,903,744
Depreciation and amortization of right-of-use assets (Note 22)	72,297,312	90,843,246
Repairs and maintenance	74,389,701	71,760,710
Supplies	43,920,131	43,189,775
Subscriptions	40,251,073	38,397,592
Commission	35,206,584	31,112,603
Advertising	41,722,771	29,766,050
Insurance	30,197,165	27,541,174
Professional fees	14,598,682	19,103,846
Transportation and travel	13,805,485	12,331,558
Write-off of assets	273,210	-
Gain on lease contract pretermination	-	(29,107,167)
Others	6,086,003	8,064,077
	₱1,781,476,647	₱1,745,695,945

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 ₱6.90 million and ₱8.51 million in March 31, 2024 and 2023, respectively (see Note 22).

Gain on lease contract pretermination in 2023 pertains to the difference between the carrying amount of right-of-use asset and lease liability when the Company preterminated a lease contract due to store closure.

Others pertain to representation, entertainment, donations and contributions.

19. Personnel Cost

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Salaries and wages	₱404,267,303	₱371,417,142
Retirement benefit cost	18,612,746	17,379,999
Other employee benefits	75,627,522	71,475,987
	₱498,507,571	₱460,273,128

Personnel cost that were recognized as cost of sales amounted to ₱7.78 million and ₱5.66 million as of March 31, 2024 and 2023, respectively.

Personnel cost that were capitalized as part of construction-in-progress amounted to ₱6.64 million and ₱ 5.77 million of March 31, 2024 and 2023, respectively.

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

As of March 31, 2024, the Company's retirement benefit obligation and remeasurement losses on the defined benefit obligation amounted to ₱516.36 million and ₱75.75 million, respectively. As of December 31, 2023, these amounted to ₱530.16 million and ₱75.75 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 March 31, 2023 and December 31, 2022 are as follows:

March 31, 2024

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Advances (see Note 5; a)	₱4,838,053	₱1,324,125	Noninterest-bearing and due in 30 days, unsecured

<i>Entities Under Common Control</i>			
Advances and rental income (see Note 5; c, d and f)	40,740,336	54,397,624	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (see Notes 7 and 9; d)	245,568,639	118,553,997	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱174,275,746	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (see Note 22; b)	₱61,112	(₱8,124,386)	Noninterest-bearing and payable in 30 days, unsecured
Rent expense (see Note 10;b)	202,379,252	(2,168,030)	Noninterest-bearing and payable within 30 days, unsecured
Management fee (see Note 10; e)	5,716,178	-	Noninterest-bearing and payable in 30 days, unsecured
<i>Entities Under Common Control</i>			
Purchase of goods (see Note 10; d)	70,791,950	(14,140,278)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (see Note 10; c and d)	46,582,604	(18,396,831)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(₱42,829,525)	

December 31, 2023

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Advances (see Note 5; a)	₱26,824,925	₱2,085,962	Noninterest-bearing and due in 30 days, unsecured
Prepayment on rentals (see Note 7; b)	1,193,743,888	3,069,563	Noninterest-bearing and due in 30 days, unsecured
<i>Entities Under Common Control</i>			
Advances and rental income (see Note 5; c, d and f)	132,854,223	48,451,035	Noninterest-bearing and due in 30 days, not impaired
Advances to suppliers (see Notes 7 and 9; d)	1,593,576,020	207,295,499	Noninterest-bearing and for application within 30 days, not impaired
Due from related parties		₱260,902,059	

	Amount/Volume	Outstanding	Terms and Conditions
<i>Parent Company (VDC)</i>			
Lease liabilities (see Note 22; b)	₱462,041	(₱11,471,199)	Noninterest-bearing and

	Amount/Volume	Outstanding	Terms and Conditions
Management fee (see Note 10; e)	65,066,900	-	payable in 30 days, unsecured Noninterest-bearing and payable in 30 days, unsecured
<i>Entities Under Common Control</i>			
Purchase of goods (see Note 10;d)	127,007,056	(58,061,743)	Noninterest-bearing and payable in 30 days, unsecured
Purchases of services and rent expense (see Note 10; c and d)	172,888,804	(27,941,607)	Noninterest-bearing and payable in 30 days, unsecured
Due to related parties		(P97,474,549)	

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

- Advances to VDC pertain to expenses paid by the Company on behalf of VDC and vice versa.
- 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.
- 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.
- 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.
- 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.
- In 2022, the Company sold its used equipment to its affiliates amounting to P49.40 million.

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 P687.96 million and P925.27 million as of March 31, 2024 and December 31, 2023, respectively, which earn interest based on prevailing market interest rates.

21. Income Taxes

Provision for income tax consists of:

	March 31, 2023 (Unaudited)	March 31, 2023 (Unaudited)
Current	P30,075,591	P29,279,075
Deferred	(17,911,137)	(5,607,410)
	P12,164,454	P23,671,665

The provision for current income tax for the three-month periods ended March 31, 2024 and 2023 pertains to final and regular corporate income tax.

As of March 31, 2024 and December 31, 2023, the Company's deferred tax assets amounted to ₱483.28 million and ₱450.59 million, respectively, which pertains to income tax effect of retirement benefit obligation, provision for decline in value of inventories, provision for impairment of assets, contract liability from customer loyalty program, unamortized debt issuance cost and PFRS 16 adjustments.

22. Lease Commitments

Company as a lessee

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

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

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

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

March 31, 2024

	Land	Building	Total
<u>Cost</u>			
At January 1, 2024	₱1,925,909,844	₱5,092,389,138	₱7,018,298,982
Additions	-	-	-
Retirements	-	-	-
At March 31, 2024	1,925,909,844	5,092,389,138	7,018,298,982
<u>Accumulated depreciation</u>			
At January 1, 2024	913,183,595	1,521,425,338	2,434,608,933
Depreciation	9,226,464	69,974,503	79,200,967
Retirement	-	-	-
At March 31, 2024	922,410,059	1,591,399,841	2,513,809,900
Less allowance for impairment losses	-	(78,394,757)	(78,394,757)
Net Book Value	₱1,003,499,785	₱3,422,594,540	₱4,426,094,325

December 31, 2023

	Land	Building	Total
<u>Cost</u>			
At January 1, 2023	₱1,760,106,298	₱4,861,840,783	₱6,621,947,081
Additions	165,803,546	468,299,288	634,102,834
Retirements	-	(237,750,933)	(237,750,933)
At December 31, 2023	1,925,909,844	5,092,389,138	7,018,298,982
<u>Accumulated depreciation</u>			
At January 1, 2023	860,144,688	1,349,467,233	2,209,611,921
Depreciation	53,038,907	301,388,274	354,427,181
Retirement	-	(129,430,169)	(129,430,169)
At December 31, 2023	913,183,595	1,521,425,338	2,434,608,933
Less allowance for impairment losses	-	(78,394,757)	(78,394,757)
Net Book Value	₱1,012,726,249	₱3,492,569,043	₱4,505,295,292

The following are the amounts recognized in statement of income:

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Variable lease payments (Note 18)*	₱282,657,219	₱277,872,039
Finance cost on lease liabilities (Note 16)	87,424,007	94,659,835
Depreciation expense of right-of-use assets – net (Note 18)	72,297,312	90,843,246
Expenses relating to short-term leases (Note 18)*	81,789,134	46,329,334
Total amount recognized in statement of income	₱524,167,672	₱509,704,454

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

The rollforward analysis of lease liabilities follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
At beginning of year	₱5,683,179,368	₱5,262,952,178
Additions	-	634,708,834
Finance cost (Note 16)	87,424,007	366,847,009
Payments	(102,672,457)	(443,695,421)
Lease termination and waived rentals	(6,903,656)	(137,633,232)
	₱5,661,027,262	₱5,683,179,368

Classification of lease liabilities follows:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Current portion	₱110,970,098	₱102,340,465
Noncurrent portion	5,550,057,164	5,580,838,903
	₱5,661,027,262	₱5,683,179,368

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

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Within one year	₱445,741,884	₱626,496,805
More than one year but not more than five years	1,878,324,331	1,863,614,236
More than five years	7,900,977,369	8,021,950,676
	₱10,225,043,584	₱10,512,061,718

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 ₱98.61 million and ₱91.72 million as of March 31, 2024 and December 31, 2023, respectively (Notes 10 and 13).

Rental income amounted to ₱93.76 million and ₱80.18 million as of March 31, 2024 and 2023, respectively.

23. Earnings Per Share

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

	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)
Net income	₱50,309,487	₱60,041,805
Weighted-average number of common shares outstanding (Note 14)	3,248,014,692	3,278,340,978
Basic/Diluted EPS	₱0.02	₱0.02

There are no potentially dilutive common shares as of March 31, 2024 and 2023.

24. Segment Reporting

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

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

The Company conducts its operations through the following store formats:

Department Stores

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

Supermarket

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

Hypermarkets

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

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

25. Financial Instruments

Fair Value of Financial Instruments

As of March 31, 2024 and December 31, 2023, the Company has no financial asset and liability carried at fair value.

Fair Value Hierarchy

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

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

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

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

Financial Assets

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

Financial Liabilities

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

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

Financial Risk Management Objectives and Policies

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

Liquidity risk

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

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

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

The table below shows the maturity profile of the financial liabilities of the Company as of March 31, 2024 and December 31, 2023 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

March 31, 2024

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱-	₱2,990,345,131	₱-	₱2,990,345,131
Related parties	-	14,140,278	-	14,140,278
Nontrade				
Third parties	-	502,530,292	-	502,530,292
Related parties	-	20,564,861	-	20,564,861
Accrued expenses	-	476,712,982	-	476,712,982
Credit cash bonds	-	235,052,083	-	235,052,083
Others*	-	171,240,500	-	171,240,500
Long-term bank loans:				
Principal	-	489,236,111	2,352,777,778	2,842,013,889
Future interest payments	-	125,584,521	289,922,293	415,506,814
Lease liabilities	-	445,741,884	9,779,301,700	10,225,043,584
Other noncurrent liabilities	-	-	19,357,528	19,357,528
	₱-	₱5,471,148,643	₱12,441,359,299	₱17,912,507,942

*Excluding statutory payables

December 31, 2023

	On Demand	Within One (1) Year	More than One (1) Year	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱-	₱3,269,715,796	₱-	₱3,269,715,796
Related parties	-	58,061,743	-	58,061,743
Nontrade				
Third parties	-	606,198,467	-	606,198,467

	On Demand	Within One (1) Year	More than One (1) Year	Total
Related parties	-	27,941,607	-	27,941,607
Accrued expenses	-	520,556,561	-	520,556,561
Credit cash bonds	-	235,571,609	-	235,571,609
Others*	-	159,695,524	-	159,695,524
Short-term bank loans:				
Principal	-	-	-	-
Future interest payments	-	-	-	-
Long-term bank loans:				
Principal	-	398,611,111	2,471,180,555	2,869,791,666
Future interest payments	-	125,962,700	317,730,221	443,692,921
Lease liabilities	-	626,496,805	9,885,564,913	10,512,061,718
Other noncurrent liabilities	-	-	17,930,465	17,930,465
	₱-	₱6,028,811,923	₱12,692,406,154	₱18,721,218,077

*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 exposure of the Company to credit risk:

	March 31, 2024			
	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	₱458,753,902	₱235,052,083	₱223,701,819	₱235,052,083
Rental				
Third parties	106,520,687	78,748,004	27,772,683	78,748,004
Related parties	6,484,703	-	6,484,703	-
Nontrade				
Related parties	49,237,046	-	49,237,046	-
Accrued interest receivable	21,023,792	-	21,023,792	-
Others	59,840,449	-	59,840,449	-
	₱701,860,579	₱313,800,087	₱388,060,492	₱313,800,087

December 31, 2023				
	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	₱895,450,692	₱235,571,609	₱659,879,083	₱235,571,609
Rentals	87,993,013	73,100,705	14,892,308	73,100,705
Nontrade				
Related parties	50,536,997	-	50,536,997	-
Accrued interest receivable	7,025,419	-	7,025,419	-
Receivable from insurance	-	-	-	-
Others	16,716,552	-	16,716,552	-
	₱1,057,722,673	₱308,672,314	₱749,050,359	₱308,672,314

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

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

Impairment of financial assets

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

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

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

Trade and rent receivables

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

Below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as of March 31, 2024 and December 31, 2023:

March 31, 2024

Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.11%	98.90%	
Gross carrying amount	₱429,998,388	₱28,755,514	₱458,753,902
ECL	489,133	28,437,862	28,926,995

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	14.08%	0.00%	
Gross carrying amount	₱106,520,687	₱-	106,520,687
ECL	14,998,705	-	14,998,705

December 31, 2023

Trade receivables

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	0.00%	98.59%	
Gross carrying amount	₱866,111,324	₱29,339,368	₱895,450,692
ECL	-	28,926,995	28,926,995

Rental

	Current Stage 1 (12-month ECL)	Credit-impaired Stage 3	Total
Expected credit loss rates	17.05%	%	
Gross carrying amount	₱87,993,013	₱-	₱87,993,013
ECL	14,998,705	-	14,998,705

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

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

26. Seasonality of Operations

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

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

Results of Operations

Three-month period ended March 31, 2024 versus March 31, 2023

Revenue

Net sales

For the three-month period ended March 31, 2024, our net sales were ₱8,728.6 million, an increase of 5.0% compared to ₱8,310.2 million for the same period last year.

Total food retail business grew by 7.9% while general merchandise business dropped by 2.9% over the same period last year.

Blended same store sales grew by 2.8% over the same period last year.

Rental income

For the three-month period ended March 31, 2024, our rental income was ₱93.8 million, an increase of 17.0% compared to ₱80.2 million for the same period last year. The increase in rental income is primarily due to the re-opening of the economy and non-essential tenants have become operational.

Cost of sales

For the three-month period ended March 31, 2024, our cost of sales was ₱6,910.7 million, an increase of 6.5% compared to ₱6,488.7 million for the same period last year. Cost of sales increased as sales amount during the period also increased.

Operating expenses

For the three-month period ended March 31, 2024, our operating expenses were ₱1,781.5 million, an increase of 2.1% compared to ₱1,745.7 million for the same period last year. While the Company continued to implement cost reduction and saving measures, there were significant increases in rent and in personnel costs. Rent increased significantly as rental concessions given during the pandemic were already discontinued. Personnel costs increased as a result of the opening of new stores and government mandated minimum wage increases.

Interest and other income

For the three-month period ended March 31, 2024, our interest and other income was ₱61.1 million, a decrease of 1.9% compared to ₱62.3 million for the same period last year. This is due to lower interest income from cash and cash equivalents during the period compared to last year.

Finance costs

For the three-month period ended March 31, 2024, finance costs were ₱128.7 million, a decrease of 4.4% compared to ₱134.6 million for the same period last year. The decrease is primarily driven by the decrease in interest expense related to lease liabilities.

Provision for income tax

For the three-month period ended March 31, 2024, our provision for income tax was ₱12.2 million, a decrease of 48.5% compared to the ₱23.7 million for the three-month period ended March 31, 2023. The decrease in provision for income tax was primarily due to the decrease in income before tax.

Net income

As a result of the foregoing, for the three-month period ended March 31, 2024, our net income was ₱50.3 million, a 16.2% decline compared to the net income of ₱60.0 million for the three-month period ended March 31, 2023.

Financial Position

As of March 31, 2024 and December 31, 2023, our net current assets, or the difference between total current assets and total current liabilities, were ₱5,531.5 million and ₱5,894.2 million respectively, representing a positive net working capital position.

Current Assets

Our current assets consist of cash and cash equivalents, receivables, merchandise inventories and other current assets. Total current assets as of March 31, 2024 and December 31, 2023 were ₱10,821.5 million and ₱11,549.9 million, respectively. The decrease of 6.3% in current assets is due to the decrease in cash and cash equivalents and receivables.

As of March 31, 2024, receivables totaled ₱688.7 million, merchandise inventories totaled ₱6,103.3 million and other current assets totaled ₱520.4 million. As of December 31, 2023, receivables totaled ₱1,043.2 million, merchandise inventories totaled ₱5,866.2 million and other current assets totaled ₱486.2 million.

As of March 31, 2024, cash and cash equivalents amounted to ₱3,223.5 million, a decrease of 22.4% from ₱4,154.4 million as of December 31, 2023. The decrease was mainly attributable to the acquisition of property and equipment amounting to ₱418.6 million, increase in merchandise inventories of ₱237.1 million, decrease in trade and other payables of ₱474.4 million, increase in short-term investments of ₱285.6 million, payment of income tax of ₱123.6 million and payment of lease liabilities of ₱102.7 million, offset by decrease in receivables of ₱368.2 million and other current assets of ₱66.9 million, among others.

Noncurrent Assets

Our noncurrent assets consist of property and equipment, right-of-use assets, deferred tax assets–net and other noncurrent assets. Total noncurrent assets as of March 31, 2024 and December 31, 2023 were ₱12,365.6 million and ₱12,113.4 million, respectively or an increase of 2.1%. Property and equipment increased by ₱418.1 million and deferred tax assets–net by ₱32.7 million while other non-current assets decreased by ₱119.4 million and right-of-use assets by ₱79.2 million.

Current Liabilities

Total current liabilities as of March 31, 2024 and December 31, 2023 were ₱5,290.0 million and ₱5,655.7 million, respectively. As of March 31, 2024 and December 31, 2023, trade and other payables totaled ₱4,467.6 million and ₱4,942.2 million, respectively, which consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable – current portion amounted to ₱489.2 million and ₱398.6 million as of March 31, 2024 and December 31, 2023, respectively.

Noncurrent liabilities

Total noncurrent liabilities as of March 31, 2024 and December 31, 2023 were ₱8,424.8 million and ₱8,585.3 million, respectively. The 1.9% decrease is due to the decreases in the noncurrent portion of loans payable and lease liability of ₱117.3 million and ₱30.7 million, respectively, as well as decrease in retirement benefit obligation of ₱13.8 million.

Cash Flows

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

	For the three-month periods ended March 31,	
	2024	2023
	(₱ million)	
Net cash flows used in operating activities	(12.7)	(952.6)
Net cash flows used in investing activities	(752.8)	(172.7)
Net cash flows used in financing activities	(171.3)	(186.3)
Net decrease in cash	<u>(936.8)</u>	<u>(1,311.6)</u>

Net cash flows used in operating activities

Our net cash flows used in operating activities for the three-month period ended March 31, 2024 was ₱12.7 million, which comprised of operating income before working capital changes of ₱402.2 million, adjusted for changes in working capital and interest received, partially offset by income tax and retirement benefits paid. The changes in working capital were mainly attributable to decrease in trade and other payable of ₱474.4 million, increase in merchandise inventories of ₱237.1 million, offset by the decrease in receivables of ₱368.2 million and other current assets of ₱66.9 million.

Our net cash flows used in operating activities for the three-month period ended March 31, 2023 was ₱952.6 million, which comprised of operating income before working capital changes of ₱394.7 million, adjusted for changes in working capital and interest received, partially offset by income tax and retirement benefits paid. The changes in working capital were mainly attributable to increase in merchandise inventories of ₱332.8 million, increase in other current assets of ₱74.0 million, decrease in trade and other payables of ₱1,126.6 million, decrease in contract liabilities of ₱12.3 million, offset by the decrease in receivables of ₱179.9 million.

Net cash flows used in investing activities

For the three-month period ended March 31, 2024, net cash flows used in investing activities was ₱752.8 million, which resulted from the additions to property and equipment due to construction and fit outs of new stores and warehouse amounting to ₱418.6 million, increase in short-term investments of ₱285.6 million and increase in other noncurrent assets of ₱48.6 million.

For the three-month period ended March 31, 2023, net cash flows used in investing activities was ₱172.6 million, which resulted from the additions to property and equipment due to construction and fit outs of new stores amounting to ₱176.5 million, increase in other noncurrent assets of ₱49.8 million, offset by the receipt of the insurance claim proceeds of ₱53.7 million.

Net cash flows used in financing activities

For the three-month period ended March 31, 2024, net cash flows used in financing activities was ₱171.3 million, which resulted from the payment of lease liabilities as a result of PFRS 16 adoption amounting to ₱102.7 million, payment of loans of ₱27.8 million and payment of interest of ₱40.5 million.

For the three-month period ended March 31, 2023, net cash flows used in financing activities was ₱186.3 million, which resulted from the payment of lease liabilities as a result of PFRS 16 adoption amounting to ₱130.0 million, payment of interest of ₱37.9 million and purchase of treasury stocks of ₱18.4 million.

Indebtedness

The Company has an outstanding loans payable of ₱2,828.3 million and ₱2,855.0 million as of March 31, 2024 and December 31, 2023, respectively.

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.

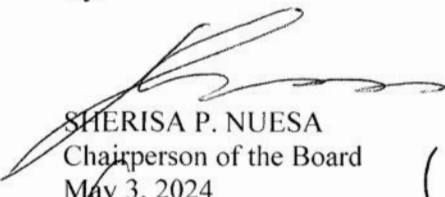
SIGNATURES

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.

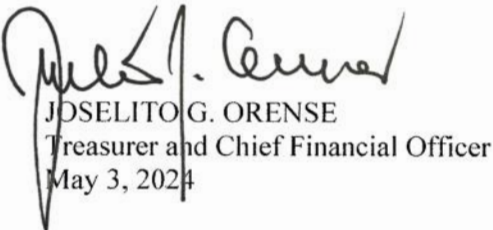
Issuer.....

By:



SHERISA P. NUESA
Chairperson of the Board
May 3, 2024

MANUEL C. ALBERTO
President and Chief Operating Officer
May 3, 2024



JOSELITO G. ORENSE
Treasurer and Chief Financial Officer
May 3, 2024