

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER

1. As of November 22, 2022  
Date of Report
2. SEC Identification Number CS200930125 3. BIR Tax Identification No. 281-768-124-000
4. MerryMart Consumer Corp.  
Exact name of issuer as specified in its charter
5. Manila, Philippines  (SEC Use Only)  
  
Province, country or other jurisdiction of incorporation      Industry Classification Code:
7. 9th Floor Tower 1 DoubleDragon Plaza, DD Meridian Park, Macapagal Ave. cor. Edsa Extension,  
Bay Area, Pasay City, Philippines 1302  
Address of principal office      Postal Code
8. (02) 8743-1111  
Issuer's telephone number, including area code
9. N/A  
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC 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	7,594,936,709

11. Indicate the item numbers reported herein: (Copy furnished)

**Annex "A"** – Definitive Information Statement

Item 9. Other Events

Kindly take notice that the Annual Stockholders' Meeting of **MerryMart Consumer Corp.** (the "**Company**") for the year 2022 will be held on December 15, 2022, 10:30 AM through remote communication via Zoom. The link will be provided at least three (3) days prior to the meeting. Registration for the said meeting will be from 9:00 AM November 25, 2022 to 6:00 PM of December 7, 2022.

The agenda of the meeting is set forth below:

- 1) Call to Order;
- 2) Certification by the Corporate Secretary of the Presence of Quorum;
- 3) Reading and Approval of the Minutes of the Previous Stockholders' Meeting;
- 4) Company Updates and Report;
- 5) Approval of the 2021 Audited Financial Statements and the 2021 Annual Report;
- 6) Ratification of the Actions of the Board of Directors and Officers;
- 7) Election of Directors;
- 8) Appointment of External Auditors;
- 9) Other Matters; and
- 10) Adjournment

**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 hereunto duly authorized.

**MERRYMART CONSUMER CORP.**

Issuer

November 22, 2022

Date

\_\_\_\_\_  
Jacqueline O. Gomez  
Corp. Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter: **MERRYMART CONSUMER CORP.**

3. Country of Incorporation: **PHILIPPINES**

4. SEC Identification Number: **CS200930125**

5. BIR Tax Identification Code: **281-768-124-000**

6. Address of the principal office: **MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila Philippines, 1302**

7. Registrant's telephone number, including area code: **(02) 87431111**

8. Date, time and place of the meeting of security holders: **December 15, 2022**  
**10:30 am; by Remote Communication Via Zoom. The Link will be provided at least three (3) days prior to the meeting.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **November 22, 2022**

10. In case of proxy solicitation:

i. Name of Person filing the statement/solicitor: **FERDINAND J. SIA**

ii. Address and telephone No.: **MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila / (02) 87431111**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<u>Title of Each class</u>	<u>Number of Shares of Stock Outstanding or Amount of Debt Outstanding</u>
Common	7,594,936,709

- As of September 30, 2022

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [☒] No [☐]

The 7,594,936,709 Common Shares are listed with the Philippine Stock Exchange ("PSE").



**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**  
**December 15, 2022; 10:30 AM Via Zoom.**

To All Stockholders:

Kindly take notice that the Annual Stockholders' Meeting of **MerryMart Consumer Corp.** (the "**Company**") for the year 2021 will be held on December 15, 2022, 10:30 AM through remote communication via Zoom. The link will be provided at least three (3) days prior to the meeting. Registration for the said meeting will be from 9:00 AM November 25, 2022 to 6:00 PM of December 7, 2022.

The agenda of the meeting is set forth below:

- 1) Call to Order;
- 2) Certification by the Corporate Secretary of the Presence of Quorum;
- 3) Reading and Approval of the Minutes of the Previous Stockholders' Meeting;
- 4) Company Updates and Report;
- 5) Approval of the 2021 Audited Financial Statements and the 2021 Annual Report;
- 6) Ratification of the Actions of the Board of Directors and Officers;
- 7) Election of Directors;
- 8) Appointment of External Auditors;
- 9) Other Matters; and
- 10) Adjournment

The Board of Directors fixed the end of trading hours of the Philippine Stock Exchange ("PSE") on **November 21, 2022** as the record date (the "**Record Date**") for the determination of the common stockholders who are entitled to notice and to vote at the meeting and any adjournment thereof.

To participate in the annual meeting, the stockholders must register from 9:00 AM November 25, 2022 to 6:00 PM of December 7, 2022. The procedure for participation in the annual meeting via remote communication and voting in absentia are contained in Annex "A" to this Information Statement.

In the event that you cannot personally join the meeting, you are hereby requested to accomplish the attached proxy form, which need not be notarized, and email the same at [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph) or return the same to the office of the Corporate Secretary at MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian

In the event that you cannot personally join the meeting, you are hereby requested to accomplish the attached proxy form, which need not be notarized, and email the same at or return the same to the office of the Corporate Secretary at MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila no later than 6:00 P.M. on December 7, 2022. Kindly refer to Annex "A" for the requirements for registration.

Thank you very much.

Pasay City, November 21, 2022

BY THE ORDER OF THE BOARD OF DIRECTORS



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Ferdinand J. Sia  
President

**NOTE:**

*It is important that all stockholders be represented at the meeting. Common Stockholders who are unable to attend in person are requested to immediately sign, date, and email the accompanying proxy form. In the event a stockholder decides to personally participate in the meeting, he/she may, if he/she wishes, revoke the proxy and vote his/her shares in person.*

**ANNEX TO NOTICE OF ANNUAL STOCKHOLDERS' MEETING OF  
MERRYMART CONSUMER CORP.**

**AGENDA  
DECEMBER 15, 2022 ANNUAL STOCKHOLDERS' MEETING**

**1) Call to Order**

The Chairman or, in his absence, a president to be chosen by the stockholders will formally open the 2022 Annual Stockholders' Meeting (the "**Meeting**"). The directors and officers of the Company will be introduced.

**2) Certification by the Corporate Secretary of the Presence of Quorum**

The Corporate Secretary will certify that the copies of the Notice and the Information Statement were duly sent to stockholders as of the Record Date.

**3) Reading and Approval of the Minutes of the Previous Stockholders' Meeting**

The stockholders may examine the minutes of the previous meeting. Said minutes will also be available on the Company's website on or before November 22, 2022. The resolution for adoption will be the approval of the minutes of the previous stockholders' meeting.

**4) Company Updates and Report**

The report of the Chairman of the Board of Directors highlighting the Company's achievements and milestones for the previous year will be presented to the stockholders.

**5) Approval of the 2021 Audited Financial Statements and the 2021 Annual Report**

The 2021 Audited Financial Statements (the "AFS") of the Company audited by KPMG R.G. Manabat & Co., the Company's independent external auditor, along with the 2021 Annual Report (the "Report") will be presented. The AFS and the Report will be incorporated in the Definitive Information Statement which will be distributed to the stockholders. Copies of the Definitive Information Statement will also be made available on the Company's website. The resolution for adoption will be the approval of the AFS and the Report for the fiscal year ended December 31, 2021.

**6) Ratification of the Actions of the Board of Directors and Officers**

The Company's performance for the year 2021 as detailed in the Report, is attributed to the key policies and well-planned directions set by the members of the Board of Directors, and the management team's effective execution of and compliance with said

policies and directions in conformity with excellent corporate governance and ethical best practices.

**7) Election of Directors**

The same set of directors has been duly evaluated and recommended by the Nomination Committee for re-election. The demonstrated competence, expertise, and qualifications will aid in sustaining the Company's solid performance. The profiles of the directors are available in the Company's website and are attached herewith for reference. The election of the directors will be held at the Meeting.

**8) Appointment of External Auditor**

The Board of Directors concurred with the recommendation of the Audit Committee to re-appoint KPMG R.G. Manabat & Co. as the Company's external auditor for 2022. The resolution for adoption will be the approval of the appointment of KPMG R.G. Manabat & Co. as the Company's external auditor for 2022.

**9) Other Matters**

Matters relevant to and appropriate for the Annual Stockholders' Meeting may be taken up.

**10) Adjournment**



## **PROFILES OF THE BOARD OF DIRECTORS**

**Edgar J. Sia II**, age 45, is the Chairman and Chief Executive Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is the Founder of Mang Inasal and Co-Founder, Chairman and Chief Executive Officer of DD from 2012 to present, Chairman and Chief Executive Officer of DDMPR from 2014 to present, and Chairman and Chief Executive Officer of III from 2007 to present. Mr. Sia took up Bachelors of Science in Architecture at the University of San Agustin and the same university in 2011 conferred him an Honorary Doctorate Degree – Major in Management.

**Ferdinand J. Sia**, age 43, is the President and Chief Operating Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is currently the President and Chief Operating Officer of DD since 2012 to present, President and Chief Operating Officer of DDMPR since 2014 to present, and III since 2007 to present. He previously served as Director and President of Mang Inasal from 2007 to 2012. He graduated from the Arellano University School of Law.

**Marriana H. Yulo-Luccini**, age 39, is the Chief Financial Officer and Chief Investment Officer of MM from 2020 to present and has been a director of MM from 2020 to present. She also serves as Chief Investment Officer of DD from 2015 to present. She was previously Chief Financial Officer of Alphaland Corporation and Group Chief Financial Officer of PhilWeb Corporation, ISM Communications Corporation, and Atok Big-Wedge Co. Inc. from 2011 to 2014. She graduated in Business Administration – Major in Management at Palawan State University and has a Masters in Business Administration Degree from the University of St. La Salle.

**Gary P. Cheng**, age 57, is an Independent Director of MM from 2020 to present. He is currently the Managing Director and Co-Founder of Fortman Cline Capital Markets Limited from 2007 to present. Dr. Cheng also serves as Independent Director of DD from 2013 to present. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 to 2018 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2002. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England.

**Atty. Victoria R. Tamayao**, age 63, is an Independent Director of MM from 2020 to present. She is the Senior and Managing Partner of Tamayao & Affiliates, Attorneys-at-Law from 2006 to present and is the Chairman and President of Glory Facilities and Development Inc. from 2019 to present. She obtained her Bachelor of Laws and Bachelors of Science in Business Economics degrees from the University of the Philippines, Diliman.

**Atty. Jacqueline Ann Marie O. Gomez**, age 39, is the Corporate Secretary and director of MM from 2020 to present. She joined III in 2014 to present and was previously an associate at Falgui Law Office from 2009 to 2013. She graduated cum laude from the University of the Philippines – Diliman with an Economics degree and obtained Juris Doctor Degree from the same university in 2008. Atty Gomez was admitted to the Philippine Bar in 2009.

**Jose Roelph E. Desales**, age 44, is the Assistant Corporate Secretary and director of MM from 2020 to present. He joined III in 2014 to present and was previously with VXi Global Holdings

B.V. (Philippines) as Associate Director for Finance from 2010 to 2012. He graduated Bachelor of Science in Accountancy at the University of the Philippines in the Visayas and is a Certified Public Accountant.

#### **ADVISER TO THE BOARD**

**Ret. Chief Justice Artemio V. Panganiban**, age 85, Filipino, is a retired Chief Justice of the Supreme Court of the Republic of the Philippines. He sits as an independent director of several listed companies including Meralco, Petron Corporation, First Philippine Holdings Corp., Philippine Long Distance Telephone Company (PLDT), Metro Pacific Investment Corp., and GMA Network, Inc., among others.

**PART I**  
**INFORMATION REQUIRED IN THE INFORMATION STATEMENT**  
**Company/Registrant: MerryMart Consumer Corp.**

**A. GENERAL INFORMATION**

**Item 1. Date, Time, and Place of Meeting of the Stockholders**

Date:	<b>December 15, 2022</b>
Time:	<b>10:30 AM</b>
Place	<b>Through remote communication via Zoom. The link will be provided at least three (3) days prior to the meeting.</b>
Mailing Address:	<b>MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila 1302</b>

Copies of this Information Statement will be sent on or around November 21, 2022 to all stockholders of record as of November 21, 2022. A copy of the Information Statement can be downloaded from the Company's website at [www.merrymart.com.ph/companydisclosures/ASM2022](http://www.merrymart.com.ph/companydisclosures/ASM2022)

Stockholders who cannot join the Meeting may accomplish the attached Proxy Form and submit the same, through email at [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph), on or before 6:00PM of December 7, 2022. Voting procedures are contained in Annex A to this Information Statement. Cumulative voting is allowed. In that regard, kindly refer to Item 4 for an explanation on cumulative voting.

**Item 2. Dissenters' Right of Appraisal**

There is no corporate matter or action to be taken during the Meeting which will entitle a stockholder to a Right of Appraisal as provided under Section 80, Title X of the Revised Corporation Code of the Philippines ("Revised Corporation Code").

For the information of the stockholders, any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided for by the Revised Corporation Code:

- 1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of the corporate existence;
- 2) In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets;

- 3) In case of merger or consolidation; and
- 4) In case of investment of corporate fund for any purpose other than the primary purpose of the Company.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and the award shall be paid by the Company within thirty (30) days after such award is made: provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Company.

### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, by security holdings or otherwise, in any matters to be acted upon in the Meeting, other than election to office.

No incumbent director has informed the Company in writing of an intention to oppose any action to be taken in the Meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

<i>As of September 30, 2022</i>			
<i>Issued Shares</i>	<b>Shares Allowed To Foreigners (100% equity)</b>	<b>Shares Owned By Foreigners (.49%)</b>	<b>Shares Owned By Filipinos (99.51%)</b>
<b>7,594,936,709</b>	<b>7,594,936,709</b>	<b>37,520,364</b>	<b>7,557,416,345</b>

As of September 30, 2022, there were 7,594,936,709 outstanding common shares of stock of the Company which are entitled to vote. Each common share of stock of the Company is entitled to one (1) vote.

Only holders of the Company's common stock as of the close of business on Record Date on November 21, 2022 are entitled to notice and to vote at the Meeting to be held on December 15, 2022.

## **RECORD DATE**

All common stockholders of record as of November 21, 2022 are entitled to notice of and to vote at the Meeting.

## **MANNER OF VOTING AND ELECTION OF DIRECTORS (Cumulative Voting)**

Each common share of the Company owned by a stockholder as of the Record Date is entitled to one (1) vote (each, a "Voting Share") except in the election of directors where one share is entitled to as many votes as there are directors to be elected. The election of directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of the votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus, since there are seven directors to be elected, each Voting Share is entitled to seven (7) votes.

The shareholder holding a Voting Share may vote in absentia or by proxy. If he chooses to vote through proxy, the Company's By-Laws requires the submission of a Proxy Form to the Corporate Secretary no later than 6:00 P.M. on December 7, 2022 thorough email at [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph)

Validation of proxies, chaired by the Corporate Secretary or by the Assistant Corporate Secretary, and attended by the Company's stock and transfer agent and the external auditors, shall be convened on December 7, 2022 at the MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be resolved by the Corporate Secretary or Assistant Corporate Secretary at that forum. The Corporate Secretary or Assistant Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Meeting.

Refer to Annex "A" of this Information Statement for a detailed procedures and requirements for participation and voting in the Meeting.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following are the owners of the Company's common stock in excess of 5% of the total outstanding shares:

**Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of September 30, 2022**

<i>Title of Class</i>	<i>Name, Address of Record Owner and Relationship with the Issuer</i>	<i>Name of Beneficial Owner and Relationship with the Issuer</i>	<i>Citizenship</i>	<i>No. of Shares</i>	<i>Percentage</i>
<b>Common Share</b>	<b>Injap Investments Inc.</b> Corner Fuentes and Delgado Streets, Iloilo City <b>Stockholder</b>	<b>Injap Investments Inc.</b> <b>Stockholder</b>	<b>Filipino</b>	<b>5,999,989,995</b>	<b>79.00%</b>
<b>Common Share</b>	<b>PCD - Filipino -</b> <b>Stockholder</b>	<b>-</b> <b>Stockholder</b>	<b>Filipino</b>	<b>1,556,766,345</b>	<b>20.50%</b>

As of September 30, 2022, foreign shareholders owned 0.49% of the Common Shares of the Company.

The natural persons who will be the duly authorized representative to vote the common shares of Injap Investments Inc., respectively, will be decided and voted upon by their respective Board of Directors in a separate meeting held for that purpose.

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

**SECURITY OWNERSHIP OF MANAGEMENT  
(As of September 30, 2022)**

## Security Ownership of Directors and Officers as of the date of this report.

The following table sets forth security ownership of the Company's Directors, and Officers, as of September 30, 2022:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership		Percentage of Ownership
				Shares		
				Direct	Indirect	
Common	Edgar J. Sia II	Director	Filipino	838,000	0	0.01%
Common	Ferdinand J. Sia	Director	Filipino	276,000	0	0.00%
Common	Marriana H. Yulo-Luccini	Director	Filipino	1	10,500,000	0.14%
Common	Atty. Jacqueline Ann Marie O. Gomez	Director & Corporate Secretary	Filipino	1	2,000,000	0.03%
Common	Jose Roelph E. Desales	Director & Asst. Corporate Secretary	Filipino	1	725,000	0.01%
Common	Atty. Victoria R. Tamayao	Independent Director	Filipino	1		0.00%
Common	Gary P. Cheng	Independent Director	Filipino	1	500,000	0.01%
Common	Shella A. Sia	Treasurer & EVP	Filipino	0	0	0.00%
Common	Rizza Marie Joy S. Javelona	Comptroller	Filipino	2000	0	0.00%
Common	Ma. Mercedes L. Taleon	Chief Development Officer	Filipino	0	150,000	0.01%
Common	Maribel N. Sibayan	COO	Filipino		600,000	0.01%

Except as disclosed above, there is no director or key officer of the Company that owns at least 5% of its issued and outstanding shares of common.

The aggregate number of common shares for all directors and officers is 15,595,005.

## CHANGES IN CONTROL

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements that may result in a change in control of the Company.

#### **Item 5. Directors and Executive Officers**

The incumbent Directors and Executive Officers of the Company are as follows:

<b><u>Office</u></b>	<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Citizenship</u></b>
Chairman	Edgar J. Sia II	45	Filipino
Director and President	Ferdinand J. Sia	43	Filipino
Director and CFO	Marriana H. Yulo-Luccini	39	Filipino
Independent Director	Gary P. Cheng	57	Filipino
Independent Director	Atty. Victoria R. Tamayao	63	Filipino
Director and Corp. Secretary	Atty. Jacqueline Ann Marie Gomez	39	Filipino
Director and Asst. Corp. Secretary	Jose Roelph E. Desales	44	Filipino
Adviser to the Board	Chief Justice Artemio V. Panganiban	85	Filipino

#### **BOARD OF DIRECTORS**

The Directors of the Company are elected at the Meeting to hold office until the succeeding annual stockholder's meeting and until their respective successors have been appointed or elected and qualified.

The following are the business experience/s of the Company's Directors for the last five (5) years (*or more*):

**Edgar J. Sia II**, age 45, Filipino, is the Chairman and Chief Executive Officer of Injap Investments Inc., MerryMart Consumer Corp. and MerryMart Grocery Centers Inc. Mr. Sia II is also the Founder of Mang Inasal Philippines, Inc. and various other companies. He has served as the Chairman of DoubleDragon Corp. since 2009 and DDMP REIT INC. since 2014. He obtained his Doctorate Degree from the University of San Agustin Honoris Causa Major in Management in 2012.

**Ferdinand J. Sia**, age 43, Filipino, is the President and Chief Operating Officer of Injap Investments Inc. and MerryMart Consumer Corp. He also served as a Director of Mang Inasal Philippines, Inc. from 2006-2016. He has served as a Director and President of DoubleDragon Corp. since 2009 and DDMP REIT INC. since 2014. He graduated from the University of the Philippines Visayas with a degree in Bachelor of Arts in Political Science and took up law in Arellano University School of Law.

**Marriana H. Yulo-Luccini**, age 39, is the Chief Financial Officer and Chief Investment Officer of MM from 2020 to present and has been a director of MM from 2020 to present. She also serves as Chief Investment Officer of DD from 2015 to present. She was previously Chief Financial Officer of Alphaland Corporation and Group Chief Financial Officer of PhilWeb Corporation, ISM Communications Corporation, and Atok Big-Wedge Co. Inc. from 2011 to



2014. She graduated in Business Administration – Major in Management at Palawan State University and has a Masters in Business Administration Degree from the University of St. La Salle.

**Gary P. Cheng**, age 57, is an Independent Director of MM from 2020 to present. He is currently the Managing Director and Co-Founder of Fortman Cline Capital Markets Limited from 2007 to present. Dr. Cheng also serves as Independent Director of DD from 2013 to present. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 to 2018 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2002. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England.

Other directorships and affiliations are:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Orzat Development Corporation	Independent Director	November 2019 - Present
Institute of Corporate Directors	Fellow	July 2004 - Present
British Alumni Association	Member	2004 - Present
Peregrine Eye and Laser Institute	Board Director	May 2012 - Present

**Atty. Victoria R. Tamayao**, age 63, is an Independent Director of MM from 2020 to present. She is the Senior and Managing Partner of Tamayao & Affiliates, Attorneys-at-Law from 2006 to present and is the Chairman and President of Glory Facilities and Development Inc. from 2019 to present. She obtained her Bachelor of Laws and Bachelors of Science in Business Economics degrees from the University of the Philippines, Diliman.

**Atty. Jacqueline Ann Marie O. Gomez**, age 39, is the Corporate Secretary and director of MM from 2020 to present. She joined III in 2014 to present and was previously an associate at Falgui Law Office from 2009 to 2013. She graduated cum laude from the University of the Philippines – Diliman with an Economics degree and obtained Juris Doctor Degree from the same university in 2008. Atty Gomez was admitted to the Philippine Bar in 2009.

**Jose Roelph E. Desales**, age 44, is the Assistant Corporate Secretary and director of MM from 2020 to present. He joined III in 2014 to present and was previously with VXI Global Holdings B.V. (Philippines) as Associate Director for Finance from 2010 to 2012. He graduated Bachelor of Science in Accountancy at the University of the Philippines in the Visayas and is a Certified Public Accountant.

## **ADVISERS TO THE BOARD**

**Chief Justice Artemio V. Panganiban**, age 85, Filipino, is a retired Chief Justice of the Supreme Court of the Republic of the Philippines. He sits as an independent director of several listed companies including Meralco, Petron Corporation, First Philippine Holdings Corp., Philippine Long Distance Telephone Company (PLDT), Metro Pacific Investment Corp., and GMA Network, Inc., among others.

Other directorships and affiliations are:

Listed Companies

Independent Director	Asian Terminals, Inc.
Independent Director	First Philippine Holdings Corp.
Independent Director	GMA Network, Inc.
Independent Director	GMA Holdings, Inc.
Independent Director	MERALCO
Independent Director	Metro Pacific Investment Corp.
Independent Director	Petron Corporation
Independent Director	Philippine Long Distance Telephone Company
Independent Director	Robinsons Land Corp.
Senior Adviser	Metropolitan Bank and Trust Company
Member, Advisory Council	Bank of the Philippine Islands

Non-listed Companies

Independent Director	Asian Hospital Inc.
Independent Director	Liberty Telecoms Holdings Inc.
Independent Director	Metro Pacific Tollways Corp.
Independent Director	Tollways Management Corporation
Director	TeaM Energy Corporation
Chairman, Board of Advisors	Metrobank Foundation
Chairman, Board of Directors	Pan Philippine Resources Corp.
Chairman, Board of Directors	Peecee Holdings Corporation
Chairman, Board of Trustees	Foundation for Liberty and Prosperity
Chairman, Board of Trustees	Philippine Judges Foundation
Chairman, Philippine Chapter	ASEAN Law Association
Chairman Emeritus	Philippine Dispute Resolution Center, Inc.
President	Manila Metropolitan Cathedral – Basilica Foundation
Trustee	Tan Yan Kee Foundation, Claudio Teehankee Foundation, Speaker Laurel Foundation and ASEAN Law Foundation
Adviser	Asian Institute of Management Corporate Governance Center, World Bank (Philippines) and Johann Strauss Society, DoubleDragon Properties Corp.
Consultant	Judicial and Bar Council
Member	Permanent Court of Arbitration, The Hague, Netherlands

\*Independent Director - the Company has complied with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38 regarding the Nomination and Election of Independent Director. The Company's Articles of Incorporation **amended on November 15, 2020**, incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said rule.

(The Company amended its Articles of Incorporation on November 15, 2020 to incorporate the provisions of the SRC Rule 38.)

## PERIOD OF DIRECTORSHIP

<u>Name</u>	<u>Period Served</u>
<i>Edgar J. Sia II</i>	2009 to present
<i>Ferdinand J. Sia</i>	2009 to present
<i>Marriana H. Yulo</i>	2020 to present
<i>Atty. Victoria R. Tamayao</i>	2020 to present
<i>Gary P. Cheng</i>	2020 to present
<i>Atty. Jacqueline O. Gomez</i>	2020 to present
<i>Jose Roelph E. Desales</i>	2020 to present

The Directors of the Company are elected at the Meeting to hold office until the next succeeding annual stockholders' meeting and until their respective successors have been appointed or elected and qualified. The same set of directors will be nominated in the coming annual stockholders' meeting. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Nomination of Independent Directors shall be conducted by the Nomination Committee prior to the Meeting. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of independent directors and which list shall contain all the information about these nominees. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual Meeting. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made to the Nomination Committee within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

The members of the Company's Nomination Committee are the following:

Chairman	:	Atty. Victoria R. Tamayao
Members	:	Ferdinand J. Sia Marriana H. Yulo

Since the last annual stockholder's meeting, no director has resigned or has declined to stand re-election to the Board of Directors, and no director has had any disagreement with the Company on any matter relating to the Company's operations, policies, or practices. Mr. Gary P. Cheng and Atty. Victoria R. Tamayao were nominated for inclusion in the List of Candidates for Independent Directors. The Company has complied with the guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Director.

## SIGNIFICANT EMPLOYEES

The Company has no significant employee who is not an Executive Officer but is expected by the Company to make significant contributions to the business.

## **FAMILY RELATIONSHIPS**

Mr. Edgar J. Sia II, Mr. Ferdinand J. Sia are siblings. Mr. Edgar J. Sia II and Ms. Shella A. Sia are married to each other. There are no other family relationships known to the Company other than the ones disclosed herein.

## **INVOLVEMENT IN LEGAL PROCEEDINGS OUT OF THE ORDINARY COURSE OF BUSINESS**

Neither the Company nor any of its subsidiaries are involved in, or the subject of, any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

The Company is not involved in any bankruptcy, receivership or similar proceedings. Neither is it aware of any bankruptcy, receivership or similar proceedings involving any of its Subsidiaries.

As of September 30, 2022 there is no existing serious question relating to the ability or integrity of any of the Company's Directors and Corporate Officers to serve as such for the past five years and none of them has been:

- a) Subject to any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b) Subject to any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated.

## **LEGAL PROCEEDINGS**

Neither the Corporation nor any of its directors, executive officer, promoter or control person are involved in, or the subject of, any legal proceedings which, if determined adversely, would have a material effect on the business or financial position of the Corporation.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Contracts may be entered into by the Company with any of its directors, executive officers or stockholders or with companies associated with the majority stockholders of the Company (the "Related Parties"), provided the terms thereof are at least favorable to the Company as

would be obtainable in arm's-length dealings with unrelated third persons. This policy is to prevent conflicts of interest between the Company and Related Parties, which may result in action taken by the Company that does not fully reflect the interests of all stockholders of the Company.

The Company, in the normal course of business, enters into transactions with related companies primarily consisting of advances for working capital requirements and other business-related purposes. Related parties are able to settle their obligations in connection with transactions with the Company and the Company does not foresee risks or contingencies arising from these transactions. Additional information on related party transactions is provided in the Notes to the Audited Financial Statements of the Company.

None of the Company's directors have entered into self-dealing and related party transactions with or involving the Company.

Refer to Note 18, Related Party Transactions of the 2021 Audited Consolidated Financial Statements of the Company and to Schedules B, Schedule C and Schedule F of the Supplementary Schedules of Annex 68-J

#### **Item 6. Compensation of Directors and Executive Officers**

For each of the years ended December 31, 2019, 2020 and 2021 the total salaries paid to all other officers as a group unnamed are as follows , no allowances and bonuses were paid during the period:

<b>Name &amp; Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus and Other Benefits</b>	<b>Total</b>
Edgar J. Sia II	FY 2021	₱7,875,580		₱7,875,580
Ferdinand J. Sia				
Rizza Marie Joy S. Javelona	FY 2020	₱7,368,210		₱7,368,210
Shella A. Sia				
Marriana H. Yulo-Luccini				
Mercedes L. Taleon				
Maribel N. Sibayan				
Atty. Jacqueline Ann Marie O. Gomez	FY 2019	₱-		₱-
<i>Aggregate compensation paid to all officers and directors as a group</i>				

*For the year 2019, MM did not recognize expenses for key management compensation.*

#### ***Compensation of Directors***

Independent directors and advisors to the Board will receive a standard per diem for attendance in Board meetings effective 2020. For the years ended December 31, 2021 and December 31, 2020, total directors fee amounts to P720,000 and P360,000, respectively. For the year ended December 31, 2019 the Directors did not receive any compensation. There are no other existing arrangements/agreements under which directors are to be compensated during the last completed fiscal year and the ensuing year

### ***Standard Arrangements***

Other than payment of reasonable gross per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, director or indirectly, for any services provided as director.

### ***Other Arrangements***

There are no other arrangements pursuant to which any of the Company's Directors is compensated, directly or

## **Item 7. Independent Public Accountant**

The accounting firm of KPMG R.G. Manabat & Co. ("KPMG") was appointed as the Company's auditor to audit the Company's year end financial statements. Since their appointment, the Company has no disagreement with them on any matters relating to accounting principles and practices, financial statement disclosures or auditing scope or procedures. The same auditing firm has been endorsed for re-appointment by the Audit Committee to the Executive Committee.

The following are the External Audit Fees paid to KPMG for its services, particularly for the audit of the financial statements for the year 2021 and 2020, to the Company as well as to its subsidiaries.

	<u>2020</u>	<u>2021</u>
	(P)	
Audit and Audit-Related Fees	2,900,000	3,145,000
All Other Fees	435,000	407,294
Tax Fees	-	-
Total	<u>3,335,000</u>	<u>3,552,294</u>

### **All Other Fees**

These are out of pocket expenses by the auditors arising from the audit of the Company's financial statements.

### **Tax Fees**

The Company does not engage KPMG for professional services covering tax accounting or any other form of tax services.

The members of the Company's Audit Committee are the following:

Chairman	:	Gary P. Cheng
Members	:	Ferdinand J. Sia Marriana H. Yulo

The partner-in-charge for the ensuing year is Mr. Darwin P. Virocel of KPMG R.G. Manabat & Co. SRC Rule 68, Part 3(b)(iv)(ix) provides that "the independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling-off period shall be observed in the engagement of the same signing partner or individual auditor". The Company is compliant with this rule.

The resolution for adoption will be the approval of the appointment of KPMG as the Company's independent external auditor.

Except for the preparation of the financial statements required for the Company's annual filing with the SEC and the submission of the required financial statements in relation to the registration of its securities, the aforementioned independent public accountants provide no other type of services.

In relation to the audit of the Company's annual financial statements, the Company's Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of our policies, controls, processes and activities; (ii) ensure that other non-audit work provided by the external auditors, if any, are not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

Representatives from the KPMG R.G. Manabat are expected to present at the meeting and be expected to be available to respond to appropriate queries and make statements

#### **Item 8. Employee Compensation Plans**

No action is to be taken during the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the registrant.

#### **Item 10. Modification or Exchange of Securities**

No action will be presented for the stockholders' approval at the Meeting which involves the modification of any class of the Company's securities or the issuance of one class of securities in exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

The Company's audited consolidated financial statements for the year ended December 31, 2021 and the audited separate financial statements are attached herein as **Annex D** and are incorporated by reference.

The resolution for adoption will be the approval of the audited consolidated financial statements for the year ended December 31, 2021.

#### **Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters**

No action will be presented for the stockholders' approval at the Meeting which involves:

- 1) The merger or consolidation of the Company into or with any other person, or of any other person into or with the Company.
- 2) Acquisition by the Company or of its shareholders of the securities of another person.
- 3) Acquisition by the Company of any other going business or of the assets thereof.
- 4) Sale or transfer of all or substantially all of the Company's assets.
- 5) Liquidation or the dissolution of the Company.

#### **Item 13. Acquisition or Disposition of Property**

In the normal course of business, the Company and its subsidiaries buy real estate properties for future business sites.

No action will be presented for the stockholders' approval at the Meeting which involves acquisition or disposition of the property of the Company.

#### **Item 14. Restatement of Account**

No action will be presented for the stockholders' approval at the Meeting which involves the restatement of any of the Company's assets, capital, or surplus account.

### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

Action is to be taken on the reading and approval of the following:

- 1) **Reading and Approval of the Previous Minutes.**



The minutes of the previous stockholders' meeting will be posted on the website of the Company and will be available for the inspection of the stockholders.

The resolution for adoption will be the approval of the minutes of the previous meeting.

## **2) Management Reports**

The Company's Management Report will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement as **Annex B**.

The resolution for adoption will be the approval of the Management Report for the year ended December 31, 2021.

## **3) General Ratification of the Acts of the Board of Directors and the Officers**

The acts of the Board of Directors and Officers of the Company are covered by resolutions of the Board of Directors duly-adopted in the normal course of trade or business. Said acts include, but are not limited to, the following:

1. Application for Permits, Licenses, Clearances, Accreditations, and Registrations for Properties;
2. Opening, Updating and Maintenance of Bank Accounts and other Bank Transactions;
3. Property Acquisitions, Leases and Joint Ventures;
4. Investment to newly-formed subsidiaries MM Consumer Technologies Corp. and MBox Smart Lockers Corp.
5. Agreement with Carlos Drugs-Lucena, Inc.
6. Appointment of Representatives in Various Proceedings;
7. Approval of authority to enter into any contract necessary for the operation of the Company and the designation of signatories; and
8. Entry into multi-year lease contract with Lessors
9. Adopting measures for protection against COVID-19 and in compliance with the regulations of the Inter-Agency Task Force.

The resolution for adoption will be the approval and ratification of the acts of the Board of Directors and the Officers of the Company.

## **Item 16. Matters not Required to be Submitted**

There is no action to be taken with respect to any matter which is required to be submitted to a vote of the stockholders. Ratification of the acts of the Board, corporate officers and management as of September 30, 2022 refers only to acts done in the ordinary course of business and operations of the Company. Ratification is being sought for the purpose of

transparency. Below is a summary of board meetings and board resolutions approved by the Board of Directors as of September 30, 2022:

1. Application for Permits, Licenses, Clearances, Accreditations, and Registrations for Properties;
2. Opening, Updating and Maintenance of Bank Accounts and other Bank Transactions;
3. Property Acquisitions, Leases and Joint Ventures;
4. Appointment of Representatives in Various Proceedings;
5. Approval of authority to enter into any contract necessary for the operation of the Company and the designation of signatories; and
6. Entry into multi-year lease contract with Lessors

#### **Item 17. Amendment of Charter, By-laws or Other Documents**

There is no proposal nor approved resolution for the amendment of Charter, By-Laws or other Documents.

#### **Item 18. Other Proposed Action**

(a) Approval of the minutes of the Previous Stockholder's Meeting

(b) Approval of the 2021 Audited Financial Statements and 2021 Annual Report

This proposal is for the purpose of informing the stockholders of the key results of the Company's operations in 2021, in accordance with Section 74 of the Revised Corporation Code. The Company's audited financial statements as of December 31, 2021 is integrated and made part of the Company's 2021 Information Statement.

(c) Ratification of Acts, Resolutions and Proceedings of the Board of Directors, Corporate Officers and Management from the date the last shareholders meeting.

The purpose of the proposal is to allow the stockholders to ratify the acts of the Board of Directors and Officers of the Company as a matter of procedure or policy. The resolutions approved by the Board in its regular and special meetings refer only to acts done by the Board, Corporate Officers and Management in the ordinary course of business.

(d) Election of the members of the Board of Directors, including the independent directors, for the ensuing year.

(e) Appointment of KPMG R.G. Manabat & Co. as Independent External Auditor.  
The proposal is intended to appoint an auditing firm which can provide assurance to the directors and stockholders of the integrity of the Company's financial statements and adequacy of its internal controls.

#### **Item 19. Voting Procedures**

Stockholders as of the November 21, 2022 Record Date may participate and vote in absentia. Registration of the stockholders and proxies attending the Meeting will be from 9:00 am

November 25, 2022 to 6:00PM December 7, 2022. See **Annex A** of this Information Statement for the Procedures and Requirements for Voting and Participation in the 2022 Annual Stockholder's Meeting.

Approval of the resolutions or matters requiring the stockholder action as set forth in the Agenda and this Information Statement would require the affirmative vote of the stockholders owning at least a majority of the outstanding capital stock.

In the election of directors, cumulative voting may be adopted. Cumulative voting is explained under Item 4 of this Information Statement.

Stockholders shall be entitled to vote either in absentia or by proxy. The procedure for voting, validating and tabulating the Proxies and ballots are set forth under Item 4 of this Information Statement.

The Company's Stock and Transfer Agent, PNB - Trust Banking Group and Stock Transfer Operations Department, is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders, and they have also been appointed to validate the ballots when necessary.

***UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A (ANNUAL REPORT) FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:***

**MerryMart Consumer Corp.**

MerryMart Headquarters, 9<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza,  
DD Meridian Park, Corner Macapagal Avenue and EDSA Extension,  
Bay Area, Pasay City, Metro Manila 1302

Attention: Atty. Jacqueline Ann Marie Gomez

**PART II**

*PLEASE FILL-UP AND SIGN THIS PROXY FORM AND IMMEDIATELY RETURN TO THE CORPORATE SECRETARY. A RETURN ENVELOPE IS PROVIDED FOR YOUR CONVENIENCE.*

**PROXY FORM**

**STOCKHOLDER'S NAME:** \_\_\_\_\_ **NO. OF SHARES:** \_\_\_\_\_

The undersigned stockholder of **MerryMart Consumer Corp.** (the "**Company**") hereby appoints **Mr. Ferdinand J. Sia**, or in his absence, the Chairman of the Meeting, as attorney and proxy, with full powers of substitution, to represent and vote all shares registered in the name of the undersigned stockholder at the Annual Stockholders' Meeting of the Company to be held by remote communication via Zoom on December 15, 2022 at 10:30 AM, and at any of the adjournments thereof for the purpose of acting on the following matters:

<b>(a) Approval of the minutes of the previous meeting:</b>  <div style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</div>	
<b>(b) Approval of the 2021 Audited Financial Statements and the 2021 Annual Report</b>  <div style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</div>	<b>(c) Ratification of the actions of the Board of Directors and Officers</b>  <div style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</div>
<b>(d) Election of Directors</b>  <div style="text-align: center;"> <input type="checkbox"/> VOTE FOR ALL NOMINEES LISTED BELOW   <div style="text-align: center;"> Edgar J. Sia II  Ferdinand J. Sia  Marriana H. Yulo-Luccini  Atty. Victoria R. Tamayao  Gary P. Cheng  Atty. Jacqueline Ann Marie O. Gomez  Jose Roelph E. Desales </div>   <input type="checkbox"/> WITHHOLD AUTHORITY FOR ALL NOMINEES LISTED ABOVE  <input type="checkbox"/> WITHHOLD AUTHORITY TO VOTE FOR THE NOMINEES LISTED BELOW   <div style="display: flex; justify-content: center; gap: 50px;"> <div style="border-bottom: 1px solid black; width: 150px;"></div> <div style="border-bottom: 1px solid black; width: 150px;"></div> </div> <div style="display: flex; justify-content: center; gap: 50px;"> <div style="border-bottom: 1px solid black; width: 150px;"></div> <div style="border-bottom: 1px solid black; width: 150px;"></div> </div> <div style="display: flex; justify-content: center; gap: 50px;"> <div style="border-bottom: 1px solid black; width: 150px;"></div> <div style="border-bottom: 1px solid black; width: 150px;"></div> </div> </div>	
<b>(e) Appointment of KPMG R.G. Manabat &amp; Co. as independent external auditors</b>  <div style="text-align: center;"><input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> ABSTAIN</div>	
<b>At their discretion, the proxy named above is authorized to vote upon such matters as may properly come before the Meeting.</b>	
<div style="border-bottom: 1px solid black; width: 300px; margin: 0 auto;"></div> <b>(SIGNATURE OVER PRINTED NAME OF STOCKHOLDER/ AUTHORIZED REPRESENTATIVE AND DATE)</b>	

THIS PROXY FORM SHOULD BE SENT BY EMAIL TO [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph) ON OR BEFORE 6:00 PM OF December 7, 2022

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, INCLUDING MATTERS WHICH THE SOLICITOR(S) DID NOT COME TO KNOW WITHIN A REASONABLE TIME PRIOR TO THE PRESENTMENT OF THIS SOLICITATION IN THE MEETING, IN THE MANNER

DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. PROXIES EXECUTED BY BROKERS MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON. THE PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED.

--

NO DIRECTOR OR EXECUTIVE OFFICER, NOMINEE FOR ELECTION AS DIRECTOR, OR ASSOCIATE OF SUCH DIRECTOR, EXECUTIVE OFFICER OR NOMINEE, OF THE COMPANY AT ANY TIME SINCE THE BEGINNING OF THE LAST FISCAL YEAR, HAS ANY SUBSTANTIAL INTEREST, DIRECT OR INDIRECT, BY SECURITY HOLDINGS OR OTHERWISE IN ANY OF THE MATTERS TO BE ACTED UPON IN THE MEETING, OTHER THAN ELECTION TO OFFICE.

**PART III  
SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on November 21, 2022.

*Registrant*  
**MERRY MART CONSUMER CORP.**

By:

  
\_\_\_\_\_  
Jacqueline Ann Marie O. Gomez  
*Corporate Secretary*

**Annex A**  
**Procedures And Requirements**  
**For Participation And Voting In The 2022 Annual**  
**Stockholders' Meeting**



## **PROCEDURES AND REQUIREMENTS FOR PARTICIPATION AND VOTING IN THE 2022 ANNUAL STOCKHOLDER'S MEETING**

To ensure the safety of our stockholders during these times of pandemic crisis and in compliance with the guidelines of the government on social distancing and prohibition on mass gatherings, MERRYMART CONSUMER CORP. (the "Corporation") will conduct the 2022 Annual Shareholders' Meeting ("ASM") scheduled on December 15, 2022, 10:30 AM by remote communication and will conduct voting in absentia or by proxy.

Only stockholders of record as of November 21, 2022 are entitled to participate and vote in the 2022 ASM.

The Corporation has adopted the following procedures and requirements to enable its stockholders to register, participate and vote in the 2022 ASM.

### **I. ONLINE REGISTRATION STEPS AND REQUIREMENTS**

A. Stockholders may register from 9:00 AM November 25, 2022 to 6:00 PM of December 7, 2022 to signify his/her/its intention to participate in the 2022 ASM by remote communication. The registration steps and requirements are available in the Company's website <https://merrymart.com.ph/company-disclosures> under ASM2022.

B. To register, stockholder shall submit the following requirements to the Office of the Corporate Secretary via email at [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph).

#### **B.1 For Individual Stockholders –**

- (i) Scanned copy of stock certificate issued in the name of the individual stockholder or
- (ii) Valid email address and active contact number; and
- (iii) Scanned copy of valid government-issued identification card.

#### **B.2 For Stockholders with Joint Accounts –**



- (i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- (ii) Scanned copy of the stock certificate issued in the name of the joint stockholders;
- (iii) Valid email address and active contact number of the authorized stockholder; and
- (iv) Scanned copy of valid government-issued identification card of the authorized stockholder.

**B.3 For stockholders under PCD Participant/Brokers Account or holding 'Scripless Share'**

- (i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- (ii) Broker's Certification on the stockholder's number of shareholdings;
- (iii) Valid email address and active contact number of the stockholder; and
- (iv) Scanned copy of valid government-issued identification card of stockholder.

**B.4 For Corporate Stockholders -**

- (i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholders.
- (ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
- (iii) Valid email address and active contact number of authorized representative; and
- (iv) Valid government-issued identification card of authorized representative.

## **II. ELECTRONIC VOTING IN ABSENTIA**

- A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting in absentia. The deadline for registration is 6:00 PM of December 7, 2022. Beyond this date, stockholders may no longer avail of the option to vote in absentia.

- B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its email address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:
- (1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against or Abstain. The vote is considered cast for all the registered stockholder's share.
  - (2) For the election of Directors, the registered stockholder may vote for all nominees, not for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
  - (3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph).
  - (4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her vote has been recorded.
- C. The Office of the Corporate Secretary shall tabulate all valid and confirmed votes cast through electronic voting; together with the votes through proxies, subject to validation by representatives of the Company's external auditors.
- D. Registered stockholders shall have until 6:00 PM of December 7, 2022 to cast their votes in absentia.
- E. Stockholders will not be allowed to cast votes during the proceedings of the 2022 ASM.

### **III. VOTING BY PROXY**

- A. For individual stockholders holding certificated shares of the Company - Download the proxy form that is available at <https://merrymart.com.ph/company-disclosures> under ASM 2022.
- B. For stockholders holding 'scripless' shares or shares held under PCD Participant/Broker - Download the proxy form that is available at <https://merrymart.com.ph/company-disclosures> under ASM2022. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.
- C. For corporate stockholders - Download the proxy form that is available at <https://merrymart.com.ph/company-disclosures> under ASM2022. A copy of the

duly signed and notarized Secretary's Certificate must be submitted together with the proxy form.

**D. GENERAL INSTRUCTION ON VOTING BY PROXY:**

- (1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
- (2) Send the scanned copy of the duly executed proxy form via email to [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph) or submit the original proxy form to the Office of the Corporate Secretary c/o Atty. Jacqueline Ann Marie Gomez. at MerryMart Headquarters 9<sup>th</sup> Floor Tower 1 DoubleDragon Plaza, Macapagal corner EDSA Ext Avenues Pasay City 1302.
- (3) Deadline for the submission of proxies is at 6:00 PM of December 7, 2022.
- (4) Validation of proxies will be on December 9, 2022.
- (5) If a stockholder avails the option to cast his/her vote in absentia and also issues proxy votes with differing instructions, the duly accomplished ballots sent through email shall replace the proxy votes issued by the stockholder.

**IV. PARTICIPATION BY REMOTE COMMUNICATION**

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholder may send their question and/or comments prior to the ASM through email at [asm2022@merrymart.com.ph](mailto:asm2022@merrymart.com.ph). The deadline for submitting questions shall be at 6:00 PM of December 7, 2022.
- C. The proceedings during the 2022 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at [corporatesecretary@merrymart.com.ph](mailto:corporatesecretary@merrymart.com.ph).

# **Annex B**

## **Management Report**

## **PART I BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

MerryMart Consumer Corp., formerly Injap Supermart Inc., is an emerging consumer focused retail company principally engaged in the operation of retail stores in the supermarket and, beginning January 30, 2020 household essentials category. The Issuer, through its subsidiary, MMGC, will pioneer the franchise business model covering supermarkets and household essentials stores in the Philippines.

The principal shareholder of MM is Injap Investments, Inc. (“III”), which is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar J. Sia II.

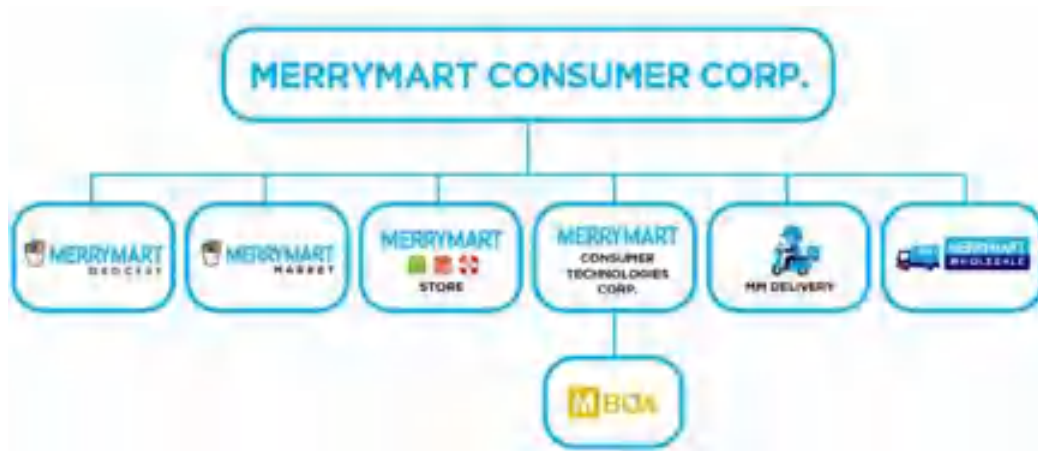
MM was incorporated in 2009. However, the Sia family has long been engaged in the supermarket business. MM opened its first two stores, Injap Supermart TATC and Injap Supermart Burgos Roxas City after its incorporation in 2009. Injap Supermarts like MerryMart Groceries are full size supermarkets offering a wide variety of food and non-food products with up to 20,000 SKUs. Injap Food Shop is a food section that sells ready-to-eat food inside Injap Supermart.

On September 28, 2018, MM aims to capitalize on its extensive experience in the retail business with the incorporation of a wholly owned subsidiary MMGC, which MM would use to rollout three retail formats nationwide under a new brand, MerryMart.

MERRYMART has set its Vision 2030 with the goal of rolling out a total of 1,200 MERRYMART branches nationwide with an aim of reaching Php 120 Billion in systemwide sales revenue.

On June 15, 2020, the Company’s shares debuted on the Philippine Stock Exchange’s (“PSE”) Small, Medium, and Emerging Board (“SME Board”) under the stock symbol “MM” through an initial public offering of 21% of its outstanding common shares.

MM plans to develop the MerryMart brand through company-owned stores, as well as opening it for franchising to the public. MM will serve as a platform for the existing local and traditional supermarkets to convert and be part of a modern-branded retail chain network while retaining ownership of the store as a franchisee of MM. Being part of the MerryMart network will allow current traditional retailers to remain relevant for the coming decades and also enable them to bridge the ongoing shift from traditional retail to modern retail.



MMGC aims to cover all the grocery retail categories from small, medium, and large grocery retail formats and will have, in particular, three brick and mortar grocery retail formats and two online formats:

1. MerryMart Grocery

MerryMart Grocery is a full size supermarket that offers a wide variety of food and non-food products, a broad selection of personal care products, as well as a pharmaceutical section. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Grocery will be available for franchising via conversion of existing traditional supermarkets.



2. MerryMart Market

MerryMart Market is a medium format specialized grocery that offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables, as well as fresh seafood products. MerryMart Market will also offer personal care and pharmaceutical products but will cater to the middle to high-income consumers in central business districts and other urbanized communities. MerryMart Market expansion will only be for company-owned stores due to its specialized nature and distinct target market.



### 3. MerryMart Store

MerryMart Store is a small format household essentials store with a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store, effectively providing operational cost efficiencies. This household essentials store will cater to the general population of each community and neighborhood it serves. The MerryMart Store expansion will be primarily through a franchise platform.



### 4. MerryMart Delivery

On November 16, 2020, MM launched its inhouse online delivery app [www.merrymartdelivery.com.ph](http://www.merrymartdelivery.com.ph) today which will enable shoppers across Metro Manila to have MERRYMART products delivered to their doorstep with no minimum purchase.



## 5. MerryMart Wholesale

On October 10, 2021 MM Group soft launched its online Wholesale platform which is served from the MM Group's central distribution center in CentralHub-Tarlac. The online Wholesale platform features live inventory and next day delivery. The MerryMart Wholesale app on iOS and Android is expected to be ready by May 2022.



As of December 31, 2021, MM Group has 45 operational branches, opening 26 new stores in 2021 across the country. In addition to its operational branches, it has secured another 56 branches through its recent acquisitions, bringing its total network of branches to 101



nationwide.



*Map shows the distribution of the MM Group's operational branches as of December 31, 2021*

For the year ended December 31, 2021, the MM Group booked consolidated revenues of ₱3.9 billion, an increase of 13.1% from the prior year's consolidated revenues of ₱3.5 billion. For the year ended December 31, 2021, the MM Group booked consolidated net income of ₱34.0 million, a decrease of 29.5% from the prior year's consolidated net income of ₱48.2 million.

The MM Group places emphasis on providing consumers with a relevant and wide assortment of merchandise at competitive pricing whilst achieving excellent customer experience all the time.

As of the date of December 31, 2021, the MM Group owns and operates 45 stores nationwide (excluding recent acquisitions).

The table below shows the historical sale of goods growth for MM Group, with CAGR of 21.82% for 2017 to 2021.

	2017	2018	2019	2020	2021
Sale of goods	1,750,689,674	2,095,408,067	2,482,302,804	3,412,521,282	3,855,509,832

Venturing to widen reach, on November 8, 2021 the Group finalized the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos SuperDrug”), the biggest pharmacy chain in Quezon Province. Carlos SuperDrug brand was founded in 1946 in Lucena City by the husband & wife team of Diomedes & Generosa Carlos.

On November 8, 2021, the Company signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos SuperDrug”). The Company will acquire 287,856 secondary shares representing 71.96% in Carlos SuperDrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Company will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Company to complete its acquisition of shares.

The acquisition gave the Company a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Company used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On March 09, 2022 MM signed the agreement with ZC Ramthel Corporation (Cecile’s Pharmacy) finalizing the acquisition of majority 53.125% stake in the Mindanao based pharmacy chain.

Cecile’s Pharmacy is the biggest pharmacy chain in the city of Zamboanga in Mindanao Region, and the brand has been in operation for 57 years since 1964 with 21 strategically located operating branches to date, with over 300 workforce.

*Actual photos of MERRYMART opening*



*MERRYMART Grocery –Arayat*



*MERRYMART Grocery – Umbria*



*MERRYMART Grocery – Bacalso with Carlos SuperDrug Pharmacy*

On October 10, 2021, MerryMart launched its MM Wholesale Club program. The MM Wholesale Club is open for business or individual memberships and the membership is currently free of charge. Business membership will be suited for sari-sari stores, restaurants, carinderias, minimarts, hotels, offices, canteens, LGUs, hospitals, catering services, etc. While individual membership will be suited for any individual who opts to buy supplies in bulk or by the case for household consumption, or for any of their wholesale requirements from time to time for special events.





*MERRYMART WHOLESALE – MM Logistics Distribution Center in CentralHub-Tarlac*

The MM wholesale operations commenced and fully service its members in 2021, in time for the full completion of the new modern 11,000-sq.m. MM Logistics Distribution Center in CentralHub-Tarlac in North Luzon. Currently, MM's operating distribution center is located in South Luzon (Laguna).

On October 9, 2021, MERRYMART opened its first Drive Thru store along Diversion Road, Iloilo City.



*MERRYMART's first Drive Thru store located on Diversion Road, Iloilo City*

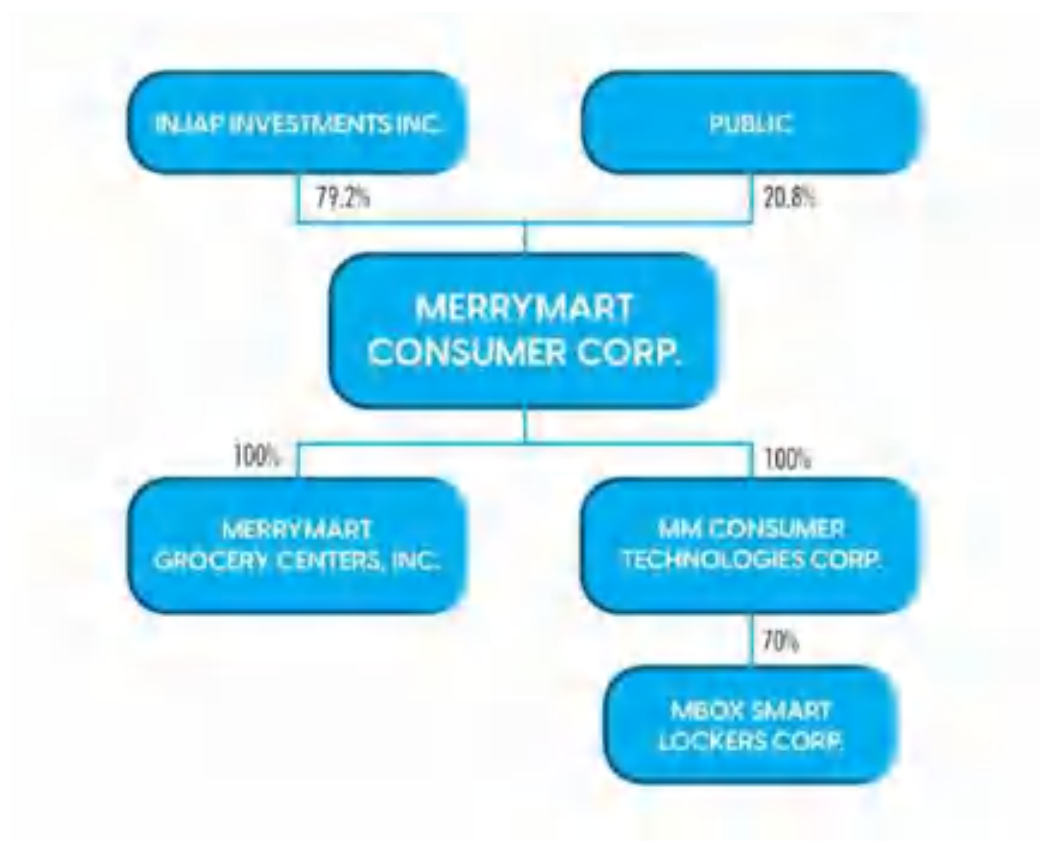
On October 7, 2021, MM Group's consumer technology arm started rolling out MBOX Smart Lockers, which are revolutionary system of self-service lockers similar to post office boxes that are accessible 24/7, where customers can collect and drop off packages at their convenience at minimal or no additional cost. As soon as a package arrives, the locker sends a pickup code via SMS/App notification to alert the receiver.



*MBOX Smart Locker is now available in MerryMart Grocery Branch in DD Meridian Park*

## CORPORATE STRUCTURE

The following chart sets forth an overview of the corporate structure of the MM Group as of December 31, 2021.



MM is a wholly owned subsidiary of III. III is the holding company of the Sia family, led by its major shareholder and Chairman, Mr. Edgar J. Sia II, the Founder of Mang Inasal and Co-Founder of DD. III is one of the major shareholders of DD owning 35% of its outstanding capital stock as of December 31, 2019.

### ***MerryMart Grocery Centers Inc.***

MM wholly owns MMGC, which operates and acts as the master franchisor, owner and operator of MerryMart Grocery, MerryMart Market and MerryMart Store. It was incorporated on September 28, 2018 to engage in the business, acquire, hold, own, operate, or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods, and merchandise on any lands, buildings, supermarkets, malls, stores, stalls, or structures owned, leased, held, operated, managed or occupied by MerryMart branded retail stores.



### ***MM Consumer Technologies Corp.***

MM wholly owns MTech, it was incorporated on February 23, 2019 to engage in the business to acquire hold, own, operate, or manage of various consumer technology ventures. MTech serves as the arm for consumer technology related ventures.

### ***MBox Smart Lockers Corp.***

Incorporated on February 29, 2019, MM holds 70% MBox thru MTech, which operates and acts as the arm for investment, development, management of operations related but not limited to storage and distribution, including smart lockers, storage and other logistic tools.

## **EMPLOYEES**

As of December 31, 2021, the MM Group has 318 direct employees.

	Direct Employees
MerryMart Consumer Corp.	117
MerryMart Grocery Centers, Inc.	240
Total	357



In addition to direct employees, the MM Group have entered into contracts with third party agencies for the supply of additional manpower services to meet the required staffing requirements, including security personnel, warehouse staffs, store staffs, drivers, maintenance and utility staff.

The MM Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations within the organization. Aside from complying with the minimum compensation standards mandated by law, the MM Group makes available to qualified personnel supplemental benefits such as health insurance, car plans and merit-based bonuses. The MM Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and the MM Group believes that the it maintains a healthy relationship with employees.

## **INTELLECTUAL PROPERTY**

The operations of MM and its subsidiary, MMGC, are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement. The Company's subsidiary, MMGC, has the following trademark registered with the Intellectual Property Office as of December 31, 2021:

Trademark	Mark	Registrant	Registration Date	Expiry Date
MERRYMART GROCERY		Merrymart Grocery Centers Inc.	13 September 2019	13 September 2029

MERRYMART 3-in-1		MerryMart Grocery Centers Inc.	05 February 2021	05 February 2031
MERRYMART MM Smiley		MerryMart Grocery Centers Inc.	23 April 2021	23 April 2031

The above trademarks are important because name recognition and exclusivity of use are contributing factors to the success of the Company's developments. In the Philippines, certificates of registration of a trademark filed with the Intellectual Property Office are generally effective for a period of 10 years, unless terminated earlier.

The Company is also the owner of one domain name: <https://merrymart.com.ph>.

## **HEALTH, SAFETY AND ENVIRONMENT**

The MM Group regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. Permits and approvals are regularly monitored by the MM Group to ensure that all are properly renewed and maintained. The Group also conducts regular trainings on environment, health and safety.

## **INVENTORY AND LOGISTICS MANAGEMENT**

All merchandise inventories of the MM Group are stored in the MM Group's distribution centers and warehouses located at each branch. The intention is for all MerryMart Store formats to be 100% supplied by the MM Group's distribution centers once established nationwide. Meanwhile, MerryMart Groceries have an option to purchase inventories direct from suppliers and distributors or through the MM Group's distribution centers. The goal of the MM Group in the medium to long-term is to consolidate all purchases of the MM Group's branch network through its distribution centers so that it can benefit from volume purchases and discounts and establish direct lines and supplier relationships with large manufacturers. Inventories supplied by the MM Group's distribution center to its franchisees will contribute to its consolidated revenues. The intention is for the MM Group to earn a margin from the supply chain operations of its distribution centers in the near-term.

Suppliers are a combination of manufacturers and third-party distributors. The MM Group plans to centralize the storage of merchandise inventories in order to efficiently manage the movement of inventories and inventory requirements of each branch. Distribution centers deliver inventories to the branch; then, each branch will place orders, receive inventory, remove damaged goods and rotate stock to improve inventory turnover. On a case to case basis manufacturers and third-party distributors deliver directly to the branches. Direct deliveries are accommodated for expedited deliveries and highly-perishable items such as bread, refrigerated or frozen items and chocolate.

MMGC uses the SAP system to manage its inventories. The system helps track the movement of merchandise and provides analytics to the merchandising team to plan and timely make adjustments.

## **CASH MANAGEMENT AND INTERNAL CONTROL**

The MM Group deals with large amounts of cash transactions daily and has implemented a simplified and uniform cash management processes across all branches.

The MM Group uses a POS system to track sales and cash flow. With a POS, the MM Group can easily see collections for the day and the payment methods used by the customers. Currently, MMGC branches accept cash, credit cards, debit cards, gift checks, checks and QR-based mobile payment technology like Alipay, WeChat, GCash and PayMaya.

Each store has a cashier supervisor responsible for counting all cash and reconciling sales and collections daily. Branches send a daily sales and collections report to the head office for proper reconciliation and reporting. All cash collections are stored in the secured vaults for bank pick up. Since the cashiers will be the front and center handling cash payments, all cashiers of the MM Group are trained to identify counterfeit currencies as an internal control to minimize the risk of accepting fake bills.

The MM Group has implemented certain internal controls to provide reasonable assurance of the safekeeping of assets, like cash and inventories, and the reliability of accounting records. Internal control procedures include segregation of duties, annual and cycle inventory counts, security measures, operational audits, using an automated system, performing regular reconciliations and regular review and analysis of historical data.

## **INSURANCE**

The MM Group maintains the following types of insurance policies for its branches: Property All Risks (Material Damage – All risks of sudden, accidental and unforeseen, direct and physical loss, destruction of or damage to the property), Comprehensive General Liability (Use, Operations and Maintenance of the Premises) which includes third party property damage and/or bodily injury, fire and explosion legal liability, elevator and escalator liability, excess automobile liability, premises medial payments, first aid payment, car park liability, independent contractors, 72 hours sudden and accidental pollution, neon, advertising, sign and decorative liability, personal injury, event, stampede, libel and slander liability, Machinery Breakdown, Plate Glass, Robbery and Burglary, Electron Equipment, Personal Accident, Money Securities & Payroll and Fidelity Guarantee.

## **SUPPLIERS**

The MM Group is not dependent on one or a limited number of suppliers. The MM Group's supplier base ranges from local suppliers, distributors to multinationals. The MM Group selects its suppliers based on specific criteria, first and foremost based on the supplier's product assortment and popularity or market share of the supplier's products in each subcategory it serves. In addition, the MM Group's selection policy for suppliers includes consideration of the

supplier's location, brand reputation, capacity to supply, ability to deliver on time and compliance with the MM Group's requirements.

The MM Group purchases goods on a per order basis by issuing purchase orders to suppliers. Typically, a purchase order also includes the terms of payment which range from 7- to 60-day credit. The MM Group avails of prompt payment discounts for upfront payments made to suppliers upon delivery. These discounts aid the MM Group by increasing its margin or by enabling it to provide attractive pricing to its customers if the discounts are passed on.

## **FRANCHISE OPERATIONS**

The MM Group is open to franchising its large format stores via conversion of existing supermarkets and its small format stores to as new build franchised stores. Medium format MerryMart Market expansion will be from company-owned stores and will not be open for franchising due to the nature of the niche market that it caters to. It has 2 franchisees of small format stores as of December 31, 2020. It requires its franchisees to operate a MerryMart Store in accordance with its methods, technology, marketing techniques and operational processes. The MM Group places great emphasis on its extensive experience and familiarity of the Philippine market by providing the consumer with a wide assortment of merchandise while maintaining excellent customer service.

MM evaluates the franchise applicants' operational capability to operate the store as well as its financial management capability to successfully manage the store. The franchisees execute a unit franchise agreement for each store opened, typically providing for a 10-year term.

## **SALES AND MARKETING**

The MM Group emphasizes on providing the consumer a wide assortment of merchandise, maintaining competitive pricing and achieving excellent customer experience all the time. The MM Group also aims to increase awareness of its brand and establish a new category in the retail business with its three-in-one concept – home essentials retail category.

The MM Group does market survey and competitor check to ensure that MM pricing are at par with competitors. The MM Group ensures that each store has the right mix of products and that SKUs/categories that are most popular and profitable are always available.

The MM Group also creates seasonal campaigns that can help the MM Group earn year-round, like offering product bundles and discounts for a limited time only on specific occasions (e.g., Valentine's Day, Father's Day) and those falling on low seasons.

A strong working relationship with major suppliers has also been a key driver to the growth of the MM Group as it provides price competitiveness while offering a comprehensive range of products. Suppliers offer product promos, freebies, and discounts which customers take advantage of. The MM Group also partners with specific suppliers to offer promotional pricing.

To promote the MerryMart brands and branches, the MM Group utilizes marketing campaigns via media platforms such as digital, major newspapers, magazine, billboards, television and radio. The MM Group has been active online through its social media accounts in Facebook and Instagram, where it can communicate with its customers to promote the brand, branches and products. These social media accounts are regularly updated to share news about

MerryMart, promote products, highlight promotions and campaigns, and increase awareness of the brand. For more information on the MM Group's online and social media activities please refer to the MM Group's corporate website, [www.merrymart.com.ph](http://www.merrymart.com.ph) and its Facebook account, <https://www.facebook.com/MerryMartPh/>. The MM Group also uses local store marketing, that consists of MerryMart flyers, billboards, lamp post banners and above the line advertisements on local radio.

Increasing brand awareness also requires locating its stores in prime and mature locations across the country. The MM Group banks on its strong background in retail services to enable it to identify key locations. It has consistently adopted a strategy of targeted development coupled with a focused study of its market to determine and expand its growth areas.

In addition to the current development of its mobile app, the MM Group will launch a loyalty consumer program to further market its brand and stores.

## **PRODUCT SELECTION**

The MM Group offers a combination of imported and locally manufactured brands and products of over 20,000 SKUs. The products and product mixes of each store are reviewed on a regular basis to keep track of fast, slow, and non-moving items and to ensure that each store has the optimum product mix. The medium and large format stores will have the complete product lines while the small format stores will have the essentials of the same product lines.

The MM Group selects product based on marketability. The MM Group's merchandising team monitors each store profitability and selects products that the market requires. Other than marketability, the MM Group also monitors the offerings of suppliers, concessionaires, and consumer feedback and identifies new trends and new product offerings.

The number of SKUs carried per store varies depending on the store size and location. The SKUs that are non-performing for a certain period will be discontinued.

## **CUSTOMERS**

### **Customer Loyalty Programs – MerryMart Wholesale Club**

The Group offers wholesale program, the MM Wholesale Club, wherein members can earn a point for every 200 pesos worth of purchase. Points earned may be used for bulk orders at MerryMart Wholesale Online Grocery. Members and Loyalty Card holders also gives access and convenience of picking up bulk order at MM Distribution Center in Tarlac Centralhub.

## **ITEM 2. PROPERTIES**

As of December 31, 2021, the MM Group owns the following parcels of land:

<b>LOCATION</b>	<b>AREA (in square meter)</b>	<b>LIENS</b>
Jaro, Iloilo City	255	None
Mandurriao, Iloilo City	1,800	None
Tabuc Suba, Jaro, Iloilo City	2,246	None
Nabitasan, Lapaz, Iloilo City	1,702	None

As of December 31, 2021, MM owns the following store structures for the Group's retail operations:

<b>FORMAT</b>	<b>STORE LOCATION</b>	<b>STRUCTURE</b>
Grocery	Injap Supermart – Tatc Roxas City	Company Owned
Grocery	Injap Supermart – Burgos Roxas City	Company Owned
Grocery	Merrymart Grocery – Doubledragon Plaza Pasay	Company Owned
Grocery	Merrymart Grocery – Calamba Laguna	Company Owned
Store	Merrymart Store - Ayala Malls Manila Bay	Company Owned
Grocery	Merrymart Grocery – Sorsogon City	Company Owned
Grocery	Merrymart Grocery – Mayombo Dagupan City	Company Owned
Grocery	Merrymart Grocery – Isulan	Company Owned
Grocery	Merrymart Grocery - Bulua Cdo City	Company Owned
Grocery	Merrymart Grocery - Roxas Avenue Capiz*	Company Owned
Grocery	Merrymart Grocery - San Carlos City Pangasinan	Company Owned
Grocery	Merrymart Grocery - Mactan Town Center Cebu City	Company Owned
Grocery	Merrymart Grocery - Calapan City Mindoro	Company Owned
Store	Merrymart Store - Lapaz Iloilo City	Under Franchise
Market	Merrymart Market - Rockwell Arton Strip Qc	Company Owned
Store	Merrymart Store – Alimall	Company Owned
Grocery	Merrymart Grocery - Cadiz City Negros	Company Owned
Grocery	Merrymart Grocery - Iponan Cdo City	Company Owned
Store	Merrymart Store - Market Market	Company Owned
Store	Merrymart Store – Tsquare	Company Owned
Store	Merrymart Store - Roxas Ave	Company Owned
Store	Merrymart Store - J De Leon	Company Owned
Store	Merrymart Store - Quintin Salas Jaro	Company Owned
Store	Merrymart Store - Pavia Iloilo	Company Owned
Grocery	Merrymart Grocery – Tuguegarao	Company Owned
Store	Merrymart Store – Tuguegarao	Company Owned
Grocery	Merrymart Grocery – Aparri	Company Owned
Store	Merrymart Store – Aparri	Company Owned
Store	Merrymart Store – Mambusao	Under Franchise
Store	Merrymart Store - West End	Company Owned
Store	Merrymart Store - Bloc10	Company Owned
Store	Merrymart Store - Riala Cebu	Company Owned
Store	Merrymart Store - Tatc Roxas	Company Owned
Store	Merrymart Store - Burgos Roxas	Company Owned
Grocery	Merrymart Grocery - Anabu	Company Owned
Store	Merrymart Store - Camp 7 Kennon Road Baguio	Under Franchise
Store	Merrymart Store - Diversion Road, Iloilo	Company Owned
Store	Merrymart Store - Antique	Company Owned
Store	Merrymart Store - High Street Bgc	Company Owned

Grocery	Merrymart Grocery - Bocaue Bulacan	Company Owned
Store	Merrymart Store - Bocaue Bulacan	Company Owned
Grocery	Merrymart Grocery - Arayat	Company Owned
Store	Merrymart Store – Arayat	Company Owned
Grocery	Merrymart Grocery - Umbria Laguna	Company Owned
Store	Merrymart Store - Northpoint Subic	Company Owned

The MM Group leases spaces for their retail stores as well as their distribution centers from both related parties and non-related parties. The lease rates and terms for these properties follow standard market rates and practices for similar businesses. The lease rates are generally based on a percentage ranging from 1% to 3% of gross sales or on an agreed minimum guaranteed rate generally ranging from ₱300.00/sqm to ₱650.00/sqm (whichever is higher), which are subject to annual escalation rates, in line with market standards.

MMGC also leases its corporate office space located at 9F DoubleDragon Plaza Tower 1, DD Meridian Park in the Manila Bay area. The office is leased by MMGC from a subsidiary of DD. The Contract of Lease for the 1,278.61 sq. m. office space shall be effective for a period of ten years commencing on April 1, 2019 and ending on March 31, 2029.

### **ITEM 3. LEGAL PROCEEDINGS**

As of December 31, 2021, the MM Group is not involved in any litigation regarding an event which occurred during the past five years that they consider material.

## PART II MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2021, 2020 AND 2019

Calendar Year Ended December 31, 2021 and 2020

### RESULTS OF OPERATION

#### MERRYMART CONSUMER CORP. AND SUBSIDIARY Audited Consolidated Statements of Comprehensive Income For the year ended December 31, 2021 & 2020

	December 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
				Increase (Decrease)	2021	2020
REVENUES						
Sale of goods	3,855,509,832	3,412,521,382	442,988,450	13.0%	98.1%	98.1%
Display rental	21,034,255	26,326,260	(5,292,005)	(20.1%)	0.5%	0.8%
Other operating income	52,841,525	35,236,233	17,605,292	50.0%	1.3%	1.0%
	3,929,386,612	3,474,083,775	455,302,837	13.1%	100.0%	100.0%
COST OF SALES	3,277,251,704	3,145,722,650	131,529,054	4.2%	83.2%	90.3%
GROSS PROFIT	652,128,908	328,361,145	323,767,763	98.6%	16.6%	9.5%
OPERATING EXPENSES	582,763,356	304,658,866	278,104,490	91.3%	14.8%	8.8%
INCOME FROM OPERATIONS	69,365,552	23,704,279	45,661,273	192.6%	1.8%	0.7%
INTEREST EXPENSE	15,965,817	13,330,872	(2,405,741)	(27.2%)	(0.4%)	(0.4%)
INTEREST INCOME	1,750,905	5,769,981	(4,019,083)	(69.7%)	0.0%	0.2%
INCOME BEFORE TAX	65,165,842	16,923,396	48,232,447	228.9%	1.6%	0.5%
INCOME TAX EXPENSE (BENEFIT)	(21,158,563)	31,317,679	(52,475,982)	(167.6%)	(0.5%)	0.9%
NET INCOME	33,997,539	48,241,074	(14,243,535)	(29.5%)	0.9%	1.4%
OTHER COMPREHENSIVE INCOME						
REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY	2,113,894	(1,456,591)	3,572,085	(245.3%)	0.1%	(0.0%)
NET COMPREHENSIVE INCOME (LOSS)	36,113,233	46,784,683	(10,671,450)	(22.8%)	0.9%	1.3%
NET INCOME TO PARENT						
	34,304,632	43,241,074	(8,936,392)	(20.9%)	0.9%	1.4%
NCI NET INCOME (LOSS)	(207,143)	-	(207,143)	0.0%	(0.0%)	0.0%
NET INCOME	33,997,539	48,241,074	(14,243,535)	(29.3%)	0.9%	1.4%
NET INCOME TO PARENT						
	36,439,576	-	36,439,576	0.0%	0.9%	0.0%
NCI NET INCOME (LOSS)	(307,143)	-	(307,143)	0.0%	(0.0%)	0.0%
NET COMPREHENSIVE INCOME	36,133,233	46,784,683	(10,651,450)	(22.8%)	0.9%	1.3%

For the year ended December 31, 2021, the MM Group earned a consolidated revenue of ₱3.9 billion an increase of 13.0% from ₱3.5 billion in 2020. This was driven by the expansion of the Group's grocery retail store with the opening of additional MerryMart-branded groceries and stores and the continuous growth of the existing stores. In 2021, the Group opened additional 26 MerryMart branches.

For the year ended December 31, 2021, sale of goods contributes 98.1% of the total revenue.

The increase in display rental is due to more stores operating in 2021.



The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2021, the MM Group's cost of sales is ₱3,277.3 million, an increase of 4.2% compared to ₱3,145.7 million for the year ended December 31, 2020, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2021, the MM Group realized an increase of 98.6% in consolidated gross profit from ₱328.4 million in 2020 at 9.5% margin to ₱652.1 million at 16.6% margin in the same period of 2021, driven by strong sales growth and increase in other operating income of the Group.

Operating expenses increased by ₱278.1 million or 91.3% from the ₱304.7 million in the year ended December 31, 2020 to ₱582.8 million in 2021. The additional operating expenses are mainly attributable to the operating expenses of new operational stores and the ramp up of head office expenses to support the anticipated growth of MerryMart based on its expansion plans.

Interest expense pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱3.4 million or 27.2% from ₱12.6 million in the year ended December 31, 2020 to ₱16.0 million in 2021 is due to additional leases of MM Group qualified under PFRS 16.

Interest income decreased by 69.7% in 2021 due to decrease in deposit placement.

Pre-tax income increased by 225.9% year-on-year to ₱55.16 Million due to the increase in the revenue of the Group.

Income tax expense for the year ended December 31, 2021 amounted to ₱21.2 million due to taxable income driven by sales growth for the period and due to one-off tax adjustments as a result of the downward adjustment in the deferred tax assets due to the change in corporate income tax rate.

For the year ended December 31, 2021, the MM Group earned a consolidated net income of ₱34.0 million a decrease of 29.5% from ₱48.2 million in 2020. The decrease is mainly due to the higher income tax expense as a result of one-time adjustments recorded.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Financial Position

As at December 31, 2021 & 2020

	December 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	P2,030,327,961	P940,641,989	P1,089,685,972	115.8%	31.3%	27.1%
Receivables	86,062,063	25,071,685	60,990,378	243.3%	1.3%	0.7%
Inventories	1,372,727,670	737,572,923	635,154,747	86.1%	21.1%	21.2%
Prepaid expenses and other current assets	292,638,800	199,090,553	93,548,247	47.0%	4.5%	5.7%
Total Current Assets	3,781,756,494	1,902,377,150	1,879,379,344	98.8%	58.2%	54.7%
Noncurrent Assets						
Property and equipment - net	1,718,685,658	P908,849,180	809,836,478	89.1%	26.5%	26.1%
Right-of-use asset	449,025,449	402,933,511	46,091,938	11.4%	6.9%	11.6%
Intangible asset	54,962,301	42,910,253	12,052,048	28.1%	0.8%	1.2%
Deferred tax asset	37,919,270	44,276,810	(6,357,540)	(14.4%)	0.6%	1.3%
Other noncurrent assets	450,109,053	174,714,961	275,394,092	157.6%	6.9%	5.0%
Total Noncurrent Assets	2,710,701,731	1,573,684,715	1,137,017,016	72.3%	41.8%	45.3%
	P6,492,458,225	P3,476,061,865	P3,016,396,360	86.8%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	P822,473,155	P416,433,885	P406,039,270	97.5%	12.7%	12.0%
Loans payable	1,295,000,000	450,000,000	845,000,000	187.8%	19.9%	12.9%
Income tax payable	-	-	-	0.0%	0.0%	0.0%
Due to related parties	-	62,482,842	(62,482,842)	(100.0%)	0.0%	1.8%
Total Current Liabilities	2,117,473,155	928,916,727	1,188,556,428	128.0%	32.6%	26.7%
Noncurrent Liabilities						
Retirement liability	9,085,689	8,024,699	1,060,990	13.2%	0.1%	0.2%
Loans Payable - noncurrent	1,997,053,555	250,000,000	1,747,053,555	698.8%	30.8%	7.2%
Other noncurrent liabilities	2,580,000	1,380,000	1,200,000	87.0%	0.0%	0.0%
Lease liability	407,535,140	376,322,986	31,212,154	8.3%	6.3%	10.8%
Deposit for future subscription	-	-	-	0.0%	0.0%	0.0%
Total Noncurrent Liabilities	2,416,254,384	635,727,685	1,780,526,699	280.1%	37.2%	18.3%
Total Liabilities	4,533,727,539	1,564,644,412	2,969,083,127	189.8%	69.8%	45.0%
Equity						
Capital stock	379,746,835	379,746,835	-	0.0%	5.8%	10.9%
Additional Paid-up Capital	1,386,292,253	1,386,292,253	-	0.0%	21.4%	39.9%
Retained earnings	180,339,438	146,834,756	33,504,682	22.8%	2.8%	4.2%
Remeasurement gain on defined benefit liability	659,303	(1,456,391)	2,115,694	(145.3%)	0.0%	(0.0%)
	1,947,037,829	1,911,417,453	35,620,376	1.9%	30.0%	55.0%
Non-controlling interest	11,692,857	-	11,692,857	0.0%	0.2%	0.0%
Total Equity	1,958,730,686	1,911,417,453	47,313,233	2.5%	30.2%	55.0%
Total Liabilities and Equity	P6,492,458,225	P3,476,061,865	P3,016,396,360	86.8%	100.0%	100.0%

## ASSETS

Total assets as at December 31, 2021 is ₱6,492.5 million compared to ₱3,476.1 million as at December 31, 2020, a ₱3,016.4 million or 86.8% increase.

### *Current Assets*

As at December 31, 2021 and 2020, total current assets amounted to ₱3,781.8 million or 58.2% of total assets, and ₱1,902.4 million or 54.7% of total assets, respectively, for an increase of ₱1,879.4 million or 98.8%.

Cash and cash equivalents increased by 115.8% from ₱940.6 million as at December 31, 2020 to ₱2,030.3 million as at December 31, 2021 primarily due from the proceeds of loan and cash from operations.

Receivables accounts for 1.3% of the total assets as at December 31, 2021. It increased by 243.3% from ₱25.1 million as at December 31, 2020 to ₱86.1 million as at December 31, 2021 due to receivables from credit card transactions that are settled within 1-3 days from transaction date and receivables from display rental.

Inventories increased by 86.1% from ₱737.6 million as at December 31, 2020 to ₱1,372.7 million as at December 31, 2021. This increase is due from the increase in operations of the Group, with 26 additional stores in 2021 and the launching of MerryMart Wholesale.

Prepaid expenses and other current assets increased by 47.0% from ₱199.1 million as at December 31, 2020 to ₱292.6 million as at December 31, 2021 primarily due to the increased in input VAT related to the construction of new stores, additional prepayments and advances to suppliers.

### *Noncurrent Assets*

As at December 31, 2021 and 2020, total noncurrent assets amounted to ₱2,710.7 million or 41.8% of total assets, and ₱1,573.7 million or 45.3% of total assets, respectively, for an increase of ₱1,137.0 million or 72.3%.

Property and equipment increased by 89.1% from ₱908.8 million as at December 31, 2020 to ₱1,718.7 million as at December 31, 2021 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisition of land and store equipment.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱449.0 million and ₱402.9 million as at December 31, 2021 and December 31, 2020, respectively, which is 6.9% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 28.1% from ₱42.9 million as at December 31, 2020 to ₱55.0 million as at December 31, 2021 due to installation of additional POS systems for new operational stores during the period.

Deferred tax assets decreased by 14.4% from ₱44.3 million as at December 31, 2020 to ₱37.9 million as at December 31, 2020 due to application of prior period's NOLCO in 2021.

Other noncurrent assets mainly pertain to the deposits made by the Group for new lease for its new and upcoming stores. Other noncurrent assets increased by ₱275.4 million or 157.6% from ₱174.7 million as at December 31, 2020 to ₱450.1 million in December 31, 2021, which is 6.9% of the total assets.

## **LIABILITIES**

Total liabilities as at December 31, 2021 is ₱4,533.7 million compared to ₱1,564.6 million as at December 31, 2020, a ₱2,969.1 million or 189.8% increase.

### ***Current Liabilities***

As at December 31, 2021 and 2020, total current liabilities amounted to ₱2,117.5 million or 32.6% of total assets, and ₱928.9 million or 26.7% of total assets, respectively, for an increase of ₱1,188.6 million or 128.0%.

Accounts payable and other current liabilities increased by 97.5% to ₱ 822.5 million as at December 31, 2021, or 12.7% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2021.

Short-term loans payable amounted to ₱1,295.0 million as at December 31, 2021, an increase of ₱845.0 million or 187.8% from ₱450.0 million as at December 31, 2020. The increase is due to the short-term loans and current portion of the long-term loan availed by the Group in 2021 in preparation for its growth and expansion.

Income tax payable is nil for December 31, 2021, all income taxes due were paid by the Group before December 31, 2021.

Due to related parties amounted to nil as at December 31, 2021 from ₱ 62.5 million, 1.8% of total assets, as at December 31, 2020. The decrease is due to payment of advances during the period.

### ***Noncurrent Liabilities***

As at December 31, 2021 and 2020, total noncurrent liabilities amounted to ₱2,416.3 million or 37.2% of total assets, and ₱635.7 million or 18.3% of total assets, respectively, for an increase of ₱1,780.5 million or 280.1%.

Retirement benefits liability increased by ₱1.1 million or 13.2% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Long-term loans payable amounted to ₱1,997.1 million on December 31, 2021, an increase of ₱1,747.1 million or 698.8% from ₱250.00 million as at December 31, 2020. The increase is due to availment of long-term loan from a local bank in preparation for investments in its company-owned store expansion and distribution centers nationwide.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱407.5 million as at December 31, 2021, an increase of ₱31.2 million or 8.3% from ₱376.3 million as at December 31, 2020. The increase in lease liability is due to additional spaces qualified under PFRS 16 leased by the Group for its newly opened stores.

## EQUITY

As at December 31, 2021 and 2020, total equity amounted to ₱1,958.7 million or 30.2% of total assets, and ₱1,911.4 million or 55.0% of total assets, respectively, for an increase of ₱47.3 million or 2.5%. The increase in equity is due to the Group's non-controlling interest and net income for the period.

## Calendar Year Ended December 31, 2020 and 2019

## RESULTS OF OPERATION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Comprehensive Income

#### For the year ended December 31, 2020 & 2019

	December 31, 2020	December 31, 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
<b>REVENUES</b>						
Sale of goods	3,412,521,282	2,482,302,804	930,218,478	37.5%	98.2%	98.7%
Display rental	26,326,260	20,870,590	5,455,670	26.1%	0.8%	0.8%
Other operating income	35,236,233	12,062,959	23,173,274	192.1%	1.0%	0.5%
	<b>3,474,083,775</b>	<b>2,515,236,353</b>	<b>958,847,422</b>	<b>38.1%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST OF SALES</b>	3,145,722,630	2,370,672,389	775,050,241	32.7%	90.5%	94.3%
<b>GROSS PROFIT</b>	<b>328,361,145</b>	<b>144,563,964</b>	<b>183,797,181</b>	<b>127.1%</b>	<b>9.5%</b>	<b>5.7%</b>
<b>OPERATING EXPENSES</b>	304,656,866	98,053,988	206,602,878	210.7%	8.8%	3.9%
<b>INCOME FROM OPERATIONS</b>	<b>23,704,279</b>	<b>46,509,976</b>	<b>(22,805,697)</b>	<b>(49.0%)</b>	<b>0.7%</b>	<b>1.8%</b>
INTEREST EXPENSE	12,550,872	6,653,777.00	5,897,095	88.6%	0.4%	0.3%
INTEREST INCOME	5,769,988	109,993	5,659,995	5145.8%	0.2%	0.0%
<b>INCOME BEFORE TAX</b>	<b>16,923,395</b>	<b>39,966,192</b>	<b>(23,042,797)</b>	<b>(57.7%)</b>	<b>0.5%</b>	<b>1.6%</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>31,317,679</b>	<b>(11,956,860)</b>	<b>43,274,539</b>	<b>(361.9%)</b>	<b>0.9%</b>	<b>(0.5%)</b>
<b>NET INCOME</b>	<b>48,241,074</b>	<b>28,009,332</b>	<b>20,231,742</b>	<b>72.2%</b>	<b>1.4%</b>	<b>1.1%</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY	(1,456,391)	-	(1,456,391)	0.0%	(0.0%)	0.0%
<b>NET COMPREHENSIVE INCOME (LOSS)</b>	<b>46,784,683</b>	<b>28,009,332</b>	<b>18,775,351</b>	<b>67.0%</b>	<b>1.9%</b>	<b>1.3%</b>

For the year ended December 31, 2020, the MM Group earned a consolidated revenue of ₱3.5 billion an increase of 38.1% from ₱2.5 billion in 2019. This was driven by the expansion of the MM Group's grocery retail store with the opening of 22 additional stores in 2020 and the continuous strong growth of the first two grocery stores in Roxas, Capiz.

For the year ended December 31, 2020, sale of goods contributes 98.2% of the total revenue.

The increase in display rental is due to more stores operating in 2020.

The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2020, the MM Group's cost of sales is ₱3,145.7 million, an increase of 32.7% compared to ₱2,370.7 million for the year ended December 31, 2019, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2020, the MM Group realized an increase of 127.1% in consolidated gross profit from ₱144.6 million in 2019 at 5.7% margin to ₱328.4 million at 9.5% margin in the same period of 2020, driven by strong sales growth from old and new stores and increase in other operating income.

Operating expenses increased by ₱206.6 million or 210.7% from the ₱98.1 million in the year ended December 31, 2019 to ₱304.7 million in 2020. The additional operating expenses are mainly attributable to the opening of a new stores in 2020 and the pre-operating expenses of some branches.

Interest expense pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱5.9 million or 88.6% from ₱6.7 million in the year ended December 31, 2019 to ₱12.6 million in 2020 is due to additional leases of MM Group qualified under PFRS 16.

Interest income increased by 5,145.8% in 2020 due to increase in deposit placement.

Income tax benefit for the year ended December 31, 2020 amounted to ₱31.3 million due to the net operating loss from the Company's subsidiary.

For the year ended December 31, 2020, the MM Group earned a consolidated net income of ₱48.2 million an increase of 72.2% from ₱28.0 million in 2019. The increase is due to the increase in revenue of the Group and income tax benefit recorded for the year.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Financial Position

As at December 31, 2020 & 2019

	December 31, 2020	December 31, 2019 (As reclassified - Note 24)	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱940,641,989	₱270,308,599	₱670,333,390	248.0%	27.1%	30.0%
Receivables	25,071,685	9,018,707	16,052,978	178.0%	0.7%	1.0%
Inventories	737,572,923	183,418,743	554,154,180	302.1%	21.2%	20.4%
Prepaid expenses and other current assets	199,090,553	32,369,229	166,721,324	515.1%	5.7%	3.6%
<b>Total Current Assets</b>	<b>1,902,377,150</b>	<b>495,115,278</b>	<b>1,407,261,872</b>	<b>284.2%</b>	<b>54.7%</b>	<b>55.0%</b>
<b>Noncurrent Assets</b>						
Property and equipment - net	908,849,180	₱221,794,668	687,054,512	309.8%	26.1%	24.6%
Right-of-use asset	402,933,511	118,264,628	284,668,883	240.7%	11.6%	13.1%
Intangible asset	42,910,253	14,612,773	28,297,480	193.6%	1.2%	1.6%
Deferred tax asset	44,276,810	8,352,008	35,924,802	430.1%	1.3%	0.9%
Other noncurrent assets	174,714,961	41,672,212	133,042,749	319.3%	5.0%	4.6%
<b>Total Noncurrent Assets</b>	<b>1,573,684,715</b>	<b>404,696,289</b>	<b>1,168,988,426</b>	<b>288.9%</b>	<b>45.3%</b>	<b>45.0%</b>
	<b>₱3,476,061,865</b>	<b>₱899,811,567</b>	<b>₱2,576,250,298</b>	<b>286.3%</b>	<b>100.0%</b>	<b>100.0%</b>

**LIABILITIES AND EQUITY****Current Liabilities**

Accounts payable and other current liabilities	P416,433,885	P130,218,011	P286,215,874	219.8%	12.0%	14.5%
Loans payable	450,000,000	150,000,000	300,000,000	200.0%	12.9%	16.7%
Income tax payable	-	37,782,980	(37,782,980)	(100.0%)	0.0%	4.2%
Due to related parties	62,482,842	49,762,571	12,720,271	25.6%	1.8%	5.5%
<b>Total Current Liabilities</b>	<b>928,916,727</b>	<b>367,763,562</b>	<b>561,153,165</b>	<b>152.6%</b>	<b>26.7%</b>	<b>40.9%</b>

**Noncurrent Liabilities**

Retirement liability	8,024,699	6,196,332	1,828,367	29.5%	0.2%	0.7%
Loans Payable - noncurrent	250,000,000	0	250,000,000	0.0%	7.2%	0.0%
Other noncurrent liabilities	1,380,000	1,380,000	-	0.0%	0.0%	0.2%
Lease liability	376,322,986	117,477,991	258,844,995	220.3%	10.8%	13.1%
Deposit for future subscription	-	298,750,000	(298,750,000)	(100.0%)	0.0%	33.2%
<b>Total Noncurrent Liabilities</b>	<b>635,727,685</b>	<b>423,804,323</b>	<b>211,923,362</b>	<b>50.0%</b>	<b>18.3%</b>	<b>47.1%</b>
<b>Total Liabilities</b>	<b>1,564,644,412</b>	<b>791,567,885</b>	<b>773,076,527</b>	<b>97.7%</b>	<b>45.0%</b>	<b>88.0%</b>

**Equity**

Capital stock	379,746,835	1,250,000	378,496,835	30279.7%	10.9%	0.1%
Additional Paid-up Capital	1,386,292,253	-	1,386,292,253	0.0%	39.9%	0.0%
Retained earnings	146,834,756	106,993,682	39,841,074	37.2%	4.2%	11.9%
Remeasurement gain on defined benefit liability	(1,456,391)	-	(1,456,391)	0.0%	(0.0%)	0.0%
<b>Total Equity</b>	<b>1,911,417,453</b>	<b>108,243,682</b>	<b>1,803,173,771</b>	<b>1665.8%</b>	<b>55.0%</b>	<b>12.0%</b>
<b>Total Liabilities and Equity</b>	<b>P3,476,061,865</b>	<b>P899,811,567</b>	<b>P2,576,250,298</b>	<b>286.3%</b>	<b>100.0%</b>	<b>100.0%</b>

**ASSETS**

Total assets as at December 31, 2020 is P3,476.1 million compared to P914.6 million as at December 31, 2019, a P2,561.4 million or 280.0% increase.

**Current Assets**

As at December 31, 2020 and 2019, total current assets amounted to P1,902.4 million or 54.7% of total assets, and P509.9 million or 55.8% of total assets, respectively, for an increase of P1,392.4 million or 273.1%.

Cash and cash equivalents increased by 248.0% from P270.3 million as at December 31, 2019 to P940.6 million as at December 31, 2020 primarily due from the proceeds of loan and issuance of shares by the Company.

Receivables only accounts for 0.7% of the total assets as at December 31, 2020. It increased by 154.8% from P9.8 million as at December 31, 2019 to P25.1 million as at December 31, 2020 due to increase in receivables from credit card and QR-based mobile payment sales.

Inventories increased by 302.1% from P183.4 million as at December 31, 2019 to P737.6 million as at December 31, 2020 this increase is due from the increase in operations of the Group, with 22 additional stores in 2020.

Prepaid expenses and other current assets increased by 329.4% from ₱46.4 million as at December 31, 2019 to ₱199.1 million as at December 31, 2020 primarily due to the increased in input VAT related to the construction of new stores and prepaid expenses.

### ***Noncurrent Assets***

As at December 31, 2020 and 2019, total noncurrent assets amounted to ₱1,573.7 million or 45.3% of total assets, and ₱404.7 million or 44.2% of total assets, respectively, for an increase of ₱1,169.0 million or 288.9%.

Property and equipment increased by 309.8% from ₱221.8 million as at December 31, 2019 to ₱908.8 million as at December 31, 2020 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱402.9 million and ₱118.3 million as at December 31, 2020 and December 31, 2019, respectively, which is 11.6% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 193.6% from ₱14.6 million as at December 31, 2019 to ₱42.9 million as at December 31, 2020 due to additional cost for the installation and implementation of MM's SAP system.

Deferred tax assets increased by 430.1% from ₱8.4 million as at December 31, 2019 to ₱44.3 million as at December 31, 2020 due to increase in the deferred tax component of NOLCO from the Company's subsidiary.

Other noncurrent assets mainly pertain to the deposits and prepaid rent for the leases of its stores. Other noncurrent assets increased by ₱174.7 million or 319.3% from ₱41.7 million as at December 31, 2019 to ₱174.7 million in December 31, 2020, which is 5.0% of the total assets.

## **LIABILITIES**

Total liabilities as at December 31, 2020 is ₱1,564.6 million compared to ₱806.4 million as at December 31, 2019, a ₱758.3 million or 94.0% increase.

### ***Current Liabilities***

As at December 31, 2020 and 2019, total current liabilities amounted to ₱928.9 million or 26.7% of total assets, and ₱382.6 million or 41.8% of total assets, respectively, for an increase of ₱546.3 million or 142.8%.

Accounts payable and other current liabilities increased by 187.1% to ₱416.4 million as at December 31, 2020, or 12.0% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2020.

Loans payable amounted to ₱450 million as at December 31, 2020, an increase of ₱300.0 million or 200.0% from ₱150.0 million as at December 31, 2019. The increase is due to the short-term loans availed by the Group in 2020.



Income tax payable is nil for December 31, 2020, all income taxes due were paid by the Group before December 31, 2020.

Due to related parties increased by 25.6% or ₱12.7 million from ₱49.8 million as at December 31, 2019 to ₱62.5 million, 1.8% of total assets, in December 31, 2020 due to advances made for the year.

### ***Noncurrent Liabilities***

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to ₱635.7 million or 18.3% of total assets, and ₱423.8 million or 46.3% of total assets, respectively, for an increase of ₱211.9 million or 50.0%.

Retirement benefits liability increased by ₱1.8 million or 29.5% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱376.3 million as at December 31, 2020, an increase of ₱258.8 million or 220.3% from ₱117.5 million as at December 31, 2019. The increase is due to additional leases by the Group qualified under PFRS 16.

Deposit for future subscription is nil as at December 31, 2020, 100.0 % decrease from ₱298.8 million as at December 31, 2019. The deposit for future subscription has been converted to equity in 2020.

### **EQUITY**

As at December 31, 2020 and 2019, total equity amounted to ₱1,911.4 million or 55.0% of total assets, and ₱108.2 million or 11.8% of total assets, respectively, for an increase of ₱1,803.2 million or 1,665.8%. The increase in equity is due to increase in Capital stock and recognition of additional paid-in capital for the year, and net income for the year offset by the dividends declared.

## Calendar Year Ended December 31, 2019 and 2018

### RESULTS OF OPERATION

#### MERRYMART CONSUMER CORP. AND SUBSIDIARY Audited Consolidated Statements of Comprehensive Income For the year ended December 31, 2019 & 2018

	December 31, 2019	December 31, 2018	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2019	2018
<b>REVENUES</b>						
Sale of goods	2,482,302,804	2,095,408,067	386,894,737	18.5%	98.7%	99.0%
Display rental	20,870,590	21,562,804	(692,214)	(3.2%)	0.8%	1.0%
Other operating income	12,062,959	-	12,062,959	0.0%	0.5%	0.0%
	<b>2,515,236,353</b>	<b>2,116,970,871</b>	<b>398,265,482</b>	<b>18.8%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST OF SALES</b>	<b>2,370,672,389</b>	<b>2,023,262,656</b>	<b>347,409,733</b>	<b>17.2%</b>	<b>94.3%</b>	<b>95.6%</b>
<b>GROSS PROFIT</b>	<b>144,563,964</b>	<b>93,708,215</b>	<b>50,855,749</b>	<b>54.3%</b>	<b>5.7%</b>	<b>4.4%</b>
<b>OPERATING EXPENSES</b>	<b>98,053,988</b>	<b>35,781,808</b>	<b>62,272,180</b>	<b>174.0%</b>	<b>3.9%</b>	<b>1.7%</b>
<b>INCOME FROM OPERATIONS</b>	<b>46,509,976</b>	<b>57,926,407</b>	<b>(11,416,431)</b>	<b>(19.7%)</b>	<b>1.8%</b>	<b>2.7%</b>
INTEREST EXPENSE	6,653,777	-	6,653,777	0.0%	0.3%	0.0%
INTEREST INCOME	109,993	49,649	60,344	121.5%	0.0%	0.0%
<b>INCOME BEFORE TAX</b>	<b>39,966,192</b>	<b>57,976,056</b>	<b>(18,009,864)</b>	<b>(31.1%)</b>	<b>1.6%</b>	<b>2.7%</b>
<b>INCOME TAX EXPENSE</b>	<b>(11,956,860)</b>	<b>(17,377,922)</b>	<b>5,421,062</b>	<b>(31.2%)</b>	<b>(0.5%)</b>	<b>(0.8%)</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>28,009,332</b>	<b>40,598,134</b>	<b>(12,588,802)</b>	<b>(31.0%)</b>	<b>1.1%</b>	<b>1.9%</b>

For the year ended December 31, 2019, the MM Group earned a consolidated revenue of ₱2.5 billion an increase of 18.8% from ₱2.1 billion in 2018. This was driven by the expansion of the MM Group's grocery retail store with the opening of its first MerryMart brand and the continuous strong growth of the first two grocery stores in Roxas, Capiz. MerryMart-DoubleDragon Plaza started its operations May 2019 and have been contributing sales of goods and concession sales to the MM Group.

For the year ended December 31, 2019, sale of goods contributes 98.7% of the total revenue.

*Table showing the significant increase in the sale of goods for the two Injap Supermart grocery brand:*

	2018	2019
Sale of Goods	2,095,408,067	2,482,302,804
% Change	19.7%	13.0%

The other operating income consists of the concession sales net of cost of concession, supplier marketing fees and franchise fees of the MM Group. The increase is due to the operating income recognized by MMGC which started operation in 2019.

For the year ended December 31, 2019, the MM Group's cost of sales is ₱2,370.7 million, an increase of 17.2% compared to ₱2,023.3 million for the year ended December 31, 2018, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2019, the MM Group realized an increase of 54.3% in consolidated gross profit from ₱93.7 million in 2018 at 4.4% margin to ₱144.6 million at 5.7% margin in the same period of 2019, driven by strong sales growth from old and new stores and continuous suppliers' support through additional trade discounts and promos.

Operating expenses increased by ₱62.3 million or 174.0% from the ₱35.8 million in the year ended December 31, 2018 to ₱98.1 million in 2019. The additional operating expenses are mainly attributable to the opening of a new store in 2019 and the pre-operating expenses of MM.

Interest expense amounted to ₱6.7 million in 2019 pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized.

Interest income increased by 121.8% in 2019 due to higher interest income earned from MM Group's cash in banks.

Income tax expense for 2019 amounted to ₱12.0 million, a decrease of 31.2% from 2018. The decrease is mainly due to lower taxable income of the company in 2019.

For the year ended December 31, 2019, the MM Group earned a consolidated net income of ₱28.0 million a decrease of 31.0% from ₱40.6 million in 2018. The decrease is due to the pre-operating expenses of the Issuer's subsidiary.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY Audited Consolidated Statements of Financial Position As at December 31, 2019 & 2018

	December 31, 2019	December 31, 2018	Horizontal Analysis		Vertical Analysis	
	(As reclassified- Note 24)		Increase (Decrease)		2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	P270,308,599	P20,907,865	P249,400,734	1192.9%	30.0%	6.3%
Receivables	9,018,707	914,421	8,104,286	886.3%	1.0%	0.3%
Inventories	183,418,743	270,448,890	(87,030,147)	(32.2%)	20.4%	81.0%
Prepaid expenses and other current assets	32,369,229	3,838,876	28,530,353	743.2%	3.6%	1.2%
Total Current Assets	495,115,278	296,110,052	199,005,226	67.2%	55.0%	88.7%
Noncurrent Assets						
Property and equipment - net	221,794,668	29,011,645	192,783,023	664.5%	24.6%	8.7%
Right-of-use asset	118,264,628	-	118,264,628	0.0%	13.1%	0.0%
Intangible asset	14,612,773	7,200,000	7,412,773	103.0%	1.6%	2.2%
Deferred tax asset	8,352,008	1,417,238	6,934,770	489.3%	0.9%	0.4%
Other noncurrent assets	41,672,212	-	41,672,212	0.0%	4.6%	0.0%
Total Noncurrent Assets	404,696,289	37,628,883	367,067,406	975.5%	45.0%	11.3%
	P899,811,567	P333,738,935	P566,072,632	169.6%	100.0%	100.0%

**LIABILITIES AND EQUITY****Current Liabilities**

Accounts payable and other current liabilities	₱130,218,011	₱95,187,658	₱35,030,353	36.8%	14.5%	28.5%
Loans payable	150,000,000	-	150,000,000	0.0%	16.7%	0.0%
Income tax payable	37,782,980	19,163,976	18,619,004	97.2%	4.2%	5.7%
Due to related parties	49,762,571	134,896,958	(85,134,387)	(63.1%)	5.5%	40.4%
<b>Total Current Liabilities</b>	<b>367,763,562</b>	<b>249,248,592</b>	<b>118,514,970</b>	<b>47.5%</b>	<b>40.9%</b>	<b>74.7%</b>

**Noncurrent Liabilities**

Retirement liability	6,196,332	4,255,993	1,940,339	45.6%	0.7%	1.3%
Loans Payable - noncurrent	-	-	-	0.0%	0.0%	0.0%
Other noncurrent liabilities	1,380,000	-	1,380,000	0.0%	0.2%	0.0%
Lease liability	117,477,991	-	117,477,991	0.0%	13.1%	0.0%
Deposit for future subscription	298,750,000	-	298,750,000	0.0%	33.2%	0.0%
<b>Total Noncurrent Liabilities</b>	<b>423,804,323</b>	<b>4,255,993</b>	<b>419,548,330</b>	<b>9857.8%</b>	<b>47.1%</b>	<b>1.3%</b>
<b>Total Liabilities</b>	<b>791,567,885</b>	<b>253,504,585</b>	<b>538,063,300</b>	<b>212.2%</b>	<b>88.0%</b>	<b>76.0%</b>

**Equity**

Capital stock	1,250,000	1,250,000	-	0.0%	0.1%	0.4%
Additional Paid-up Capital	-	-	-	0.0%	0.0%	0.0%
Retained earnings	106,993,682	78,984,350	28,009,332	35.5%	11.9%	23.7%
Remeasurement gain on defined benefit liability	-	-	-	0.0%	0.0%	0.0%
<b>Total Equity</b>	<b>108,243,682</b>	<b>80,234,350</b>	<b>28,009,332</b>	<b>34.9%</b>	<b>12.0%</b>	<b>24.0%</b>
<b>Total Liabilities and Equity</b>	<b>₱899,811,567</b>	<b>₱333,738,935</b>	<b>₱566,072,632</b>	<b>169.6%</b>	<b>100.0%</b>	<b>100.0%</b>

**ASSETS**

Total assets as at December 31, 2019 is ₱899.8 million compared to ₱333.7 million as at December 31, 2018, or a 169.6% increase.

**Current Assets**

As at December 31, 2019 and 2018, total current assets amounted to ₱495.1 million or 55.0% of total assets, and ₱296.1 million or 88.7% of total assets, respectively, for an increase of ₱199.0 million or 67.2%.

Cash and cash equivalents increased by 1192.9% from ₱20.9 million as at December 31, 2018 to ₱270.3 million as at December 31, 2019 primarily due to net cash generated from operations and deposits for future subscription.

Receivables only accounts for 1.0% of the total assets as at December 31, 2019. It increased by 886.3% from ₱914.4 thousand as at December 31, 2018 to ₱9,018.7 thousand as at December 31, 2019 due to additional receivables from MM-DoubleDragon Plaza Pasay which only started operations in 2019. These receivables pertain to receivables from credit card and QR-based mobile payment sales.

Inventories decreased by 32.2% from ₱270.4 million as at December 31, 2018 to ₱183.4 million as at December 31, 2019 due to lower purchases during the second half of 2019 compared to the same period in 2018 as MM plans to maintain a lower warehouse inventories at year end 2019.

Prepaid expenses and other current assets increased by 743.2% from ₱3.8 million as at December 31, 2018 to ₱32.4 million as at December 31, 2019 primarily due to the increased in input VAT related to the construction of new stores.

### ***Noncurrent Assets***

As at December 31, 2019 and 2018, total noncurrent assets amounted to ₱404.7 million or 45.0% of total assets, and ₱37.6 million or 11.3% of total assets, respectively, for an increase of ₱367.1 million or 975.5%.

Property and equipment increased by 664.5% from ₱29 million as at December 31, 2018 to ₱221.8 million as at December 31, 2019 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisitions of store equipment and office furniture and fixtures for MM's new office.

Right-of-Use asset is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱118.3 million as at December 31, 2019, which is 13.1% of total assets.

Intangible Assets increased by 103.0% from ₱7.2 million as at December 31, 2018 to ₱14.6 million as at December 31, 2019 due primarily to the installation of MM's SAP system.

Deferred tax assets increased by 489.3% from ₱1.4 million as at December 31, 2018 to ₱8.4 million as at December 31, 2019 due to increase in the deferred tax component from retirement liability and MMGC's NOLCO.

Other noncurrent assets mainly pertain to the deposits made by the MMGC in 2019 for the lease of its new and upcoming stores. Other noncurrent assets amounted to ₱41.7 million as at December 31, 2019 or 4.6% of total assets.

## **LIABILITIES**

### ***Current Liabilities***

As at December 31, 2019 and 2018, total current liabilities amounted to ₱367.8 million or 40.9% of total assets, and ₱249.3 million or 74.7% of total assets, respectively, for an increase of ₱118.5 million or 47.5%.

Accounts payable and other current liabilities increased by 36.8% to ₱130.2 million as at December 31, 2019, or 14.5% of total assets, due to higher payables to suppliers as at December 31, 2018.

Loans payable amounted to ₱150 million as at December 31, 2019, the increase is due to the short-term loans availed by MMGC in 2019.

Income tax payable amounted to ₱37.8 million as at December 31, 2019 or 4.2% of total asset, 97.2% higher than ₱19.2 million as at December 31, 2018 is due to higher taxes incurred by the company for the year.

Due to related parties decreased by 63.1% due to payments made in 2019. Due to related parties accounts to 5.5% of total assets.

### ***Noncurrent Liabilities***

As at December 31, 2019 and 2018, total noncurrent liabilities amounted to ₱423.8 million or 46.3% of total assets, and ₱4.3 million or 1.3% of total assets, respectively, for an increase of ₱419.5 million or 9,857.8%.

Retirement benefits liability increased by ₱1.9 million or 45.6% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Deposit for future subscription amounted to ₱298.8 million as at December 31, 2019 as a result of MM's planned increase in authorized capital stock.

Lease liability amounting to ₱117.5 million as at December 31, 2019 pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption.

### **EQUITY**

As at December 31, 2019 and 2018, total equity amounted to ₱108.2 million or 11.8% of total assets, and ₱80.2 million or 24.0% of total assets, respectively, for an increase of ₱28.0 million or 34.9%. The increase in equity is due to the net income recognized by the MM Group for the year.

### **Key Performance Indicators of the Company**

The following are the key performance indicators used by the Group as at December 31, 2021, 2020 and 2019.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current Ratio	1.79	2.05	1.33
Asset to Equity	3.31	1.82	8.45
Debt to Equity Ratio	1.68	0.37	1.39
Acid Test Ratio	1.00	1.04	0.73
Return on Equity	1.76%	4.78%	29.72%
Net Income to Revenue	0.87%	1.39%	1.11%
Revenue Growth	13.11%	38.12%	18.81%
Income Growth	-29.53%	72.23%	-31.01%
EBITDA (PHP in thousands)	128,561.0	91,125.1	65,020.5
Solvency Ratio	0.03	0.07	0.06

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

$$\text{1. Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$
5. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$
6. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$
7. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
8. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense
9. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$

### **Liquidity & Capital Resources**

MM expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from its operating cash flows and borrowings and issuance of shares. It may from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Principal uses of cash are for working capital requirements and capital expenditures for stores expansion.

## **Cash Flows**

### ***Net Cash from operating activities***

The MM Group's consolidated cash from operating activities is primarily affected by its revenue from sale of goods, purchase of inventories and operating expenses. Net cash used in operating activities amounted to ₱224.40 million for the year ended December 31, 2021, while net cash provided by operating activities amounted to ₱416.02 million for the year ended December 31, 2020.

### ***Net cash used in investing activities***

Net cash used in investing activities amounted to ₱1,158.99 million and ₱876.60 million for the year ended December 31, 2021 and 2020, respectively. Cash used in investing activities includes capital expenditures for construction of new stores, acquisitions of equipment, furniture & fixtures and improvements on leased assets, and deposits made to secure the leasable space.

### ***Net cash from financing activities***

Net cash from financing activities amounted to ₱2,493.08 million and ₱1,962.95 million for the year ended December 31, 2021 and 2020. Consolidated net cash from financing was attributable mainly from issuance of new shares and availment of loans, offset by dividend payments and lease payments.

## **Material Events and Uncertainties**

MM Group is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on MM Group's liquidity.

MM Group is not aware of any event that will trigger direct or contingent financial obligation that is material to MM Group, including default or acceleration of any obligation.

MM Group is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations.

MM Group has no material off-balance sheet transactions, arrangements, or obligations that were likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures.

MM Group has no material commitments for capital expenditures other than those performed in the ordinary course of trade of business and MM Group's store expansion plan.

MM Group also has no unconsolidated subsidiaries.

MM Group does not have any significant elements of income or loss that did not arise from its continuing operations.



MM Group experiences the fourth quarter of the year with increase in sales due to Christmas & New Year holidays.

### **Operational and financial impact of COVID19**

The Company's stores have continued to be operational during the COVID 19 and manage to open additional 26 stores in 2021. The Company continuous to be of service to the community providing grocery and pharmacy essentials.

The COVID 19 pandemic has shifted consumer demands and preferences, and with this the Company launched in 2020 its inhouse online delivery platform and partnered with different online delivery apps to increase sales and continuously deliver essential goods to customers.

The pandemic has caused challenges to store's construction activities and disruptions to the supply chain as movement of goods and manpower are restricted. The Company implemented business continuity plan which includes equipping the employees to work remotely to support the supply chain with the purpose of minimizing the impact of this business disruption.

The Company complies with strict community quarantine regulations for the safety of its stakeholders, particularly its store frontliners. The Company have continuously reassessed store operations procedures and re-orient store frontliners for the any new health and safety protocols.

The Company closely monitors updates from the Philippine Department of Health and other reliable sources publishing information regarding COVID-19 and shall continue to comply with all government-mandated measures relating to COVID-19. Despite this challenging business environment, the Company does not foresee any going concern issue affecting its business operations, and the Company projects that it would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due.

**PART III      MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION  
FOR FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022**

**September 30, 2022 versus September 30, 2021 Results of Operations**

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**

(Formerly Injap Supermart Inc.)

**UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

For the nine months ended September 30, 2022 and September 30, 2021

	September 30, 2022	September 30, 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
REVENUES						
Sale of goods	P4,464,082,981	P2,753,066,867	1,711,016,114	62.1%	98.0%	98.0%
Display rental	16,821,850	18,346,083	(1,524,233)	(8.3%)	0.4%	0.7%
Other operating income	73,703,025	38,425,528	35,277,497	91.8%	1.6%	1.4%
	4,554,607,856	2,809,838,478	1,744,769,378	62.1%	100.0%	100.0%
COST OF SALES						
	3,783,187,596	2,395,502,992	1,387,684,604	57.9%	83.1%	85.3%
GROSS PROFIT	771,420,260	414,335,486	357,084,774	86.2%	16.9%	14.7%
OPERATING EXPENSES	699,311,251	376,527,915	322,783,336	85.7%	15.4%	13.4%
INCOME FROM OPERATIONS	72,109,009	37,807,571	34,301,438	90.7%	1.6%	1.3%
INTEREST EXPENSE	17,425,382	8,754,019	8,671,363	99.1%	0.4%	0.3%
INTEREST INCOME	1,476,734	1,215,234	261,500	21.5%	0.0%	0.0%
INCOME BEFORE TAX	56,160,361	30,268,786	25,891,575	85.5%	1.2%	1.1%
INCOME TAX EXPENSE	13,668,078	7,263,386	6,404,692	88.2%	0.3%	0.3%
NET INCOME/TOTAL COMPREHENSIVE INCOME	P42,492,283	P23,005,400	19,486,883	84.7%	0.9%	0.8%
NET INCOME TO PARENT	23,140,205	23,005,400	134,805	0.6%	1.4%	2.4%
NCI NET INCOME (LOSS)	19,352,078	-	19,352,078	0.0%	1.2%	0.0%
NET INCOME/TOTAL COMPREHENSIVE INCOME	P42,492,283	P23,005,400	P19,486,883	84.7%	2.5%	2.4%

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**

(Formerly Injap Supermart Inc.)

**UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

For the quarter ended September 30, 2022 and September 30, 2021

	September 30, 2022	September 30, 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
REVENUES						
Sale of goods	₱1,645,178,526	₱949,867,183	695,311,343	73.2%	97.9%	98.3%
Display rental	4,440,907	5,712,255	(1,271,348)	(22.3%)	0.3%	0.6%
Other operating income	30,391,372	10,498,431	19,892,941	189.5%	1.8%	1.1%
	1,680,010,805	966,077,869	713,932,936	73.9%	100.0%	100.0%
COST OF SALES	1,413,086,063	798,169,430	614,916,633	77.0%	84.1%	82.6%
GROSS PROFIT	266,924,742	167,908,439	99,016,303	59.0%	15.9%	17.4%
OPERATING EXPENSES	247,956,859	157,219,799	90,737,060	57.7%	14.8%	16.3%
INCOME FROM OPERATIONS	18,967,883	10,688,640	8,279,243	77.5%	1.1%	1.1%
INTEREST EXPENSE	5,692,342	2,277,037	3,415,305	150.0%	0.3%	0.2%
INTEREST INCOME	287,185	283,331	3,854	1.4%	0.0%	0.0%
INCOME BEFORE TAX	13,562,726	8,694,934	4,867,792	56.0%	0.8%	0.9%
INCOME TAX EXPENSE	3,317,001	2,102,900	1,214,101	57.7%	0.2%	0.2%
NET INCOME/TOTAL COMPREHENSIVE INCOME	₱10,245,725	₱6,592,034	3,653,691	55.4%	0.6%	0.7%
NET INCOME TO PARENT	4,946,844	6,592,034	(1,645,190)	(25.0%)	0.3%	0.7%
NCI NET INCOME (LOSS)	5,298,881	-	5,298,881	0.0%	0.3%	0.0%
NET INCOME/TOTAL COMPREHENSIVE INCOME	₱10,245,725	₱6,592,034	₱3,653,691	55.4%	0.6%	0.7%

**For the Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021**

For the nine months ended September 30, 2022, MM booked consolidated revenues of ₱4,554.61 million an increase of 62.1% from ₱2,809.84 million from the same period in 2021. This was driven by the expansion of the Group's grocery retail store with the opening of additional MerryMart-branded groceries and stores and the consolidation of the revenues contributed by the newly acquired pharmacy chains, Cecile's Pharmacy and Carlos SuperDrug.

For the nine months ended September 30, 2022, sale of goods contributes 98.0% of the total revenue.

The increase in other operating income is due to the increase in product listing fees, income from distribution center and other income.

For the nine months ended September 30, 2022, the Group's cost of sales is ₱3,783.19 million, an increase of 57.9% compared to ₱2,395.50 million for the nine months ended September 30, 2021, which is in line in the increase in revenues.

For the nine months ended September 30, 2022, the Group realized an increase of 86.2% in consolidated gross profit from ₱414.34 million in 2021 to ₱771.42 million 2022, driven by sales growth stores and additional revenue from stores of acquired subsidiaries.

Operating expenses increased by ₱322.78 million or 85.7% from the ₱376.53 million in the nine months ended September 30, 2021 to ₱699.31 million in the nine months ended September 30,

2022. The additional operating expenses are mainly attributable to the operating expenses of new operational and stores of acquired subsidiaries.

Interest expense pertains to the PFRS 16 accounting adjustment. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱8.67 million or 99.1% from ₱8.75 million in the nine months of 2021 to ₱17.43 million in the nine months of 2022 is due to additional leases of MM Group qualified under PFRS 16 and interest from additional loans.

Interest income increased due to higher interest income from financial institutions.

Income tax expense for the nine months of 2022 amounted to ₱13.67 million, an increase of 88.2% from nine months 2021. The increase is due higher taxable income driven by sales growth for the period.

For the nine months ended September 30, 2022, the Group booked consolidated net income of ₱42.49 million, an increase of 84.7% from ₱23.01 million in nine months ended September 30, 2021. The increase in net income was driven by higher gross profit margin from stores and consolidation of the newly acquired pharmacy chains, Cecile's Pharmacy and Carlos Drugstore.

**For the Quarter Ended September 30, 2022 compared to the Quarter Ended September 30, 2021**

For the quarter ended September 30, 2022, MM booked consolidated revenues of ₱1,680.01 million an increase of 73.9% from ₱966.08 million from the same period in 2021. This was driven by the higher store revenues and the consolidation of the revenues contributed by the newly acquired pharmacy chains, Cecile's Pharmacy and Carlos Drugstore.

For the quarter ended September 30, 2022, the Group realized an increase of 59.0% in consolidated gross profit from ₱167.91 million for the quarter ended September 30, 2021 to ₱266.92 million for the quarter ended September 30, 2022, driven by the increase in revenues of the Group.

Operating expenses increased by ₱90.74 million or 57.7% from the ₱157.22 million in the quarter ended September 30, 2021 to ₱247.96 million in 2022. The additional operating expenses are mainly attributable to the operating expenses of new operational stores and stores from acquired subsidiaries.

For the quarter ended September 30, 2022, the Group booked consolidated net income of ₱10.25 million, an increase of 55.4% from ₱6.59 million for the quarter ended September 30, 2021. The increase in net income was mainly driven higher sales of goods and other operating income.

## September 30, 2022 versus December 31, 2021 Statements of Financial Position

### MERRYMART CONSUMER CORP. AND SUBSIDIARIES

(Formerly Injap Supermart Inc.)

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2022 and DECEMBER 31, 2021

	September 30, 2022	December 31, 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		September 30, 2022	December 31, 2021
<b>ASSETS</b>	Unaudited	Audited				
<b>Current Assets</b>						
Cash and cash equivalents	₱1,740,630,810	₱2,030,327,961	(₱289,697,151)	(14.3%)	21.1%	31.3%
Receivables	138,550,880	86,062,063	52,488,817	61.0%	1.7%	1.3%
Due from related parties	0	-	-	0.0%	0.0%	0.0%
Inventories	2,282,488,462	1,372,727,670	909,760,792	66.3%	27.6%	21.1%
Prepaid expenses and other current assets	466,712,900	292,638,800	174,074,100	59.5%	5.6%	4.5%
<b>Total Current Assets</b>	<b>₱4,628,383,052</b>	<b>₱3,781,756,494</b>	<b>846,626,558</b>	<b>22.4%</b>	<b>56.0%</b>	<b>58.2%</b>
<b>Noncurrent Assets</b>						
Property and equipment - net	₱2,390,869,154	₱1,718,685,658	672,183,496	39.1%	28.9%	26.5%
Right-of-use asset	466,108,691	449,025,449	17,083,242	3.8%	5.6%	6.9%
Intangible asset	49,746,930	54,962,301	(5,215,371)	(9.5%)	0.6%	0.8%
Deferred tax asset	66,144,987	37,919,270	28,225,717	74.4%	0.8%	0.6%
Other noncurrent assets	659,445,460	450,109,053	209,336,407	46.5%	8.0%	6.9%
<b>Total Noncurrent Assets</b>	<b>₱3,632,315,222</b>	<b>₱2,710,701,731</b>	<b>921,613,491</b>	<b>34.0%</b>	<b>44.0%</b>	<b>41.8%</b>
	<b>₱8,260,698,274</b>	<b>₱6,492,458,225</b>	<b>₱1,768,240,049</b>	<b>27.2%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other current liabilities	₱1,092,781,149	₱822,473,155	₱270,307,994	32.9%	13.2%	12.7%
Short-term loans payable	2,285,773,943	1,295,000,000	990,773,943	76.5%	27.7%	19.9%
Income tax payable	20,380,061	-	20,380,061	0.0%	0.2%	0.0%
Due to related parties	-	-	-	0.0%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>₱3,398,935,153</b>	<b>₱2,117,473,155</b>	<b>1,281,461,998</b>	<b>60.5%</b>	<b>41.1%</b>	<b>32.6%</b>
<b>Noncurrent Liabilities</b>						
Retirement liability	₱32,727,271	₱9,085,689	23,641,582	260.2%	0.4%	0.1%
Other noncurrent liabilities	43,220,681	2,580,000	40,640,681	1575.2%	0.5%	0.0%
Long-term loans payable	2,224,369,919	1,997,053,555	227,316,364	11.4%	26.9%	30.8%
Lease liability	435,679,437	407,535,140	28,144,297	6.9%	5.3%	6.3%
<b>Total Noncurrent Liabilities</b>	<b>₱2,735,997,308</b>	<b>₱2,416,254,384</b>	<b>319,742,924</b>	<b>13.2%</b>	<b>33.1%</b>	<b>37.2%</b>
<b>Total Liabilities</b>	<b>₱6,134,932,461</b>	<b>₱4,533,727,539</b>	<b>1,601,204,922</b>	<b>35.3%</b>	<b>74.3%</b>	<b>69.8%</b>
<b>Equity</b>						
Capital stock	₱379,746,835	₱379,746,835	-	0.0%	4.6%	5.8%
Additional paid-in capital	1,386,292,253	1,386,292,253	-	0.0%	16.8%	21.4%
Retained earnings	203,479,643	180,339,438	23,140,205	12.8%	2.5%	2.8%
Remeasurement loss on defined benefit	659,303	659,303	-	0.0%	0.0%	0.0%
	1,970,178,034	1,947,037,829	23,140,205	1.2%	23.9%	30.0%
Non Controlling Interest	155,587,779	11,692,857	143,894,922	1230.6%	1.9%	0.2%
<b>Total Equity</b>	<b>₱2,125,765,813</b>	<b>₱1,958,730,686</b>	<b>₱167,035,127</b>	<b>8.5%</b>	<b>25.7%</b>	<b>30.2%</b>
<b>Total Liabilities and Equity</b>	<b>₱8,260,698,274</b>	<b>₱6,492,458,225</b>	<b>₱1,768,240,049</b>	<b>27.2%</b>	<b>100.0%</b>	<b>100.0%</b>

### **As of September 30, 2022 vs December 31, 2021**

Total assets as at September 30, 2022 was ₱8,260.70 million compared to ₱6,492.46 million as at December 31, 2021, or a 27.2% increase.

#### ***Current Assets***

As at September 30, 2022 and December 31, 2021, total current assets amounted to ₱4,628.38 million or 56.0% of total assets, and ₱3,781.76 million or 58.2% of total assets, respectively, for an increase of ₱846.63 million or 22.4%.

Cash and cash equivalents decreased by 14.3% from ₱2,030.33 million as at December 31, 2021 to ₱1,740.63 million as at September 30, 2022 primarily due to cash used in the roll out of additional stores and acquisition of subsidiaries.

Receivables accounts for 1.7% of the total assets as at September 30, 2022. It increased by 61.0% from ₱86.06 million as at December 31, 2021 to ₱138.55 million as at September 30, 2022. The increase in receivables is due to increase in trade receivables.

Inventories increased by 66.3% from ₱1,372.73 million as at December 31, 2021 to ₱2,282.49 million as at September 30, 2022. Inventories accounts for 27.6% of the total assets as of September 30, 2022. Increase in inventories was due to the opening of additional stores and inventories from acquired subsidiaries.

Prepaid expenses and other current assets increased by 59.5% from ₱292.64 million as at December 31, 2021 to ₱466.71 million as at September 30, 2022 primarily due to the increased in input VAT related to the construction of new stores and additional prepayments and advances to suppliers.

#### ***Noncurrent Assets***

As at September 30, 2022 and December 31, 2021, total noncurrent assets amounted to ₱3,632.32 million or 44.0% of total assets, and ₱2,710.70 million or 41.8% of total assets, respectively, for an increase of ₱921.61 million or 34.0%.

Property and equipment increased by 39.1% from ₱1,718.69 million as at December 31, 2021 to ₱2,390.87 million as at September 30, 2022 due primarily to the increase in leasehold improvements of the new stores, as well as acquisitions of store equipment.

Right-of-Use is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱466.11 million as at September 30, 2022, which is 5.6% of total assets and ₱449.03 million as at December 31, 2021. The increase is due to additional leases of the Group that qualified under PFRS 16.

Intangible Assets decreased by 9.5% from ₱54.96 million as at December 31, 2021 to ₱49.75 million as at September 30, 2022 primarily due to amortization of software and information system.

Deferred tax assets increased by 74.4% from ₱37.92 million as at December 31, 2021 to ₱66.14 million as at September 30, 2022 due to increase in the deferred tax component of NOLCO from the Company's subsidiaries.

Increase in other noncurrent assets mainly pertains to the recognized Goodwill from the acquisition of subsidiaries. Other noncurrent assets amounted to ₱659.45 million as at September 30, 2022 or 8.0% of total assets and ₱450.11 million as at December 31, 2021.

#### ***Current Liabilities***

As at September 30, 2022 and December 31, 2021, total current liabilities amounted to ₱3,398.94 million or 41.1% of total assets, and ₱2,117.47 billion or 32.6% of total assets, respectively, for an increase of ₱1,281.46 million or 60.5%.

Accounts payable and other current liabilities increased by 32.9% to ₱270.31 million as at September 30, 2022, or 13.2% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities.

Short-term loans payable amounted to ₱2,285.77 million as at September 30, 2022, the increase is due to the availment of short-term loans.

Income tax payable amounted to ₱20.38 million or 0.2% of total assets and nil or 0.0% of total assets as at September 30, 2022 and December 31, 2021, respectively. Income tax payable mainly pertains to income tax payable for the quarter.

### ***Noncurrent Liabilities***

As at September 30, 2022 and December 31, 2021, total noncurrent liabilities amounted to ₱2,736.00 million or 33.1% of total assets, and ₱2,416.25 million or 37.2% of total assets, respectively, for an increase of ₱335.04 million or 13.9%.

Retirement benefits liability increased by ₱23.64 million or 260.2% from ₱9.09 million as at December 31, 2021 to ₱32.73 million as at September 30, 2022 due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Long-term loans payable amounted to ₱2,224.37 million on September 30, 2022, an increase of ₱227.32 million or 11.4% from ₱1,997.05 million as at December 31, 2021. The increase is due to additional long-term loan availed by the Group in 2022.

Lease liabilities pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱435.68 million as at September 30, 2022, an increase of ₱28.14 million or 6.9% from ₱407.54 million as at December 31, 2021. The increase in lease liabilities is due to additional spaces qualified under PFRS 16 leased by the Group.

Other noncurrent liabilities increased to ₱43.22 million due to additional retention payable.

### ***Equity***

Retained earnings amounted to ₱203.48 million as at September 30, 2022, an increase of ₱23.14 million or 12.8%. The increase is due to net income attributable to Parent for the nine months of 2022.

Non-controlling interest amounted to ₱155.59 million as at September 30, 2022, an increase of ₱143.89 million due to acquisition of new subsidiaries during the period and net income attributable to NCI.

As at September 30, 2022 and December 31, 2021, total equity amounted to ₱2,125.77 million or 25.7% of total assets, and ₱1,958.73 million or 30.2% of total assets, respectively, for an increase of ₱167.04 million or 8.5%. The increase in equity is due to the net income for the period and increase in non-controlling interest.

### Key Performance Indicators of the Company

	<b>Unaudited September 30, 2022</b>	<b>Audited December 31, 2021</b>
Current Ratio	1.36	1.79
Asset to Equity	3.89	3.31
Debt to Equity Ratio	2.12	1.68
Acid Test Ratio	0.55	1.00

	<b>Unaudited For the nine months ending September 30, 2022</b>	<b>Unaudited For the nine months ending September 30, 2021</b>
Return on Equity	1.18%	1.20%
Net Income to Revenue	0.51%	0.82%
Revenue Growth	62.10%	15.92%
Income Growth	0.59%	58.61%
EBITDA	PhP145.65 million	PhP92.72 million
Solvency Ratio	0.031	0.050

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$
5. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$
6. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$
7. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$
8. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. EBITDA	$\text{Income from Operations} + \text{Depreciation and Amortization} + \text{Interest Expense}$
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$



**Other Disclosures**

MM Group is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on MM Group's liquidity.

MM Group is not aware of any event that will trigger direct or contingent financial obligation that is material to MM Group, including default or acceleration of any obligation.

MM Group has no material off-balance sheet transactions, arrangements, or obligations that were likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures.

MM Group has no material commitments for capital expenditures other than those performed in the ordinary course of trade of business and MM Group's store expansion plan.

MM Group also has no unconsolidated subsidiaries.

MM Group does not have any significant elements of income or loss that did not arise from its continuing operations.

MM Group experiences the fourth quarter of the year with increase in sales due to Christmas & New Year holidays.

## **PART IV      MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY**

### **MARKET INFORMATION**

The Company's Common Shares are traded and listed with the Philippine Stock Exchange starting June 15, 2020.

#### **2022 Prices (in PhP/share)**

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>First Quarter</b>	₱ 2.58	₱ 1.69	₱ 1.86
<b>Second Quarter</b>	₱ 1.87	₱ 1.20	₱ 1.29
<b>Third Quarter</b>	₱ 1.60	₱ 1.13	₱ 1.19

#### **2021 Prices (in PhP/share)**

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>First Quarter</b>	₱ 8.56	₱ 4.39	₱ 5.44
<b>Second Quarter</b>	₱ 5.74	₱ 3.65	₱ 4.06
<b>Third Quarter</b>	₱ 4.29	₱ 3.02	₱ 3.86
<b>Fourth Quarter</b>	₱ 3.92	₱ 2.28	₱ 2.51

#### **2020 Prices (in PhP/share)**

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>First Quarter</b>	-	-	-
<b>Second Quarter</b>	₱ 4.50	₱ 1.00	₱ 3.50
<b>Third Quarter</b>	₱ 3.61	₱ 1.97	₱ 3.03
<b>Fourth Quarter</b>	₱ 6.70	₱ 2.95	₱ 6.18

As of December 31, 2021, the closing price of the Company's common shares was ₱2.51 per share with a total market capitalization of ₱19,063,291,139.59.

As of September 30, 2022, the closing price of the Company's common shares was ₱1.19 per share with a total market capitalization of ₱9,037,974,683.71.

The price information as of the close of the latest practicable trading date October 26, 2022 is 1.08 per share with a total market capitalization of ₱ 8,202,531,645.72.

## PRINCIPAL SHAREHOLDERS

There are 21 registered holders of common shares as of September 30, 2022.

The following table sets forth the largest shareholders of the Company's Common Shares as of September 30, 2022.

	Name	Nationality	No. of Shares	Percentage
1	PCD – Filipino	Filipino	7,556,756,340	99.5%
2	PCD- Non Filipino	Non - Filipino	37,520,364	0.5%
3	Irish Hazel G. Manaois	Filipino	23,000	0.0%
4	Rameses Victorius G. Villagonzalo	Filipino	600,000	0.0%
5	Myra P. Villanueva	Filipino	9,000	0.0%
6	Daphne Dianne D. Mendoza	Filipino	5,000	0.0%
7	Joyce Anne M. Coralde	Filipino	5,000	0.0%
8	Myrna P. Villanueva	Filipino	5,000	0.0%
9	Edgar J. Sia	Filipino	2,000	0.0%
10	Edgar J. Sia II	Filipino	2,000	0.0%
11	Ferdinand J. Sia	Filipino	2,000	0.0%
12	Pacita J. Sia	Filipino	2,000	0.0%
13	Rizza Marie Joy Sia Javelona	Filipino	2,000	0.0%
14	Milagros P. Villanueva	Filipino	1,000	0.0%
15	Marietta V. Cabreza	Filipino	1,000	0.0%
16	Juan Carlos V. Cabreza	Filipino	1,000	0.0%
17	Marriana H. Yulo-Luccini	Filipino	1	0.0%
18	Jacqueline Ann Marie O. Gomez	Filipino	1	0.0%
19	Jose Roelph E. Desales	Filipino	1	0.0%
20	Victoria R. Tamayao	Filipino	1	0.0%
21	Gary Emerson P. Cheng	Filipino	1	0.0%
	<b>Total</b>		<b>7,594,936,709</b>	<b>100.0%</b>

## DIVIDENDS AND DIVIDENDS POLICY

MM's current dividend policy provides that up to 30% of the preceding fiscal year's net income after tax can be declared as dividends, subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. There can be no guarantee that MM will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of MM to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that MM will pay dividends in the future.

MM's subsidiary, MMGC intends to approve a dividend policy that would entitle MM to receive dividends equivalent to 30% to 100% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. While cash dividends from MMGC are subject to approval MMGC's Board of Directors, no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both MMGC's Board of Directors and stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE. MMGC has not declared dividends in the past.

### *Record Date and Payment Date*

Pursuant to existing SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

### ***Dividend History***

On February 18, 2020, MM's Board of Directors declared a cash dividend in the total amount of ₱8.4 Million payable to stockholders of record as of February 21, 2020. The amount of cash dividend paid was equivalent to 30% of the MM Group's Consolidated Net Income which was ₱28.0 Million for the year ended December 31, 2019. The cash dividend was paid on February 26, 2020. No dividends were declared and paid in 2021 and 2022.

## **PART V 2021 AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

Please see the attached audited consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules as of December 31, 2021.

## **PART VI SEPTEMBER 30, 2022 UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

Please see the attached unaudited interim consolidated financial statements as of September 30, 2022.

**Annex C**  
**2021 Annual Report and**  
**2021 Audited Financial Statements**

COVER SHEET

C	S	2	0	0	9	3	0	1	2	5	
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S.E.C. Registration Number

M	E	R	R	Y	M	A	R	T		C	O	N	S	U	M	E	R		C	O	R	P	.		A	N	D		
S	U	B	S	I	D	I	A	R	Y																				

(	F	o	r	m	e	r	y		I	n	j	a	p		S	u	p	e	r	m	a	r	t		I	n	c	.	)

(Company's Full Name)

D	D		M	E	R	I	D	I	A	N		P	A	R	K		A	R	E	A		C	O	R	.			
M	A	C	A	P	A	G	A	L		A	V	E	.		A	N	D		E	D	S	A		E	X	T	.	
B	L	V	D	.		S	A	N		R	A	F	A	E	L	,		P	A	S	A	Y		C	I	T	Y	

(Business Address : No. Street Company / Town / Province)

Rizza Marie Joy Sia										(02) 8743-1111									
Contact Person										Company Telephone Number									

1	2	3	1	1	7	-	A		1	2	1	7
Month		Day		FORM TYPE				Month		Day		
Annual Meeting												

Secondary License Type, If Applicable

Dept. Requiring this Doc.			Amended Articles Number/Section									

					Total Amount of Borrowings									
Total No. of Stockholders					Domestic					Foreign				

To be accomplished by SEC Personnel concerned

File Number										LCU									
Document I.D.										Cashier									

STAMPS									
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SEC No. **200930125**

File No. \_\_\_\_\_

**MERRYMART CONSUMER CORP.**

(Company's Full Name)

**DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension**  
**Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302**

(Company's Address)

**(632) 8743-1111**

(Telephone Number)

**December 31**

(Fiscal Year ending)

**SEC Form 17-A Annual Report**

(Form Type)

**N/A**

Amendment Designation

**December 31, 2021**

Period Ended Date

**N/A**

(Secondary License Type and File Number)



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2021**
2. Commission identification number **CS200930125** 3. BIR Tax Identification No. **281-768-124-000**
4. Exact name of issuer as specified in its charter: **MerryMart Consumer Corp.**
5. Province, country or other jurisdiction of incorporation or organization: **Republic of the Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office and Postal Code: **DD Meridian Park Bay Area corner Macapagal Avenue and EDSA Extension Boulevard Brgy 76 Zone 10 San Rafael Pasay City 1302**
8. Issuer's telephone number, including area code: **(632) 8743-1111**
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**

**7,594,936,709**

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:

Stock Exchange: **Philippine Stock Exchange**

Securities Listed: **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 ☐ N/A

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

Yes ☒ No ☐ N/A

13. Aggregate market value of the voting stock held by non-affiliates: **P3,964,172,789.59** as of December 31, 2021.

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## **PART I BUSINESS AND GENERAL INFORMATION**

### **ITEM 1. BUSINESS**

MerryMart Consumer Corp., formerly Injap Supermart Inc., is an emerging consumer focused retail company principally engaged in the operation of retail stores in the supermarket and, beginning January 30, 2020 household essentials category. The Issuer, through its subsidiary, MMGC, will pioneer the franchise business model covering supermarkets and household essentials stores in the Philippines.

The principal shareholder of MM is Injap Investments, Inc. (“III”), which is the investment holding company of the Sia family, primarily led by its major shareholder and Chairman, Edgar J. Sia II.

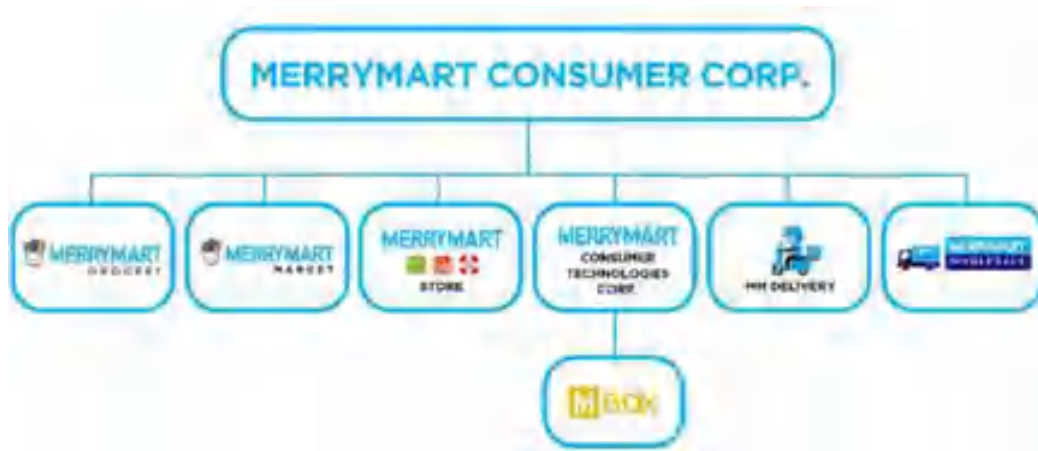
MM was incorporated in 2009. However, the Sia family has long been engaged in the supermarket business. MM opened its first two stores, Injap Supermart TATC and Injap Supermart Burgos Roxas City after its incorporation in 2009. Injap Supermarts like MerryMart Groceries are full size supermarkets offering a wide variety of food and non-food products with up to 20,000 SKUs. Injap Food Shop is a food section that sells ready-to-eat food inside Injap Supermart.

On September 28, 2018, MM aims to capitalize on its extensive experience in the retail business with the incorporation of a wholly owned subsidiary MMGC, which MM would use to rollout three retail formats nationwide under a new brand, MerryMart.

MERRYMART has set its Vision 2030 with the goal of rolling out a total of 1,200 MERRYMART branches nationwide with an aim of reaching Php 120 Billion in systemwide sales revenue.

On June 15, 2020, the Company’s shares debuted on the Philippine Stock Exchange’s (“PSE”) Small, Medium, and Emerging Board (“SME Board”) under the stock symbol “MM” through an initial public offering of 21% of its outstanding common shares.

MM plans to develop the MerryMart brand through company-owned stores, as well as opening it for franchising to the public. MM will serve as a platform for the existing local and traditional supermarkets to convert and be part of a modern-branded retail chain network while retaining ownership of the store as a franchisee of MM. Being part of the MerryMart network will allow current traditional retailers to remain relevant for the coming decades and also enable them to bridge the ongoing shift from traditional retail to modern retail.



MMGC aims to cover all the grocery retail categories from small, medium, and large grocery retail formats and will have, in particular, three brick and mortar grocery retail formats and two online formats:

1. MerryMart Grocery

MerryMart Grocery is a full size supermarket that offers a wide variety of food and non-food products, a broad selection of personal care products, as well as a pharmaceutical section. MerryMart Grocery caters to lower to middle-income consumers and offers competitive prices. MerryMart Grocery will be available for franchising via conversion of existing traditional supermarkets.



2. MerryMart Market

MerryMart Market is a medium format specialized grocery that offers a larger selection of premium and imported grocery items and will feature a large fresh selection of fruits and vegetables, as well as fresh seafood products. MerryMart Market will also offer personal care and pharmaceutical products but will cater to the middle to high-income consumers in central business districts and other urbanized communities. MerryMart Market expansion will only be for company-owned stores due to its specialized nature and distinct target market.



### 3. MerryMart Store

MerryMart Store is a small format household essentials store with a unique three-in-one concept which combines a mini-grocery, personal care shop, and pharmacy in one store, effectively providing operational cost efficiencies. This household essentials store will cater to the general population of each community and neighborhood it serves. The MerryMart Store expansion will be primarily through a franchise platform.



### 4. MerryMart Delivery

On November 16, 2020, MM launched its inhouse online delivery app [www.merrymartdelivery.com.ph](http://www.merrymartdelivery.com.ph) today which will enable shoppers across Metro Manila to have MERRYMART products delivered to their doorstep with no minimum purchase.



## 5. MerryMart Wholesale

On October 10, 2021 MM Group soft launched its online Wholesale platform which is served from the MM Group's central distribution center in CentralHub-Tarlac. The online Wholesale platform features live inventory and next day delivery. The MerryMart Wholesale app on iOS and Android is expected to be ready by May 2022.



As of December 31, 2021, MM Group has 45 operational branches, opening 26 new stores in 2021 across the country. In addition to its operational branches, it has secured another 56 branches through its recent acquisitions, bringing its total network of branches to 101

nationwide.



*Map shows the distribution of the MM Group's operational branches as of December 31, 2021*

For the year ended December 31, 2021, the MM Group booked consolidated revenues of ₱3.9 billion, an increase of 13.1% from the prior year's consolidated revenues of ₱3.5 billion. For the year ended December 31, 2021, the MM Group booked consolidated net income of ₱34.0 million, a decrease of 29.5% from the prior year's consolidated net income of ₱48.2 million.

The MM Group places emphasis on providing consumers with a relevant and wide assortment of merchandise at competitive pricing whilst achieving excellent customer experience all the time.

As of the date of December 31, 2021, the MM Group owns and operates 45 stores nationwide (excluding recent acquisitions).

The table below shows the historical sale of goods growth for MM Group, with CAGR of 21.82% for 2017 to 2021.

	2017	2018	2019	2020	2021
Sale of goods	1,750,689,674	2,095,408,067	2,482,302,804	3,412,521,282	3,855,509,832

Venturing to widen reach, on November 8, 2021 the Group finalized the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos SuperDrug”), the biggest pharmacy chain in Quezon Province. Carlos SuperDrug brand was founded in 1946 in Lucena City by the husband & wife team of Diomedes & Generosa Carlos.

On November 8, 2021, the Company signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. (“Carlos SuperDrug”). The Company will acquire 287,856 secondary shares representing 71.96% in Carlos SuperDrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Company will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Company to complete its acquisition of shares.

The acquisition gave the Company a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Company used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On March 09, 2022 MM signed the agreement with ZC Ramthel Corporation (Cecile’s Pharmacy) finalizing the acquisition of majority 53.125% stake in the Mindanao based pharmacy chain.

Cecile’s Pharmacy is the biggest pharmacy chain in the city of Zamboanga in Mindanao Region, and the brand has been in operation for 57 years since 1964 with 21 strategically located operating branches to date, with over 300 workforce.



*Actual photos of MERRYMART opening*



*MERRYMAST Grocery –Arayat*



*MERRYMAST Grocery – Umbria*



*MERRYMART Grocery – Bacalso with Carlos SuperDrug Pharmacy*

On October 10, 2021, MerryMart launched its MM Wholesale Club program. The MM Wholesale Club is open for business or individual memberships and the membership is currently free of charge. Business membership will be suited for sari-sari stores, restaurants, carinderias, minimarts, hotels, offices, canteens, LGUs, hospitals, catering services, etc. While individual membership will be suited for any individual who opts to buy supplies in bulk or by the case for household consumption, or for any of their wholesale requirements from time to time for special events.



*MERRYMART WHOLESALE – MM Logistics Distribution Center in CentralHub-Tarlac*

The MM wholesale operations commenced and fully service its members in 2021, in time for the full completion of the new modern 11,000-sq.m. MM Logistics Distribution Center in CentralHub-Tarlac in North Luzon. Currently, MM's operating distribution center is located in South Luzon (Laguna).

On October 9, 2021, MERRYMART opened its first Drive Thru store along Diversion Road, Iloilo City.





*MERRYMART's first Drive Thru store located on Diversion Road, Iloilo City*

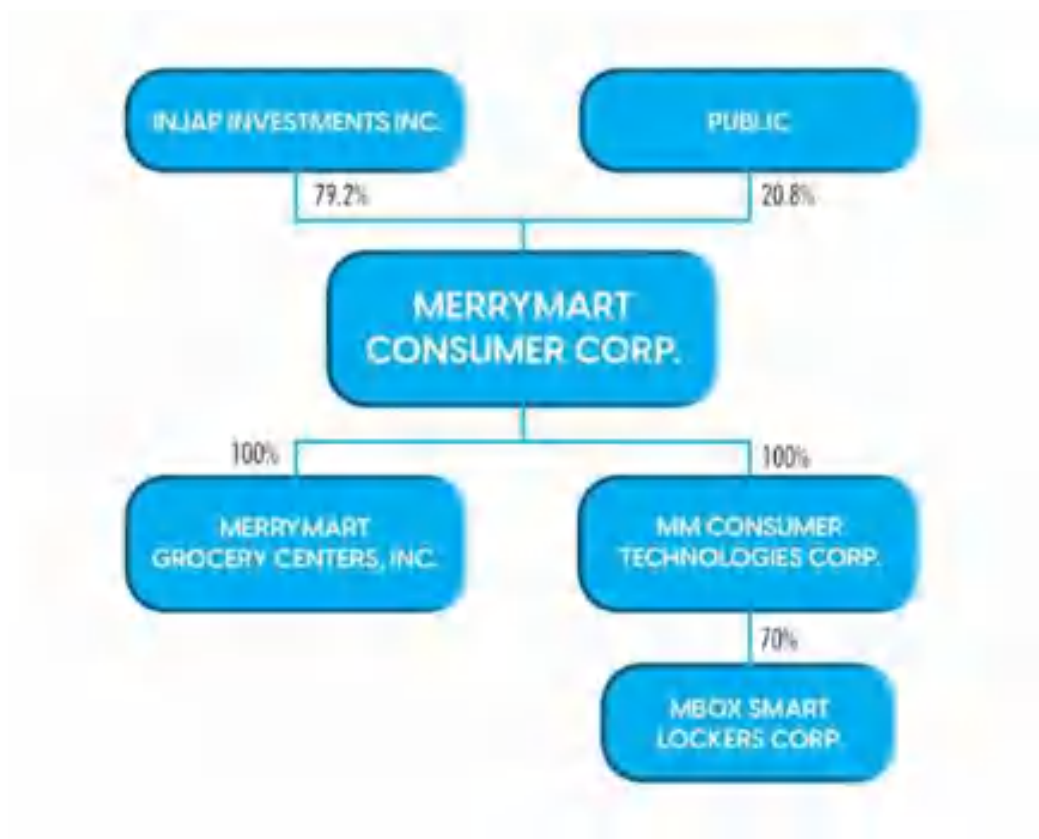
On October 7, 2021, MM Group's consumer technology arm started rolling out MBOX Smart Lockers, which are revolutionary system of self-service lockers similar to post office boxes that are accessible 24/7, where customers can collect and drop off packages at their convenience at minimal or no additional cost. As soon as a package arrives, the locker sends a pickup code via SMS/App notification to alert the receiver.



*MBOX Smart Locker is now available in MerryMart Grocery Branch in DD Meridian Park*

## CORPORATE STRUCTURE

The following chart sets forth an overview of the corporate structure of the MM Group as of December 31, 2021.



MM is a wholly owned subsidiary of III. III is the holding company of the Sia family, led by its major shareholder and Chairman, Mr. Edgar J. Sia II, the Founder of Mang Inasal and Co-Founder of DD. III is one of the major shareholders of DD owning 35% of its outstanding capital stock as of December 31, 2019.

### ***MerryMart Grocery Centers Inc.***

MM wholly owns MMGC, which operates and acts as the master franchisor, owner and operator of MerryMart Grocery, MerryMart Market and MerryMart Store. It was incorporated on September 28, 2018 to engage in the business, acquire, hold, own, operate, or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods, and merchandise on any lands, buildings, supermarkets, malls, stores, stalls, or structures owned, leased, held, operated, managed or occupied by MerryMart branded retail stores.

### ***MM Consumer Technologies Corp.***

MM wholly owns MTech, it was incorporated on February 23, 2019 to engage in the business to acquire hold, own, operate, or manage of various consumer technology ventures. MTech serves as the arm for consumer technology related ventures.

### ***MBox Smart Lockers Corp.***

Incorporated on February 29, 2019, MM holds 70% MBox thru MTech, which operates and acts as the arm for investment, development, management of operations related but not limited to storage and distribution, including smart lockers, storage and other logistic tools.

## **EMPLOYEES**

As of December 31, 2021, the MM Group has 318 direct employees.

	Direct Employees
MerryMart Consumer Corp.	117
MerryMart Grocery Centers, Inc.	240
Total	357



In addition to direct employees, the MM Group have entered into contracts with third party agencies for the supply of additional manpower services to meet the required staffing requirements, including security personnel, warehouse staffs, store staffs, drivers, maintenance and utility staff.

The MM Group has no collective bargaining agreements with its employees due to the absence of organized labor organizations within the organization. Aside from complying with the minimum compensation standards mandated by law, the MM Group makes available to qualified personnel supplemental benefits such as health insurance, car plans and merit-based bonuses. The MM Group has not experienced any disruptive labor disputes, strikes or threats of strikes, and the MM Group believes that the it maintains a healthy relationship with employees.

## **INTELLECTUAL PROPERTY**

The operations of MM and its subsidiary, MMGC, are not dependent on any copyright, patent, trademark, license, franchise, concession or royalty agreement. The Company's subsidiary, MMGC, has the following trademark registered with the Intellectual Property Office as of December 31, 2021:

Trademark	Mark	Registrant	Registration Date	Expiry Date
MERRYMART GROCERY		Merrymart Grocery Centers Inc.	13 September 2019	13 September 2029

MERRYMART 3-in-1		MerryMart Grocery Centers Inc.	05 February 2021	05 February 2031
MERRYMART MM Smiley		MerryMart Grocery Centers Inc.	23 April 2021	23 April 2031

The above trademarks are important because name recognition and exclusivity of use are contributing factors to the success of the Company's developments. In the Philippines, certificates of registration of a trademark filed with the Intellectual Property Office are generally effective for a period of 10 years, unless terminated earlier.

The Company is also the owner of one domain name: <https://merrymart.com.ph>.

## **HEALTH, SAFETY AND ENVIRONMENT**

The MM Group regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. Permits and approvals are regularly monitored by the MM Group to ensure that all are properly renewed and maintained. The Group also conducts regular trainings on environment, health and safety.

## **INVENTORY AND LOGISTICS MANAGEMENT**

All merchandise inventories of the MM Group are stored in the MM Group's distribution centers and warehouses located at each branch. The intention is for all MerryMart Store formats to be 100% supplied by the MM Group's distribution centers once established nationwide. Meanwhile, MerryMart Groceries have an option to purchase inventories direct from suppliers and distributors or through the MM Group's distribution centers. The goal of the MM Group in the medium to long-term is to consolidate all purchases of the MM Group's branch network through its distribution centers so that it can benefit from volume purchases and discounts and establish direct lines and supplier relationships with large manufacturers. Inventories supplied by the MM Group's distribution center to its franchisees will contribute to its consolidated revenues. The intention is for the MM Group to earn a margin from the supply chain operations of its distribution centers in the near-term.

Suppliers are a combination of manufacturers and third-party distributors. The MM Group plans to centralize the storage of merchandise inventories in order to efficiently manage the movement of inventories and inventory requirements of each branch. Distribution centers deliver inventories to the branch; then, each branch will place orders, receive inventory, remove damaged goods and rotate stock to improve inventory turnover. On a case to case basis manufacturers and third-party distributors deliver directly to the branches. Direct deliveries are accommodated for expedited deliveries and highly-perishable items such as bread, refrigerated or frozen items and chocolate.



MMGC uses the SAP system to manage its inventories. The system helps track the movement of merchandise and provides analytics to the merchandising team to plan and timely make adjustments.

## **CASH MANAGEMENT AND INTERNAL CONTROL**

The MM Group deals with large amounts of cash transactions daily and has implemented a simplified and uniform cash management processes across all branches.

The MM Group uses a POS system to track sales and cash flow. With a POS, the MM Group can easily see collections for the day and the payment methods used by the customers. Currently, MMGC branches accept cash, credit cards, debit cards, gift checks, checks and QR-based mobile payment technology like Alipay, WeChat, GCash and PayMaya.

Each store has a cashier supervisor responsible for counting all cash and reconciling sales and collections daily. Branches send a daily sales and collections report to the head office for proper reconciliation and reporting. All cash collections are stored in the secured vaults for bank pick up. Since the cashiers will be the front and center handling cash payments, all cashiers of the MM Group are trained to identify counterfeit currencies as an internal control to minimize the risk of accepting fake bills.

The MM Group has implemented certain internal controls to provide reasonable assurance of the safekeeping of assets, like cash and inventories, and the reliability of accounting records. Internal control procedures include segregation of duties, annual and cycle inventory counts, security measures, operational audits, using an automated system, performing regular reconciliations and regular review and analysis of historical data.

## **INSURANCE**

The MM Group maintains the following types of insurance policies for its branches: Property All Risks (Material Damage – All risks of sudden, accidental and unforeseen, direct and physical loss, destruction of or damage to the property), Comprehensive General Liability (Use, Operations and Maintenance of the Premises) which includes third party property damage and/or bodily injury, fire and explosion legal liability, elevator and escalator liability, excess automobile liability, premises medial payments, first aid payment, car park liability, independent contractors, 72 hours sudden and accidental pollution, neon, advertising, sign and decorative liability, personal injury, event, stampede, libel and slander liability, Machinery Breakdown, Plate Glass, Robbery and Burglary, Electron Equipment, Personal Accident, Money Securities & Payroll and Fidelity Guarantee.

## **SUPPLIERS**

The MM Group is not dependent on one or a limited number of suppliers. The MM Group's supplier base ranges from local suppliers, distributors to multinationals. The MM Group selects its suppliers based on specific criteria, first and foremost based on the supplier's product assortment and popularity or market share of the supplier's products in each subcategory it serves. In addition, the MM Group's selection policy for suppliers includes consideration of the

supplier's location, brand reputation, capacity to supply, ability to deliver on time and compliance with the MM Group's requirements.

The MM Group purchases goods on a per order basis by issuing purchase orders to suppliers. Typically, a purchase order also includes the terms of payment which range from 7- to 60-day credit. The MM Group avails of prompt payment discounts for upfront payments made to suppliers upon delivery. These discounts aid the MM Group by increasing its margin or by enabling it to provide attractive pricing to its customers if the discounts are passed on.

## **FRANCHISE OPERATIONS**

The MM Group is open to franchising its large format stores via conversion of existing supermarkets and its small format stores to as new build franchised stores. Medium format MerryMart Market expansion will be from company-owned stores and will not be open for franchising due to the nature of the niche market that it caters to. It has 2 franchisees of small format stores as of December 31, 2020. It requires its franchisees to operate a MerryMart Store in accordance with its methods, technology, marketing techniques and operational processes. The MM Group places great emphasis on its extensive experience and familiarity of the Philippine market by providing the consumer with a wide assortment of merchandise while maintaining excellent customer service.

MM evaluates the franchise applicants' operational capability to operate the store as well as its financial management capability to successfully manage the store. The franchisees execute a unit franchise agreement for each store opened, typically providing for a 10-year term.

## **SALES AND MARKETING**

The MM Group emphasizes on providing the consumer a wide assortment of merchandise, maintaining competitive pricing and achieving excellent customer experience all the time. The MM Group also aims to increase awareness of its brand and establish a new category in the retail business with its three-in-one concept – home essentials retail category.

The MM Group does market survey and competitor check to ensure that MM pricing are at par with competitors. The MM Group ensures that each store has the right mix of products and that SKUs/categories that are most popular and profitable are always available.

The MM Group also creates seasonal campaigns that can help the MM Group earn year-round, like offering product bundles and discounts for a limited time only on specific occasions (e.g., Valentine's Day, Father's Day) and those falling on low seasons.

A strong working relationship with major suppliers has also been a key driver to the growth of the MM Group as it provides price competitiveness while offering a comprehensive range of products. Suppliers offer product promos, freebies, and discounts which customers take advantage of. The MM Group also partners with specific suppliers to offer promotional pricing.

To promote the MerryMart brands and branches, the MM Group utilizes marketing campaigns via media platforms such as digital, major newspapers, magazine, billboards, television and radio. The MM Group has been active online through its social media accounts in Facebook and Instagram, where it can communicate with its customers to promote the brand, branches and products. These social media accounts are regularly updated to share news about

MerryMart, promote products, highlight promotions and campaigns, and increase awareness of the brand. For more information on the MM Group's online and social media activities please refer to the MM Group's corporate website, [www.merrymart.com.ph](http://www.merrymart.com.ph) and its Facebook account, <https://www.facebook.com/MerryMartPh/>. The MM Group also uses local store marketing, that consists of MerryMart flyers, billboards, lamp post banners and above the line advertisements on local radio.

Increasing brand awareness also requires locating its stores in prime and mature locations across the country. The MM Group banks on its strong background in retail services to enable it to identify key locations. It has consistently adopted a strategy of targeted development coupled with a focused study of its market to determine and expand its growth areas.

In addition to the current development of its mobile app, the MM Group will launch a loyalty consumer program to further market its brand and stores.

## **PRODUCT SELECTION**

The MM Group offers a combination of imported and locally manufactured brands and products of over 20,000 SKUs. The products and product mixes of each store are reviewed on a regular basis to keep track of fast, slow, and non-moving items and to ensure that each store has the optimum product mix. The medium and large format stores will have the complete product lines while the small format stores will have the essentials of the same product lines.

The MM Group selects product based on marketability. The MM Group's merchandising team monitors each store profitability and selects products that the market requires. Other than marketability, the MM Group also monitors the offerings of suppliers, concessionaires, and consumer feedback and identifies new trends and new product offerings.

The number of SKUs carried per store varies depending on the store size and location. The SKUs that are non-performing for a certain period will be discontinued.

## **CUSTOMERS**

### **Customer Loyalty Programs – MerryMart Wholesale Club**

The Group offers wholesale program, the MM Wholesale Club, wherein members can earn a point for every 200 pesos worth of purchase. Points earned may be used for bulk orders at MerryMart Wholesale Online Grocery. Members and Loyalty Card holders also gives access and convenience of picking up bulk order at MM Distribution Center in Tarlac Centralhub.

## ITEM 2. PROPERTIES

As of December 31, 2021, the MM Group owns the following parcels of land:

LOCATION	AREA (in square meter)	LIENS
Jaro, Iloilo City	255	None
Mandurriao, Iloilo City	1,800	None
Tabuc Suba, Jaro, Iloilo City	2,246	None
Nabitasan, Lapaz, Iloilo City	1,702	None

As of December 31, 2021, MM owns the following store structures for the Group's retail operations:

FORMAT	STORE LOCATION	STRUCTURE
Grocery	Injap Supermart – Tatc Roxas City	Company Owned
Grocery	Injap Supermart – Burgos Roxas City	Company Owned
Grocery	Merrymart Grocery – Doubledragon Plaza Pasay	Company Owned
Grocery	Merrymart Grocery – Calamba Laguna	Company Owned
Store	Merrymart Store – Ayala Malls Manila Bay	Company Owned
Grocery	Merrymart Grocery – Sorsogon City	Company Owned
Grocery	Merrymart Grocery – Mayombo Dagupan City	Company Owned
Grocery	Merrymart Grocery – Isulan	Company Owned
Grocery	Merrymart Grocery – Bulua Cdo City	Company Owned
Grocery	Merrymart Grocery – Roxas Avenue Capiz*	Company Owned
Grocery	Merrymart Grocery – San Carlos City Pangasinan	Company Owned
Grocery	Merrymart Grocery – Mactan Town Center Cebu City	Company Owned
Grocery	Merrymart Grocery – Calapan City Mindoro	Company Owned
Store	Merrymart Store – Lapaz Iloilo City	Under Franchise
Market	Merrymart Market – Rockwell Arton Strip Qc	Company Owned
Store	Merrymart Store – Alimall	Company Owned
Grocery	Merrymart Grocery – Cadiz City Negros	Company Owned
Grocery	Merrymart Grocery – Iponan Cdo City	Company Owned
Store	Merrymart Store – Market Market	Company Owned
Store	Merrymart Store – Tsquare	Company Owned
Store	Merrymart Store – Roxas Ave	Company Owned
Store	Merrymart Store – J De Leon	Company Owned
Store	Merrymart Store – Quintin Salas Jaro	Company Owned
Store	Merrymart Store – Pavia Iloilo	Company Owned
Grocery	Merrymart Grocery – Tuguegarao	Company Owned
Store	Merrymart Store – Tuguegarao	Company Owned
Grocery	Merrymart Grocery – Aparri	Company Owned
Store	Merrymart Store – Aparri	Company Owned
Store	Merrymart Store – Mambusao	Under Franchise
Store	Merrymart Store – West End	Company Owned
Store	Merrymart Store – Bloc10	Company Owned
Store	Merrymart Store – Riala Cebu	Company Owned
Store	Merrymart Store – Tatc Roxas	Company Owned
Store	Merrymart Store – Burgos Roxas	Company Owned

Grocery	Merrymart Grocery - Anabu	Company Owned
Store	Merrymart Store - Camp 7 Kennon Road Baguio	Under Franchise
Store	Merrymart Store - Diversion Road, Iloilo	Company Owned
Store	Merrymart Store - Antique	Company Owned
Store	Merrymart Store - High Street Bgc	Company Owned
Grocery	Merrymart Grocery - Bocaue Bulacan	Company Owned
Store	Merrymart Store - Bocaue Bulacan	Company Owned
Grocery	Merrymart Grocery - Arayat	Company Owned
Store	Merrymart Store - Arayat	Company Owned
Grocery	Merrymart Grocery - Umbria Laguna	Company Owned
Store	Merrymart Store - Northpoint Subic	Company Owned

The MM Group leases spaces for their retail stores as well as their distribution centers from both related parties and non-related parties. The lease rates and terms for these properties follow standard market rates and practices for similar businesses. The lease rates are generally based on a percentage ranging from 1% to 3% of gross sales or on an agreed minimum guaranteed rate generally ranging from ₱300.00/sqm to ₱650.00/sqm (whichever is higher), which are subject to annual escalation rates, in line with market standards.

MMGC also leases its corporate office space located at 9F DoubleDragon Plaza Tower 1, DD Meridian Park in the Manila Bay area. The office is leased by MMGC from a subsidiary of DD. The Contract of Lease for the 1,278.61 sq. m. office space shall be effective for a period of ten years commencing on April 1, 2019 and ending on March 31, 2029.

### ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2021, the MM Group is not involved in any litigation regarding an event which occurred during the past five years that they consider material.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

#### 1. Approval of the 2021 Audited Financial Statements and 2021 Annual Report

Date of Approval by Board of Directors : May 13, 2022

#### 2. Ratification of the Actions of the Board of Directors and Officers

Date of Approval by Stockholders : December 17, 2021

#### 3. Election of Directors

Date of Approval by Stockholders : December 17, 2021

#### 4. Appointment of External Auditors

Date of Approval by Stockholders : December 17, 2021

## **PART II      OPERATIONAL AND FINANCIAL INFORMATION**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS**

#### **MARKET INFORMATION**

The Company's Common Shares are traded and listed with the Philippine Stock Exchange starting June 15, 2020.

#### **2021 Prices (in PhP/share)**

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>First Quarter</b>	₱ 8.56	₱ 4.39	₱ 5.44
<b>Second Quarter</b>	₱ 5.74	₱ 3.65	₱ 4.06
<b>Third Quarter</b>	₱ 4.29	₱ 3.02	₱ 3.86
<b>Fourth Quarter</b>	₱ 3.92	₱ 2.28	₱ 2.51

#### **2020 Prices (in PhP/share)**

	<b>High</b>	<b>Low</b>	<b>Close</b>
<b>First Quarter</b>	-	-	-
<b>Second Quarter</b>	₱ 3.71	₱ 1.00	₱ 3.50
<b>Third Quarter</b>	₱ 3.36	₱ 2.19	₱ 3.03
<b>Fourth Quarter</b>	₱ 6.25	₱ 3.00	₱ 6.18

As of December 31, 2021, the closing price of the Company's common shares was ₱2.51 per share with a total market capitalization of ₱19,063,291,140.

The price information as of the close of the latest practicable trading date May 13, 2022 is 1.50 per share with a total market capitalization of ₱ 11,164,556,96.

#### **DIVIDENDS AND DIVIDENDS POLICY**

MM's current dividend policy provides that up to 30% of the preceding fiscal year's net income after tax can be declared as dividends, subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. There can be no guarantee that MM will pay any dividends in the future. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from

its surplus profits. The ability of MM to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that MM will pay dividends in the future.

MM's subsidiary, MMGC intends to approve a dividend policy that would entitle MM to receive dividends equivalent to 30% to 100% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) implementation of business plans, (iii) contractual obligations, and (iv) working capital requirements. While cash dividends from MMGC are subject to approval MMGC's Board of Directors, no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both MMGC's Board of Directors and stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and the PSE. MMGC has not declared dividends in the past.

### ***Record Date and Payment Date***

Pursuant to existing SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the SEC, which in no case shall be later than the stock dividends' listing date.

### ***Dividend History***

On February 18, 2020, MM's Board of Directors declared a cash dividend in the total amount of ₱8.4 Million payable to stockholders of record as of February 21, 2020. The amount of cash dividend paid was equivalent to 30% of the MM Group's Consolidated Net Income which was ₱28.0 Million for the year ended December 31, 2019. The cash dividend was paid on February 26, 2020. Neither MM nor any of its subsidiaries have declared dividends in prior years.

## PRINCIPAL SHAREHOLDERS

The following table sets forth the largest shareholders of the Company's Common Shares as of December 31, 2021.

	<b>Name</b>	<b>Nationality</b>	<b>No. of Shares</b>	<b>Percentage</b>
1	PCD – Filipino	Filipino	7,567,143,525	99.6%
2	PCD- Non Filipino	Non - Filipino	27,733,179	0.4%
3	Irish Hazel G. Manaois	Filipino	23,000	0.0%
4	Myra P. Villanueva	Filipino	9,000	0.0%
5	Daphne Dianne D. Mendoza	Filipino	5,000	0.0%
6	Joyce Anne M. Coralde	Filipino	5,000	0.0%
7	Myrna P. Villanueva	Filipino	5,000	0.0%
8	Edgar J. Sia	Filipino	2,000	0.0%
9	Edgar J. Sia II	Filipino	2,000	0.0%
10	Ferdinand J. Sia	Filipino	2,000	0.0%
11	Pacita J. Sia	Filipino	2,000	0.0%
12	Rizza Marie Joy J. Sia	Filipino	2,000	0.0%
13	Milagros P. Villanueva	Filipino	1,000	0.0%
14	Marietta V. Cabreza	Filipino	1,000	0.0%
15	Juan Carlos V. Cabreza	Filipino	1,000	0.0%
16	Marriana H. Yulo-Luccini	Filipino	1	0.0%
17	Jacqueline Ann Marie O. Gomez	Filipino	1	0.0%
18	Jose Roelph E. Desales	Filipino	1	0.0%
19	Victoria R. Tamayao	Filipino	1	0.0%
20	Gary Emerson P. Cheng	Filipino	1	0.0%
	<b>Total</b>		<b>7,594,936,709</b>	<b>100.0%</b>



## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

**Calendar Year Ended December 31, 2021 and 2020**

### RESULTS OF OPERATION

**MERRYMART CONSUMER CORP. AND SUBSIDIARY**  
**Audited Consolidated Statements of Comprehensive Income**  
**For the year ended December 31, 2021 & 2020**

	December 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
				Increase (Decrease)	2021	2020
<b>REVENUES</b>						
Sale of goods	3,825,309,832	3,411,321,242	413,988,590	13.0%	98.1%	92.2%
Display rental	21,031,321	20,135,260	(1,392,060)	(20.7%)	0.3%	0.6%
Other operating income	53,842,625	55,236,234	1,393,609	2.5%	1.6%	1.0%
	3,900,183,778	3,476,692,736	423,491,042	13.1%	100.0%	100.0%
<b>COST OF SALES</b>						
	3,777,257,704	3,445,722,640	331,535,064	9.6%	96.8%	93.5%
<b>GROSS PROFIT</b>	<b>122,926,074</b>	<b>104,970,096</b>	<b>17,955,978</b>	<b>16.6%</b>	<b>16.6%</b>	<b>9.5%</b>
<b>OPERATING EXPENSES</b>						
	136,250,326	104,056,606	32,193,720	31.3%	14.8%	3.0%
<b>INCOME FROM OPERATIONS</b>	<b>69,365,552</b>	<b>23,704,379</b>	<b>45,661,173</b>	<b>192.6%</b>	<b>1.8%</b>	<b>0.7%</b>
INTEREST EXPENSE	(5,060,617)	(2,330,472)	(2,730,145)	117.2%	0.4%	0.0%
INTEREST INCOME	1,750,800	5,398,880	(3,648,080)	(68.7%)	0.0%	0.2%
<b>INCOME BEFORE TAX</b>	<b>66,055,735</b>	<b>26,772,787</b>	<b>39,282,948</b>	<b>225.0%</b>	<b>1.6%</b>	<b>0.5%</b>
INCOME TAX EXPENSE (BENEFIT)	(21,158,303)	(11,317,679)	(9,840,624)	(167.0%)	(0.5%)	0.3%
<b>NET INCOME</b>	<b>33,997,539</b>	<b>48,090,466</b>	<b>(14,092,927)</b>	<b>(29.3%)</b>	<b>0.9%</b>	<b>1.4%</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY	2,115,694	(1,155,391)	3,271,085	(245.3%)	0.1%	(0.7%)
<b>NET COMPREHENSIVE INCOME (LOSS)</b>	<b>36,113,233</b>	<b>46,935,075</b>	<b>(10,821,842)</b>	<b>(23.0%)</b>	<b>0.9%</b>	<b>1.3%</b>
<b>NET INCOME TO PARENT</b>						
	33,997,539	48,090,466	(14,092,927)	(29.3%)	0.9%	1.4%
<b>NET NET INCOME (LOSS)</b>	<b>33,997,539</b>	<b>48,090,466</b>	<b>(14,092,927)</b>	<b>(29.3%)</b>	<b>0.9%</b>	<b>1.4%</b>
<b>NET INCOME</b>	<b>33,997,539</b>	<b>48,090,466</b>	<b>(14,092,927)</b>	<b>(29.3%)</b>	<b>0.9%</b>	<b>1.4%</b>
<b>NET INCOME TO PARENT</b>						
	33,997,539	48,090,466	(14,092,927)	(29.3%)	0.9%	1.4%
<b>NET NET INCOME (LOSS)</b>	<b>33,997,539</b>	<b>48,090,466</b>	<b>(14,092,927)</b>	<b>(29.3%)</b>	<b>0.9%</b>	<b>1.4%</b>
<b>NET COMPREHENSIVE INCOME</b>	<b>36,113,233</b>	<b>46,935,075</b>	<b>(10,821,842)</b>	<b>(23.0%)</b>	<b>0.9%</b>	<b>1.3%</b>

For the year ended December 31, 2021, the MM Group earned a consolidated revenue of ₱3.9 billion an increase of 13.0% from ₱3.5 billion in 2020. This was driven by the expansion of the Group's grocery retail store with the opening of additional MerryMart-branded groceries and stores and the continuous growth of the existing stores. In 2021, the Group opened additional 26 MerryMart branches.

For the year ended December 31, 2021, sale of goods contributes 98.1% of the total revenue.

The increase in display rental is due to more stores operating in 2021.

The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2021, the MM Group's cost of sales is ₱3,277.3 million, an increase of 4.2% compared to ₱3,145.7 million for the year ended December 31, 2020, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2021, the MM Group realized an increase of 98.6% in consolidated gross profit from ₱328.4 million in 2020 at 9.5% margin to ₱652.1 million at 16.6% margin in the same period of 2021, driven by strong sales growth and increase in other operating income of the Group.

Operating expenses increased by ₱278.1 million or 91.3% from the ₱304.7 million in the year ended December 31, 2020 to ₱582.8 million in 2021. The additional operating expenses are mainly attributable to the operating expenses of new operational stores and the ramp up of head office expenses to support the anticipated growth of MerryMart based on its expansion plans.

Interest expense pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱3.4 million or 27.2% from ₱12.6 million in the year ended December 31, 2020 to ₱16.0 million in 2021 is due to additional leases of MM Group qualified under PFRS 16.

Interest income decreased by 69.7% in 2021 due to decrease in deposit placement.

Pre-tax income increased by 225.9% year-on-year to ₱55.16 Million due to the increase in the revenue of the Group.

Income tax expense for the year ended December 31, 2021 amounted to ₱21.2 million due to taxable income driven by sales growth for the period and due to one-off tax adjustments as a result of the downward adjustment in the deferred tax assets due to the change in corporate income tax rate.

For the year ended December 31, 2021, the MM Group earned a consolidated net income of ₱34.0 million a decrease of 29.5% from ₱48.2 million in 2020. The decrease is mainly due to the higher income tax expense as a result of one-time adjustments recorded.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Financial Position

As at December 31, 2021 & 2020

	December 31, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	P2,030,327,961	P940,641,989	P1,089,685,972	115.8%	31.3%	27.1%
Receivables	86,062,063	25,071,685	60,990,378	243.3%	1.3%	0.7%
Inventories	1,372,727,670	737,572,923	635,154,747	86.1%	21.1%	21.2%
Prepaid expenses and other current assets	292,638,800	199,090,553	93,548,247	47.0%	4.5%	5.7%
Total Current Assets	3,781,756,494	1,902,377,150	1,879,379,344	98.8%	58.2%	54.7%
Noncurrent Assets						
Property and equipment - net	1,718,685,658	P908,849,180	809,836,478	89.1%	26.5%	26.1%
Right-of-use asset	449,025,449	402,933,511	46,091,938	11.4%	6.9%	11.6%
Intangible asset	54,962,301	42,910,253	12,052,048	28.1%	0.8%	1.2%
Deferred tax asset	37,919,270	44,276,810	(6,357,540)	(14.4%)	0.6%	1.3%
Other noncurrent assets	450,109,053	174,714,961	275,394,092	157.6%	6.9%	5.0%
Total Noncurrent Assets	2,710,701,731	1,573,684,715	1,137,017,016	72.3%	41.8%	45.3%
	P6,492,458,225	P3,476,061,865	P3,016,396,360	86.8%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	P822,473,155	P416,433,885	P406,039,270	97.5%	12.7%	12.0%
Loans payable	1,295,000,000	450,000,000	845,000,000	187.8%	19.9%	12.9%
Income tax payable	-	-	-	0.0%	0.0%	0.0%
Due to related parties	-	62,482,842	(62,482,842)	(100.0%)	0.0%	1.8%
Total Current Liabilities	2,117,473,155	928,916,727	1,188,556,428	128.0%	32.6%	26.7%
Noncurrent Liabilities						
Retirement liability	9,085,689	8,024,699	1,060,990	13.2%	0.1%	0.2%
Loans Payable - noncurrent	1,997,053,555	250,000,000	1,747,053,555	698.8%	30.8%	7.2%
Other noncurrent liabilities	2,580,000	1,380,000	1,200,000	87.0%	0.0%	0.0%
Lease liability	407,535,140	376,322,986	31,212,154	8.3%	6.3%	10.8%
Deposit for future subscription	-	-	-	0.0%	0.0%	0.0%
Total Noncurrent Liabilities	2,416,254,384	635,727,685	1,780,526,699	280.1%	37.2%	18.3%
Total Liabilities	4,533,727,539	1,564,644,412	2,969,083,127	189.8%	69.8%	45.0%
Equity						
Capital stock	379,746,835	379,746,835	-	0.0%	5.8%	10.9%
Additional Paid-up Capital	1,386,292,253	1,386,292,253	-	0.0%	21.4%	39.9%
Retained earnings	180,339,438	146,834,756	33,504,682	22.8%	2.8%	4.2%
Remeasurement gain on defined benefit liability	659,303	(1,456,391)	2,115,694	(145.3%)	0.0%	(0.0%)
	1,947,037,829	1,911,417,453	35,620,376	1.9%	30.0%	55.0%
Non-controlling interest	11,692,857	-	11,692,857	0.0%	0.2%	0.0%
Total Equity	1,958,730,686	1,911,417,453	47,313,233	2.5%	30.2%	55.0%
Total Liabilities and Equity	P6,492,458,225	P3,476,061,865	P3,016,396,360	86.8%	100.0%	100.0%

## ASSETS

Total assets as at December 31, 2021 is ₱6,492.5 million compared to ₱3,476.1 million as at December 31, 2020, a ₱3,016.4 million or 86.8% increase.

### *Current Assets*

As at December 31, 2021 and 2020, total current assets amounted to ₱3,781.8 million or 58.2% of total assets, and ₱1,902.4 million or 54.7% of total assets, respectively, for an increase of ₱1,879.4 million or 98.8%.

Cash and cash equivalents increased by 115.8% from ₱940.6 million as at December 31, 2020 to ₱2,030.3 million as at December 31, 2021 primarily due from the proceeds of loan and cash from operations.

Receivables accounts for 1.3% of the total assets as at December 31, 2021. It increased by 243.3% from ₱25.1 million as at December 31, 2020 to ₱86.1 million as at December 31, 2021 due to receivables from credit card transactions that are settled within 1-3 days from transaction date and receivables from display rental.

Inventories increased by 86.1% from ₱737.6 million as at December 31, 2020 to ₱1,372.7 million as at December 31, 2021. This increase is due from the increase in operations of the Group, with 26 additional stores in 2021 and the launching of MerryMart Wholesale.

Prepaid expenses and other current assets increased by 47.0% from ₱199.1 million as at December 31, 2020 to ₱292.6 million as at December 31, 2021 primarily due to the increased in input VAT related to the construction of new stores, additional prepayments and advances to suppliers.

### *Noncurrent Assets*

As at December 31, 2021 and 2020, total noncurrent assets amounted to ₱2,710.7 million or 41.8% of total assets, and ₱1,573.7 million or 45.3% of total assets, respectively, for an increase of ₱1,137.0 million or 72.3%.

Property and equipment increased by 89.1% from ₱908.8 million as at December 31, 2020 to ₱1,718.7 million as at December 31, 2021 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisition of land and store equipment.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱449.0 million and ₱402.9 million as at December 31, 2021 and December 31, 2020, respectively, which is 6.9% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 28.1% from ₱42.9 million as at December 31, 2020 to ₱55.0 million as at December 31, 2021 due to installation of additional POS systems for new operational stores during the period.

Deferred tax assets decreased by 14.4% from ₱44.3 million as at December 31, 2020 to ₱37.9 million as at December 31, 2020 due to application of prior period's NOLCO in 2021.

Other noncurrent assets mainly pertain to the deposits made by the Group for new lease for its new and upcoming stores. Other noncurrent assets increased by ₱275.4 million or 157.6% from ₱174.7 million as at December 31, 2020 to ₱450.1 million in December 31, 2021, which is 6.9% of the total assets.

## **LIABILITIES**

Total liabilities as at December 31, 2021 is ₱4,533.7 million compared to ₱1,564.6 million as at December 31, 2020, a ₱2,969.1 million or 189.8% increase.

### ***Current Liabilities***

As at December 31, 2021 and 2020, total current liabilities amounted to ₱2,117.5 million or 32.6% of total assets, and ₱928.9 million or 26.7% of total assets, respectively, for an increase of ₱1,188.6 million or 128.0%.

Accounts payable and other current liabilities increased by 97.5% to ₱ 822.5 million as at December 31, 2021, or 12.7% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2021.

Short-term loans payable amounted to ₱1,295.0 million as at December 31, 2021, an increase of ₱845.0 million or 187.8% from ₱450.0 million as at December 31, 2020. The increase is due to the short-term loans and current portion of the long-term loan availed by the Group in 2021 in preparation for its growth and expansion.

Income tax payable is nil for December 31, 2021, all income taxes due were paid by the Group before December 31, 2021.

Due to related parties amounted to nil as at December 31, 2021 from ₱ 62.5 million, 1.8% of total assets, as at December 31, 2020. The decrease is due to payment of advances during the period.

### ***Noncurrent Liabilities***

As at December 31, 2021 and 2020, total noncurrent liabilities amounted to ₱2,416.3 million or 37.2% of total assets, and ₱635.7 million or 18.3% of total assets, respectively, for an increase of ₱1,780.5 million or 280.1%.

Retirement benefits liability increased by ₱1.1 million or 13.2% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Long-term loans payable amounted to ₱1,997.1 million on December 31, 2021, an increase of ₱1,747.1 million or 698.8% from ₱250.00 million as at December 31, 2020. The increase is due to availment of long-term loan from a local bank in preparation for investments in its company-owned store expansion and distribution centers nationwide.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱407.5 million as at December 31, 2021, an increase of ₱31.2 million or 8.3% from ₱376.3 million as at December 31, 2020. The increase in lease liability is due to additional spaces qualified under PFRS 16 leased by the Group for its newly opened stores.

## EQUITY

As at December 31, 2021 and 2020, total equity amounted to ₱1,958.7 million or 30.2% of total assets, and ₱1,911.4 million or 55.0% of total assets, respectively, for an increase of ₱47.3 million or 2.5%. The increase in equity is due to the Group's non-controlling interest and net income for the period.

## Calendar Year Ended December 31, 2020 and 2019

## RESULTS OF OPERATION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Comprehensive Income

#### For the year ended December 31, 2020 & 2019

			Horizontal Analysis		Vertical Analysis	
	December 31, 2020	December 31, 2019	Increase (Decrease)		2020	2019
REVENUES						
Sale of goods	3,412,521,282	2,482,302,804	930,218,478	37.5%	98.2%	98.7%
Display rental	26,326,260	20,870,590	5,455,670	26.1%	0.8%	0.8%
Other operating income	35,236,233	12,062,959	23,173,274	192.1%	1.0%	0.5%
	3,474,083,775	2,515,236,353	958,847,422	38.1%	100.0%	100.0%
COST OF SALES						
	3,145,722,630	2,370,672,389	775,050,241	32.7%	90.5%	94.3%
GROSS PROFIT	328,361,145	144,563,964	183,797,181	127.1%	9.5%	5.7%
OPERATING EXPENSES						
	304,656,866	98,053,988	206,602,878	210.7%	8.8%	3.9%
INCOME FROM OPERATIONS	23,704,279	46,509,976	(22,805,697)	(49.0%)	0.7%	1.8%
INTEREST EXPENSE	12,550,872	6,653,777.00	5,897,095	88.6%	0.4%	0.3%
INTEREST INCOME	5,769,988	109,993	5,659,995	5145.8%	0.2%	0.0%
INCOME BEFORE TAX	16,923,395	39,966,192	(23,042,797)	(57.7%)	0.5%	1.6%
INCOME TAX EXPENSE (BENEFIT)	31,317,679	(11,956,860)	43,274,539	(361.9%)	0.9%	(0.5%)
NET INCOME	48,241,074	28,009,332	20,231,742	72.2%	1.4%	1.1%
OTHER COMPREHENSIVE INCOME						
REMEASUREMENT GAIN ON DEFINED BENEFIT LIABILITY	(1,456,391)	-	(1,456,391)	0.0%	(0.0%)	0.0%
NET COMPREHENSIVE INCOME (LOSS)	46,784,683	28,009,332	18,775,351	67.0%	1.9%	1.3%

For the year ended December 31, 2020, the MM Group earned a consolidated revenue of ₱3.5 billion an increase of 38.1% from ₱2.5 billion in 2019. This was driven by the expansion of the MM Group's grocery retail store with the opening of 22 additional stores in 2020 and the continuous strong growth of the first two grocery stores in Roxas, Capiz.

For the year ended December 31, 2020, sale of goods contributes 98.2% of the total revenue.

The increase in display rental is due to more stores operating in 2020.

The increase in other operating income is due to the increase in product listing fee, supplier opening support and franchise application fees of the MM Group.

For the year ended December 31, 2020, the MM Group's cost of sales is ₱3,145.7 million, an increase of 32.7% compared to ₱2,370.7 million for the year ended December 31, 2019, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2020, the MM Group realized an increase of 127.1% in consolidated gross profit from ₱144.6 million in 2019 at 5.7% margin to ₱328.4 million at 9.5% margin in the same period of 2020, driven by strong sales growth from old and new stores and increase in other operating income.

Operating expenses increased by ₱206.6 million or 210.7% from the ₱98.1 million in the year ended December 31, 2019 to ₱304.7 million in 2020. The additional operating expenses are mainly attributable to the opening of a new stores in 2020 and the pre-operating expenses of some branches.

Interest expense pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized. The increase in interest expense of ₱5.9 million or 88.6% from ₱6.7 million in the year ended December 31, 2019 to ₱12.6 million in 2020 is due to additional leases of MM Group qualified under PFRS 16.

Interest income increased by 5,145.8% in 2020 due to increase in deposit placement.

Income tax benefit for the year ended December 31, 2020 amounted to ₱31.3 million due to the net operating loss from the Company's subsidiary.

For the year ended December 31, 2020, the MM Group earned a consolidated net income of ₱48.2 million an increase of 72.2% from ₱28.0 million in 2019. The increase is due to the increase in revenue of the Group and income tax benefit recorded for the year.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY

#### Audited Consolidated Statements of Financial Position

As at December 31, 2020 & 2019

	December 31, 2020	December 31, 2019 (As reclassified - Note 24)	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
					2020	2019
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱940,641,989	₱270,308,599	₱670,333,390	248.0%	27.1%	30.0%
Receivables	25,071,685	9,018,707	16,052,978	178.0%	0.7%	1.0%
Inventories	737,572,923	183,418,743	554,154,180	302.1%	21.2%	20.4%
Prepaid expenses and other current assets	199,090,553	32,369,229	166,721,324	515.1%	5.7%	3.6%
<b>Total Current Assets</b>	<b>1,902,377,150</b>	<b>495,115,278</b>	<b>1,407,261,872</b>	<b>284.2%</b>	<b>54.7%</b>	<b>55.0%</b>
<b>Noncurrent Assets</b>						
Property and equipment - net	908,849,180	₱221,794,668	687,054,512	309.8%	26.1%	24.6%
Right-of-use asset	402,933,511	118,264,628	284,668,883	240.7%	11.6%	13.1%
Intangible asset	42,910,253	14,612,773	28,297,480	193.6%	1.2%	1.6%
Deferred tax asset	44,276,810	8,352,008	35,924,802	430.1%	1.3%	0.9%
Other noncurrent assets	174,714,961	41,672,212	133,042,749	319.3%	5.0%	4.6%
<b>Total Noncurrent Assets</b>	<b>1,573,684,715</b>	<b>404,696,289</b>	<b>1,168,988,426</b>	<b>288.9%</b>	<b>45.3%</b>	<b>45.0%</b>
	<b>₱3,476,061,865</b>	<b>₱899,811,567</b>	<b>₱2,576,250,298</b>	<b>286.3%</b>	<b>100.0%</b>	<b>100.0%</b>

**LIABILITIES AND EQUITY****Current Liabilities**

Accounts payable and other current liabilities	₱416,433,885	₱130,218,011	₱286,215,874	219.8%	12.0%	14.5%
Loans payable	450,000,000	150,000,000	300,000,000	200.0%	12.9%	16.7%
Income tax payable	-	37,782,980	(37,782,980)	(100.0%)	0.0%	4.2%
Due to related parties	62,482,842	49,762,571	12,720,271	25.6%	1.8%	5.5%
<b>Total Current Liabilities</b>	<b>928,916,727</b>	<b>367,763,562</b>	<b>561,153,165</b>	<b>152.6%</b>	<b>26.7%</b>	<b>40.9%</b>

**Noncurrent Liabilities**

Retirement liability	8,024,699	6,196,332	1,828,367	29.5%	0.2%	0.7%
Loans Payable - noncurrent	250,000,000	0	250,000,000	0.0%	7.2%	0.0%
Other noncurrent liabilities	1,380,000	1,380,000	-	0.0%	0.0%	0.2%
Lease liability	376,322,986	117,477,991	258,844,995	220.3%	10.8%	13.1%
Deposit for future subscription	-	298,750,000	(298,750,000)	(100.0%)	0.0%	33.2%
<b>Total Noncurrent Liabilities</b>	<b>635,727,685</b>	<b>423,804,323</b>	<b>211,923,362</b>	<b>50.0%</b>	<b>18.3%</b>	<b>47.1%</b>
<b>Total Liabilities</b>	<b>1,564,644,412</b>	<b>791,567,885</b>	<b>773,076,527</b>	<b>97.7%</b>	<b>45.0%</b>	<b>88.0%</b>

**Equity**

Capital stock	379,746,835	1,250,000	378,496,835	30279.7%	10.9%	0.1%
Additional Paid-up Capital	1,386,292,253	-	1,386,292,253	0.0%	39.9%	0.0%
Retained earnings	146,834,756	106,993,682	39,841,074	37.2%	4.2%	11.9%
Remeasurement gain on defined benefit liability	(1,456,391)	-	(1,456,391)	0.0%	(0.0%)	0.0%
<b>Total Equity</b>	<b>1,911,417,453</b>	<b>108,243,682</b>	<b>1,803,173,771</b>	<b>1665.8%</b>	<b>55.0%</b>	<b>12.0%</b>
<b>Total Liabilities and Equity</b>	<b>₱3,476,061,865</b>	<b>₱899,811,567</b>	<b>₱2,576,250,298</b>	<b>286.3%</b>	<b>100.0%</b>	<b>100.0%</b>

**ASSETS**

Total assets as at December 31, 2020 is ₱3,476.1 million compared to ₱914.6 million as at December 31, 2019, a ₱2,561.4 million or 280.0% increase.

**Current Assets**

As at December 31, 2020 and 2019, total current assets amounted to ₱1,902.4 million or 54.7% of total assets, and ₱509.9 million or 55.8% of total assets, respectively, for an increase of ₱1,392.4 million or 273.1%.

Cash and cash equivalents increased by 248.0% from ₱270.3 million as at December 31, 2019 to ₱940.6 million as at December 31, 2020 primarily due from the proceeds of loan and issuance of shares by the Company.

Receivables only accounts for 0.7% of the total assets as at December 31, 2020. It increased by 154.8% from ₱9.8 million as at December 31, 2019 to ₱25.1 million as at December 31, 2020 due to increase in receivables from credit card and QR-based mobile payment sales.

Inventories increased by 302.1% from ₱183.4 million as at December 31, 2019 to ₱737.6 million as at December 31, 2020 this increase is due from the increase in operations of the Group, with 22 additional stores in 2020.



Prepaid expenses and other current assets increased by 329.4% from ₱46.4 million as at December 31, 2019 to ₱199.1 million as at December 31, 2020 primarily due to the increased in input VAT related to the construction of new stores and prepaid expenses.

### ***Noncurrent Assets***

As at December 31, 2020 and 2019, total noncurrent assets amounted to ₱1,573.7 million or 45.3% of total assets, and ₱404.7 million or 44.2% of total assets, respectively, for an increase of ₱1,169.0 million or 288.9%.

Property and equipment increased by 309.8% from ₱221.8 million as at December 31, 2019 to ₱908.8 million as at December 31, 2020 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores.

Right-of-Use asset is in relation to the adoption of PFRS 16. Right-of-Use Assets amounted to ₱402.9 million and ₱118.3 million as at December 31, 2020 and December 31, 2019, respectively, which is 11.6% of total assets. The increase in right-of-use asset is due to the additional leases of the Group qualified under PFRS 16.

Intangible Assets increased by 193.6% from ₱14.6 million as at December 31, 2019 to ₱42.9 million as at December 31, 2020 due to additional cost for the installation and implementation of MM's SAP system.

Deferred tax assets increased by 430.1% from ₱8.4 million as at December 31, 2019 to ₱44.3 million as at December 31, 2020 due to increase in the deferred tax component of NOLCO from the Company's subsidiary.

Other noncurrent assets mainly pertain to the deposits and prepaid rent for the leases of its stores. Other noncurrent assets increased by ₱174.7 million or 319.3% from ₱41.7 million as at December 31, 2019 to ₱174.7 million in December 31, 2020, which is 5.0% of the total assets.

## **LIABILITIES**

Total liabilities as at December 31, 2020 is ₱1,564.6 million compared to ₱806.4 million as at December 31, 2019, a ₱758.3 million or 94.0% increase.

### ***Current Liabilities***

As at December 31, 2020 and 2019, total current liabilities amounted to ₱928.9 million or 26.7% of total assets, and ₱382.6 million or 41.8% of total assets, respectively, for an increase of ₱546.3 million or 142.8%.

Accounts payable and other current liabilities increased by 187.1% to ₱416.4 million as at December 31, 2020, or 12.0% of total assets, due to higher payables to suppliers, accrued expenses and current portion lease liabilities as at December 31, 2020.

Loans payable amounted to ₱450 million as at December 31, 2020, an increase of ₱300.0 million or 200.0% from ₱150.0 million as at December 31, 2019. The increase is due to the short-term loans availed by the Group in 2020.

Income tax payable is nil for December 31, 2020, all income taxes due were paid by the Group before December 31, 2020.

Due to related parties increased by 25.6% or ₱12.7 million from ₱49.8 million as at December 31, 2019 to ₱62.5 million, 1.8% of total assets, in December 31, 2020 due to advances made for the year.

### ***Noncurrent Liabilities***

As at December 31, 2020 and 2019, total noncurrent liabilities amounted to ₱635.7 million or 18.3% of total assets, and ₱423.8 million or 46.3% of total assets, respectively, for an increase of ₱211.9 million or 50.0%.

Retirement benefits liability increased by ₱1.8 million or 29.5% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Lease liability pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption amounting to ₱376.3 million as at December 31, 2020, an increase of ₱258.8 million or 220.3% from ₱117.5 million as at December 31, 2019. The increase is due to additional leases by the Group qualified under PFRS 16.

Deposit for future subscription is nil as at December 31, 2020, 100.0 % decrease from ₱298.8 million as at December 31, 2019. The deposit for future subscription has been converted to equity in 2020.

### **EQUITY**

As at December 31, 2020 and 2019, total equity amounted to ₱1,911.4 million or 55.0% of total assets, and ₱108.2 million or 11.8% of total assets, respectively, for an increase of ₱1,803.2 million or 1,665.8%. The increase in equity is due to increase in Capital stock and recognition of additional paid-in capital for the year, and net income for the year offset by the dividends declared.

## Calendar Year Ended December 31, 2019 and 2018

### RESULTS OF OPERATION

#### MERRYMART CONSUMER CORP. AND SUBSIDIARY Audited Consolidated Statements of Comprehensive Income For the year ended December 31, 2019 & 2018

	December 31, 2019	December 31, 2018	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2019	2018
<b>REVENUES</b>						
Sale of goods	2,482,302,804	2,095,408,067	386,894,737	18.5%	98.7%	99.0%
Display rental	20,870,590	21,562,804	(692,214)	(3.2%)	0.8%	1.0%
Other operating income	12,062,959	-	12,062,959	0.0%	0.5%	0.0%
	<b>2,515,236,353</b>	<b>2,116,970,871</b>	<b>398,265,482</b>	<b>18.8%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>COST OF SALES</b>	<b>2,370,672,389</b>	<b>2,023,262,656</b>	<b>347,409,733</b>	<b>17.2%</b>	<b>94.3%</b>	<b>95.6%</b>
<b>GROSS PROFIT</b>	<b>144,563,964</b>	<b>93,708,215</b>	<b>50,855,749</b>	<b>54.3%</b>	<b>5.7%</b>	<b>4.4%</b>
<b>OPERATING EXPENSES</b>	<b>98,053,988</b>	<b>35,781,808</b>	<b>62,272,180</b>	<b>174.0%</b>	<b>3.9%</b>	<b>1.7%</b>
<b>INCOME FROM OPERATIONS</b>	<b>46,509,976</b>	<b>57,926,407</b>	<b>(11,416,431)</b>	<b>(19.7%)</b>	<b>1.8%</b>	<b>2.7%</b>
INTEREST EXPENSE	6,653,777	-	6,653,777	0.0%	0.3%	0.0%
INTEREST INCOME	109,993	49,649	60,344	121.5%	0.0%	0.0%
<b>INCOME BEFORE TAX</b>	<b>39,966,192</b>	<b>57,976,056</b>	<b>(18,009,864)</b>	<b>(31.1%)</b>	<b>1.6%</b>	<b>2.7%</b>
<b>INCOME TAX EXPENSE</b>	<b>(11,956,860)</b>	<b>(17,377,922)</b>	<b>5,421,062</b>	<b>(31.2%)</b>	<b>(0.5%)</b>	<b>(0.8%)</b>
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>	<b>28,009,332</b>	<b>40,598,134</b>	<b>(12,588,802)</b>	<b>(31.0%)</b>	<b>1.1%</b>	<b>1.9%</b>

For the year ended December 31, 2019, the MM Group earned a consolidated revenue of ₱2.5 billion an increase of 18.8% from ₱2.1 billion in 2018. This was driven by the expansion of the MM Group's grocery retail store with the opening of its first MerryMart brand and the continuous strong growth of the first two grocery stores in Roxas, Capiz. MerryMart-DoubleDragon Plaza started its operations May 2019 and have been contributing sales of goods and concession sales to the MM Group.

For the year ended December 31, 2019, sale of goods contributes 98.7% of the total revenue.

*Table showing the significant increase in the sale of goods for the two Injap Supermart grocery brand:*

	2018	2019
Sale of Goods	2,095,408,067	2,482,302,804
% Change	19.7%	13.0%

The other operating income consists of the concession sales net of cost of concession, supplier marketing fees and franchise fees of the MM Group. The increase is due to the operating income recognized by MMGC which started operation in 2019.

For the year ended December 31, 2019, the MM Group's cost of sales is ₱2,370.7 million, an increase of 17.2% compared to ₱2,023.3 million for the year ended December 31, 2018, which is in line with the increase of revenues, primarily driven by the increase in sales.

For the year ended December 31, 2019, the MM Group realized an increase of 54.3% in consolidated gross profit from ₱93.7 million in 2018 at 4.4% margin to ₱144.6 million at 5.7% margin in the same period of 2019, driven by strong sales growth from old and new stores and continuous suppliers' support through additional trade discounts and promos.

Operating expenses increased by ₱62.3 million or 174.0% from the ₱35.8 million in the year ended December 31, 2018 to ₱98.1 million in 2019. The additional operating expenses are mainly attributable to the opening of a new store in 2019 and the pre-operating expenses of MM.

Interest expense amounted to ₱6.7 million in 2019 pertains to the accounting adjustment for the adoption of PFRS 16. The amount is the computed interest expense for the lease contract liability recognized.

Interest income increased by 121.8% in 2019 due to higher interest income earned from MM Group's cash in banks.

Income tax expense for 2019 amounted to ₱12.0 million, a decrease of 31.2% from 2018. The decrease is mainly due to lower taxable income of the company in 2019.

For the year ended December 31, 2019, the MM Group earned a consolidated net income of ₱28.0 million a decrease of 31.0% from ₱40.6 million in 2018. The decrease is due to the pre-operating expenses of the Issuer's subsidiary.

## FINANCIAL POSITION

### MERRYMART CONSUMER CORP. AND SUBSIDIARY Audited Consolidated Statements of Financial Position As at December 31, 2019 & 2018

	December 31, 2019 (As reclassified - Note 24)	December 31, 2018	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
					2019	2018
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	₱270,308,599	₱20,907,865	₱249,400,734	1192.9%	30.0%	6.3%
Receivables	9,018,707	914,421	8,104,286	886.3%	1.0%	0.3%
Inventories	183,418,743	270,448,890	(87,030,147)	(32.2%)	20.4%	81.0%
Prepaid expenses and other current assets	32,369,229	3,838,876	28,530,353	743.2%	3.6%	1.2%
<b>Total Current Assets</b>	<b>495,115,278</b>	<b>296,110,052</b>	<b>199,005,226</b>	<b>67.2%</b>	<b>55.0%</b>	<b>88.7%</b>
<b>Noncurrent Assets</b>						
Property and equipment - net	221,794,668	29,011,645	192,783,023	664.5%	24.6%	8.7%
Right-of-use asset	118,264,628	-	118,264,628	0.0%	13.1%	0.0%
Intangible asset	14,612,773	7,200,000	7,412,773	103.0%	1.6%	2.2%
Deferred tax asset	8,352,008	1,417,238	6,934,770	489.3%	0.9%	0.4%
Other noncurrent assets	41,672,212	-	41,672,212	0.0%	4.6%	0.0%
<b>Total Noncurrent Assets</b>	<b>404,696,289</b>	<b>37,628,883</b>	<b>367,067,406</b>	<b>975.5%</b>	<b>45.0%</b>	<b>11.3%</b>
	<b>₱899,811,567</b>	<b>₱333,738,935</b>	<b>₱566,072,632</b>	<b>169.6%</b>	<b>100.0%</b>	<b>100.0%</b>

**LIABILITIES AND EQUITY****Current Liabilities**

Accounts payable and other current liabilities	₱130,218,011	₱95,187,658	₱35,030,353	36.8%	14.5%	28.5%
Loans payable	150,000,000	-	150,000,000	0.0%	16.7%	0.0%
Income tax payable	37,782,980	19,163,976	18,619,004	97.2%	4.2%	5.7%
Due to related parties	49,762,571	134,896,958	(85,134,387)	(63.1%)	5.5%	40.4%
<b>Total Current Liabilities</b>	<b>367,763,562</b>	<b>249,248,592</b>	<b>118,514,970</b>	<b>47.5%</b>	<b>40.9%</b>	<b>74.7%</b>

**Noncurrent Liabilities**

Retirement liability	6,196,332	4,255,993	1,940,339	45.6%	0.7%	1.3%
Loans Payable - noncurrent	-	-	-	0.0%	0.0%	0.0%
Other noncurrent liabilities	1,380,000	-	1,380,000	0.0%	0.2%	0.0%
Lease liability	117,477,991	-	117,477,991	0.0%	13.1%	0.0%
Deposit for future subscription	298,750,000	-	298,750,000	0.0%	33.2%	0.0%
<b>Total Noncurrent Liabilities</b>	<b>423,804,323</b>	<b>4,255,993</b>	<b>419,548,330</b>	<b>9857.8%</b>	<b>47.1%</b>	<b>1.3%</b>
<b>Total Liabilities</b>	<b>791,567,885</b>	<b>253,504,585</b>	<b>538,063,300</b>	<b>212.2%</b>	<b>88.0%</b>	<b>76.0%</b>

**Equity**

Capital stock	1,250,000	1,250,000	-	0.0%	0.1%	0.4%
Additional Paid-up Capital	-	-	-	0.0%	0.0%	0.0%
Retained earnings	106,993,682	78,984,350	28,009,332	35.5%	11.9%	23.7%
Remeasurement gain on defined benefit liability	-	-	-	0.0%	0.0%	0.0%
<b>Total Equity</b>	<b>108,243,682</b>	<b>80,234,350</b>	<b>28,009,332</b>	<b>34.9%</b>	<b>12.0%</b>	<b>24.0%</b>
<b>Total Liabilities and Equity</b>	<b>₱899,811,567</b>	<b>₱333,738,935</b>	<b>₱566,072,632</b>	<b>169.6%</b>	<b>100.0%</b>	<b>100.0%</b>

**ASSETS**

Total assets as at December 31, 2019 is ₱899.8 million compared to ₱333.7 million as at December 31, 2018, or a 169.6% increase.

**Current Assets**

As at December 31, 2019 and 2018, total current assets amounted to ₱495.1 million or 55.0% of total assets, and ₱296.1 million or 88.7% of total assets, respectively, for an increase of ₱199.0 million or 67.2%.

Cash and cash equivalents increased by 1192.9% from ₱20.9 million as at December 31, 2018 to ₱270.3 million as at December 31, 2019 primarily due to net cash generated from operations and deposits for future subscription.

Receivables only accounts for 1.0% of the total assets as at December 31, 2019. It increased by 886.3% from ₱914.4 thousand as at December 31, 2018 to ₱9,018.7 thousand as at December 31, 2019 due to additional receivables from MM-DoubleDragon Plaza Pasay which only started operations in 2019. These receivables pertain to receivables from credit card and QR-based mobile payment sales.

Inventories decreased by 32.2% from ₱270.4 million as at December 31, 2018 to ₱183.4 million as at December 31, 2019 due to lower purchases during the second half of 2019 compared to the same period in 2018 as MM plans to maintain a lower warehouse inventories at year end 2019.

Prepaid expenses and other current assets increased by 743.2% from ₱3.8 million as at December 31, 2018 to ₱32.4 million as at December 31, 2019 primarily due to the increased in input VAT related to the construction of new stores.

### ***Noncurrent Assets***

As at December 31, 2019 and 2018, total noncurrent assets amounted to ₱404.7 million or 45.0% of total assets, and ₱37.6 million or 11.3% of total assets, respectively, for an increase of ₱367.1 million or 975.5%.

Property and equipment increased by 664.5% from ₱29 million as at December 31, 2018 to ₱221.8 million as at December 31, 2019 due primarily to the increase in construction in progress and leasehold improvements for MerryMart's additional stores, as well as acquisitions of store equipment and office furniture and fixtures for MM's new office.

Right-of-Use asset is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱118.3 million as at December 31, 2019, which is 13.1% of total assets.

Intangible Assets increased by 103.0% from ₱7.2 million as at December 31, 2018 to ₱14.6 million as at December 31, 2019 due primarily to the installation of MM's SAP system.

Deferred tax assets increased by 489.3% from ₱1.4 million as at December 31, 2018 to ₱8.4 million as at December 31, 2019 due to increase in the deferred tax component from retirement liability and MMGC's NOLCO.

Other noncurrent assets mainly pertain to the deposits made by the MMGC in 2019 for the lease of its new and upcoming stores. Other noncurrent assets amounted to ₱41.7 million as at December 31, 2019 or 4.6% of total assets.

## **LIABILITIES**

### ***Current Liabilities***

As at December 31, 2019 and 2018, total current liabilities amounted to ₱367.8 million or 40.9% of total assets, and ₱249.3 million or 74.7% of total assets, respectively, for an increase of ₱118.5 million or 47.5%.

Accounts payable and other current liabilities increased by 36.8% to ₱130.2 million as at December 31, 2019, or 14.5% of total assets, due to higher payables to suppliers as at December 31, 2018.

Loans payable amounted to ₱150 million as at December 31, 2019, the increase is due to the short-term loans availed by MMGC in 2019.

Income tax payable amounted to ₱37.8 million as at December 31, 2019 or 4.2% of total asset, 97.2% higher than ₱19.2 million as at December 31, 2018 is due to higher taxes incurred by the company for the year.

Due to related parties decreased by 63.1% due to payments made in 2019. Due to related parties accounts to 5.5% of total assets.

### ***Noncurrent Liabilities***

As at December 31, 2019 and 2018, total noncurrent liabilities amounted to ₱423.8 million or 46.3% of total assets, and ₱4.3 million or 1.3% of total assets, respectively, for an increase of ₱419.5 million or 9,857.8%.

Retirement benefits liability increased by ₱1.9 million or 45.6% due to the additional accrual recognized by the MM Group for its retirement obligation to its employees.

Deposit for future subscription amounted to ₱298.8 million as at December 31, 2019 as a result of MM's planned increase in authorized capital stock.

Lease liability amounting to ₱117.5 million as at December 31, 2019 pertains to the contractual lease liability recognized by the MM Group for its stores and office space in relation to the PFRS 16 adoption.

### **EQUITY**

As at December 31, 2019 and 2018, total equity amounted to ₱108.2 million or 11.8% of total assets, and ₱80.2 million or 24.0% of total assets, respectively, for an increase of ₱28.0 million or 34.9%. The increase in equity is due to the net income recognized by the MM Group for the year.

### **Key Performance Indicators of the Company**

The following are the key performance indicators used by the Group as at December 31, 2021, 2020 and 2019.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current Ratio	1.79	2.05	1.33
Asset to Equity	3.31	1.82	8.45
Debt to Equity Ratio	1.68	0.37	1.39
Acid Test Ratio	1.00	1.04	0.73
Return on Equity	1.76%	4.78%	29.72%
Net Income to Revenue	0.87%	1.39%	1.11%
Revenue Growth	13.11%	38.12%	18.81%
Income Growth	-29.53%	72.23%	-31.01%
EBITDA (PHP in thousands)	128,561.0	91,125.1	65,020.5
Solvency Ratio	0.03	0.07	0.06

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

$$\text{1. Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$
5. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$
6. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$
7. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
8. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense
9. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$

### **Liquidity & Capital Resources**

MM expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from its operating cash flows and borrowings and issuance of shares. It may from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Principal uses of cash are for working capital requirements and capital expenditures for stores expansion.



## **Cash Flows**

### ***Net Cash from operating activities***

The MM Group's consolidated cash from operating activities is primarily affected by its revenue from sale of goods, purchase of inventories and operating expenses. Net cash used in operating activities amounted to ₱224.40 million for the year ended December 31, 2021, while net cash provided by operating activities amounted to ₱416.02 million for the year ended December 31, 2020.

### ***Net cash used in investing activities***

Net cash used in investing activities amounted to ₱1,158.99 million and ₱876.60 million for the year ended December 31, 2021 and 2020, respectively. Cash used in investing activities includes capital expenditures for construction of new stores, acquisitions of equipment, furniture & fixtures and improvements on leased assets, and deposits made to secure the leasable space.

### ***Net cash from financing activities***

Net cash from financing activities amounted to ₱2,493.08 million and ₱1,962.95 million for the year ended December 31, 2021 and 2020. Consolidated net cash from financing was attributable mainly from issuance of new shares and availment of loans, offset by dividend payments and lease payments.

## **Material Events and Uncertainties**

MM Group is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on MM Group's liquidity.

MM Group is not aware of any event that will trigger direct or contingent financial obligation that is material to MM Group, including default or acceleration of any obligation.

MM Group is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations.

MM Group has no material off-balance sheet transactions, arrangements, or obligations that were likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity or capital expenditures.

MM Group has no material commitments for capital expenditures other than those performed in the ordinary course of trade of business and MM Group's store expansion plan.

MM Group also has no unconsolidated subsidiaries.

MM Group does not have any significant elements of income or loss that did not arise from its continuing operations.

MM Group experiences the fourth quarter of the year with increase in sales due to Christmas & New Year holidays.

### **Operational and financial impact of COVID19**

The Company's stores have continued to be operational during the COVID 19 and manage to open additional 26 stores in 2021. The Company continuous to be of service to the community providing grocery and pharmacy essentials.

The COVID 19 pandemic has shifted consumer demands and preferences, and with this the Company launched in 2020 its inhouse online delivery platform and partnered with different online delivery apps to increase sales and continuously deliver essential goods to customers.

The pandemic has caused challenges to store's construction activities and disruptions to the supply chain as movement of goods and manpower are restricted. The Company implemented business continuity plan which includes equipping the employees to work remotely to support the supply chain with the purpose of minimizing the impact of this business disruption.

The Company complies with strict community quarantine regulations for the safety of its stakeholders, particularly its store frontliners. The Company have continuously reassessed store operations procedures and re-orient store frontliners for the any new health and safety protocols.

The Company closely monitors updates from the Philippine Department of Health and other reliable sources publishing information regarding COVID-19 and shall continue to comply with all government-mandated measures relating to COVID-19. Despite this challenging business environment, the Company does not foresee any going concern issue affecting its business operations, and the Company projects that it would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due.

## **ITEM 7. FINANCIAL STATEMENTS**

Please see the attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

## **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE**

There were no changes in and disagreements with accountants on accounting and financial disclosure.

## PART III      CONTROL AND COMPENSATION INFORMATION

### ITEM 9.   DIRECTORS AND EXECUTIVE OFFICERS AND REGISTRANTS

Our overall management and supervision are undertaken by the Board. Our executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning our business operations, financial condition, and results of operations for its review. Currently, the Board consists of seven members, at least two of whom are independent directors. Except for Mr. Edgar J. Sia II and Mr. Ferdinand J. Sia, who have been directors since MM’s incorporation, all the directors were elected at MM’s stockholders meeting on December 17, 2021. All directors will hold office for a period of one (1) year from their election and until their successors have been duly elected and qualified.

The following table sets forth the Board of Directors of MM:

<b>Name</b>	<b>Position</b>	<b>Citizenship</b>
Edgar J. Sia II.....	Chairman/CEO	Filipino
Ferdinand J. Sia.....	President/COO	Filipino
Marriana H. Yulo-Luccini.....	CFO/CIO	Filipino
Atty. Jacqueline Ann Marie O. Gomez.....	Corporate Secretary	Filipino
Jose Roelph E. Desales.....	Assistant Corp. Secretary	Filipino
Atty. Victoria R. Tamayao	Independent Director	Filipino
Gary P. Cheng	Independent Director	Filipino

The following table sets forth MM’s key executive and corporate officers (“**Senior Management**”):

<b>Name</b>	<b>Position</b>	<b>Citizenship</b>
Edgar J. Sia II.....	Chairman/CEO	Filipino
Ferdinand J. Sia.....	President/COO	Filipino
Shella A. Sia.....	Treasurer/EVP	Filipino
Rizza Marie Joy J. Sia-Javelona.....	Comptroller	Filipino
Marriana H. Yulo-Luccini.....	CFO/CIO	Filipino
Mercedes L. Taleon.....	Chief Development Officer	Filipino
Maribel N. Sibayan.....	Subsidiary COO	Filipino
Atty. Jacqueline Ann Marie O. Gomez.....	Corporate Secretary	Filipino

The following states the business experience of our incumbent directors and officers for the last five years:

*Edgar J. Sia II*, is the Chairman and Chief Executive Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is the Founder of Mang Inasal and Co-Founder, Chairman and Chief Executive Officer of DD from 2012 to present and Chairman and Chief Executive Officer of III from 2007 to present. Mr. Sia took up Bachelors of Science in Architecture at the University of San Agustin and the same university in 2011 conferred him an Honorary Doctorate Degree – Major in Management.

*Ferdinand J. Sia*, is the President and Chief Operating Officer of MM from 2019 to present and has been a director of MM since incorporation to present. He is currently the President and Chief Operating Officer of DD since 2012 to present and III since 2007 to present. He previously served as Director and President of Mang Inasal from 2007 to 2012. He graduated from the Arellano University School of Law.

*Shella A. Sia*, is the Treasurer and Executive Vice President of MM from 2020 to present. She also serves as the Corporate Secretary of III since 2007 to present. She previously served as the Executive Vice President and Treasurer of Mang Inasal from 2007 to present. She took up Bachelors of Science in Economics in the University of San Agustin.

*Rizza Marie J. Sia-Javelona*, is the Comptroller of MM from 2020 to present. She also serves as Comptroller of MM's subsidiary, MMGC from 2020 to present. She is currently the Treasurer and Chief Finance Officer of DD from 2012 to present and III from 2007 to present. She graduated Bachelors of Science in Accountancy at the University of the Philippines – Visayas and is a Certified Public Accountant.

*Marriana H. Yulo-Luccini*, is the Chief Financial Officer and Chief Investment Officer of MM from 2020 to present and has been a director of MM from 2020 to present. She also serves as Chief Investment Officer of DD from 2015 to present. She was previously Chief Financial Officer of Alphaland Corporation and Group Chief Financial Officer of PhilWeb Corporation, ISM Communications Corporation, and Atok Big-Wedge Co. Inc. from 2011 to 2014. She graduated in Business Administration – Major in Management at Palawan State University and has a Masters in Business Administration Degree from the University of St. La Salle.

*Mercedes L. Taleon*, is the Chief Development Officer of MM from 2020 to present. She also serves as Chief Development Officer of MM's subsidiary, MMGC from 2020 to present. She was previously General Manager of MMGC from 2018 to 2020. She also served as Vice President in Leasing and Regional Operations Manager of Robinsons Land Corporation from 2016 to 2018. She graduated Bachelors of Science in Biological Sciences at the West Visayas State University.

*Maribel N. Sibayan*, is the Chief Operating Officer of the subsidiary of MM, MMGC from 2020 to present. She was previously General Manager of All Day Marts, Inc. from 2015 to 2018 and Chief Merchandising Officer of Metro Gaisano from 2010 to 2014. She was also Assistant Vice President of the Fast Moving Consumer Goods Division of Rustans Supercenters, Inc. from 2004 to 2009. Ms. Sibayan graduated Bachelor of Arts- Major in Communication Arts from the University of Santo Tomas and also has completed 36 units of the Masters in Business Administration Program of the Graduate School of Business of De La Salle University.

*Gary P. Cheng*, is an Independent Director of MM from 2020 to present. He is currently the Managing Director and Co-Founder of Fortman Cline Capital Markets Limited from 2007 to present. Dr. Cheng also serves as Independent Director of DD from 2013 to present. Dr. Cheng served as the former President/CEO of Amalgamated Investment Bancorporation from 2003 to 2018 and former Vice President of Investment Banking at J.P. Morgan from 1993 to 2002. Dr. Cheng obtained his doctorate in Philosophy from the University of Leeds, England.

*Atty. Victoria R. Tamayao*, is an Independent Director of MM from 2020 to present. She is the Senior and Managing Partner of Tamayao & Affiliates, Attorneys-at-Law from 2006 to present and is the Chairman and President of Glory Facilities and Development Inc. from 2019 to

present. She obtained her Bachelor of Laws and Bachelors of Science in Business Economics degrees from the University of the Philippines, Diliman.

*Atty. Jacqueline Ann Marie O. Gomez*, is the Corporate Secretary and director of MM from 2020 to present. She joined III in 2014 to present and was previously an associate at Falgui Law Office from 2009 to 2013. She graduated cum laude from the University of the Philippines – Diliman with an Economics degree and obtained Juris Doctor Degree from the same university in 2008. Atty Gomez was admitted to the Philippine Bar in 2009.

*Jose Roelph E. Desales*, is the Assistant Corporate Secretary and director of MM from 2020 to present. He joined III in 2014 to present and was previously with VXI Global Holdings B.V. (Philippines) as Associate Director for Finance from 2010 to 2012. He graduated Bachelor of Science in Accountancy at the University of the Philippines in the Visayas and is a Certified Public Accountant.

## **FAMILY RELATIONSHIPS**

As of December 31, 2020, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of MM’s Senior Management are as follows:

Mr. Edgar J. Sia II, Mr. Ferdinand J. Sia and Ms. Rizza Marie Joy J. Sia-Javelona are siblings. Ms. Shella A. Sia is the spouse of Mr. Edgar J. Sia II. Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among our Directors, Executive Officers and Shareholders.

Other than as disclosed above, there are no other family relationships between Directors and members of MM’s Senior Management known to MM.

## **INDEPENDENT DIRECTORS**

The Manual requires MM to have at least two independent directors in the Board of Directors who serves as the Chairman of the Audit Committee and as a member of the Compensation Commission. An independent director is defined as a person who has not been an officer or employee of MM, its Subsidiaries or affiliates or related interests during the past three years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of MM’s director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

## COMMITTEES OF THE BOARD

To aid in complying with the principles of good governance, the Manual provides that the Board shall create and appoint Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

### *Audit Committee*

The Audit Committee is composed of at least three members of the Board who have accounting and finance backgrounds, at least one of whom is an independent director and another with audit experience. The chair of the Audit Committee should be an independent director.

The Audit Committee has the following functions:

- (a) Provide oversight over management's activities in managing credit, market, liquidity, operational, legal, and other risks of MM. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- (b) Recommends the approval the Internal Audit Charter ("**IA Charter**"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- (c) Through the Internal Audit ("**IA**") Department, monitors and evaluates the adequacy and effectiveness of MM's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data and information technology security, and (d) ensure compliance with applicable laws and regulations;
- (d) Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- (e) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- (f) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- (g) Review the annual internal audit plan to ensure its conformity with the objectives of MM. The plan shall include the audit scope, resources, and budget necessary to implement it;
- (h) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

- (i) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the MM's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in MM's Annual Report and Annual Corporate Governance Report;
- (j) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - 1. • Any change/s in accounting policies and practices
  - 2. • Areas where a significant amount of judgment has been exercised
  - 3. • Significant adjustments resulting from the audit
  - 4. • Going concern assumptions
  - 5. • Compliance with accounting standards
  - 6. • Compliance with tax, legal and regulatory requirements
- (k) Reviews the disposition of the recommendations in the External Auditor's management letter;
- (l) Performs oversight functions over MM's Internal and External Auditors, including the review of reports submitted by them. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (m) Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- (n) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of MM, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

As of December 31, 2021, the Audit and Risk Management Committee is chaired by Mr. Gary P. Cheng, while Mr. Ferdinand J. Sia and Ms. Marriana H. Yulo-Luccini serve as its members.

### ***Nomination Committee***

The Nomination Committee is composed of at least three members of the Board. The Nomination Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval and shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

As of December 31, 2021, the Nomination Committee is chaired by Atty. Victoria R. Tamayao, while Mr. Ferdinand J. Sia and Ms. Marriana H. Yulo serve as its members.

### ***Compensation and Personnel Committee***

The Compensation Committee is composed of at least three members of the Board, one of whom is an independent director. The Compensation Committee may establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with MM's culture, strategy and the business strategy in which it operates.

As of December 31, 2021, the Compensation Committee is chaired by Edgar J. Sia II, while Mr. Ferdinand J. Sia and Atty. Victoria R. Tamayao serve as members.

### **EVALUATION SYSTEM AND COMPLIANCE**

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of MM's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or MM or its Subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 27 of the Revised Corporation Code shall be observed.

### **SIGNIFICANT EMPLOYEES**

MM believes that it is not dependent on any single employee. MM considers the collective efforts of all its employees as instrumental to its success. MM believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

There are no known related party transactions other than those described in Note 18 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.



## ITEM 10. EXECUTIVE COMPENSATION

For each of the years ended December 31, 2019, 2020 and 2021 the total salaries and allowances and bonuses paid to all other officers as a group unnamed are as follows:

Name & Position	Year	Salary, Bonus and Other Benefits
Edgar J. Sia II Ferdinand J. Sia Rizza Marie J. Sia-Javelona Shella A. Sia	FY 2021	₱7,875,580
Marriana H. Yulo-Luccini Mercedes L. Taleon Maribel N. Sibayan	FY 2020	₱7,368,210
Atty. Jacqueline Ann Marie O. Gomez <i>Aggregate compensation paid to all officers and directors as a group</i>	FY 2019	₱-

*For the year 2019, MM did not recognize expenses for key management compensation.*

### ***Compensation of Directors***

Independent directors and advisors to the Board will receive a standard per diem for attendance in Board meetings effective 2020. For the years ended December 31, 2021 and December 31, 2020, total directors fee amounts to P720,000 and P360,000, respectively. For the year ended December 31, 2019 the Directors did not receive any compensation. There are no other existing arrangements/agreements under which directors are to be compensated during the last completed fiscal year and the ensuing year.

### ***Standard Arrangements***

Other than payment of reasonable gross per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, director or indirectly, for any services provided as director.

### ***Other Arrangements***

There are no other arrangements pursuant to which any of the Company's Directors is compensated, directly or indirectly, for any service provided as a director.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2021

<b>Name and Address of Record Owners</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Common Shares Held</b>	<b>% of Total Outstanding Shares</b>
Injap Investments, Inc Fuentes St, Iloilo City	The record owner is the beneficial owner of the shares indicated	Filipino	5,999,989,995	79.00%
PCD - Filipino	-	Filipino	1,589,500,709	20.93%

As of December 31, 2021, foreign shareholders owned 0.05% of the Common Shares of the Company.

### Security Ownership of Directors and Officers as of the date of this report.

The following table sets forth security ownership of the Company's Directors, and Officers, as of December 31, 2021:

<b>Title of Class</b>	<b>Name of Record Owner</b>	<b>Position</b>	<b>Citizenship</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Ownership</b>
Common	Rizza Marie Joy J. Sia	Corporate Secretary	Filipino	2,000 shares	0.00%
Common	Edgar J. Sia II	Director	Filipino	2,000 shares	0.00%
Common	Ferdinand J. Sia	Director	Filipino	2,000 shares	0.00%
Common	Marriana H. Yulo-Luccini	Director	Filipino	1 share	0.00%
Common	Atty. Jacqueline Ann Marie O. Gomez	Director	Filipino	1 share	0.00%
Common	Jose Roelph E. Desales	Director	Filipino	1 share	0.00%
Common	Atty. Victoria R. Tamayao	Independent Director	Filipino	1share	0.00%
Common	Gary P. Cheng	Independent Director	Filipino	1 share	0.00%

Except as disclosed above, there is no director or key officer of the Company that owns at least 10% of its issued and outstanding shares of common.

## Voting Trust Holders of five percent or More

As of December 31, 2021, MM is not aware of any person holding more than 5.0% of a class of its shares under a voting trust or similar agreement.

## Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

## ITEM 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

The Company and its Subsidiaries, in their ordinary course of business, engage in transactions with related parties and affiliates. These transactions include advances, cost allocations and reimbursement of expenses. Except where indicated in the table below, settlement of outstanding balances of advances at year end occurs in cash. As of December 31, 2021, 2020 and 2019, the Company has not made any provision for impairment losses relating to amounts owed by related parties.

The summary of the Company's transactions with its related parties for the year ended December 31, 2021, and 2020 and the related outstanding balances as of December 31, 2021 and 2020 are as follows:

Category	Year	Ref	Amount of Transaction	Outstanding Balances	Terms and Conditions
<b>Stockholders</b>					
Advances from stockholders	2021	<i>a</i>			<b>Due and demandable; non-interest bearing; unsecured; payable in cash</b>
	2020	<i>a</i>	P12,720,271	P62,482,842	Due and demandable; non-interest bearing; unsecured; payable in cash
Land acquired	2021	<i>b</i>			<b>Due and demandable; non-interest bearing; unsecured; payable in cash</b>
	2020	<i>b</i>	146,608,491	-	Due and demandable; non-interest bearing; unsecured; payable in cash
	<b>2021</b>				
	2020			P62,482,842	

*a. Cash Advances*

These pertain to unsecured, non-interest bearing advances received from the stockholder for working capital requirements. These advances are generally settled within one year from the date of grant.

*b. Land acquired*

In December 2021, a subsidiary acquired two parcels of land from III, which has been fully settled in 2021. In December 2020, the Parent Company acquired two parcels of land from III, which has been settled in 2020.

c. *Key Management Personnel*

Short-term benefits of key management personnel amounted to P7.37 million, P7.37 million and nil in 2021, 2020 and 2019, respectively. Directors' fee paid amounted to P0.72 million, P0.36 million and nil in 2021, 2020 and 2019, respectively.

## **PART IV CORPORATE GOVERNANCE**

### **ITEM 13. CORPORATE GOVERNANCE**

MM and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by MM to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance. The Board of Directors conducts an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board of Directors are primarily responsible for the governance of the Company. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing. The MM board's independent directors are aware of their duties as such under the Manual. These independent directors are expected to look after the interests of minority shareholders as well as other MM stakeholders.

As of December 31, 2020, there has been no reported deviation from the Manual and MM continually endeavors to comply with the Manual. The Board of Directors are continually assessing policies that could further improve the corporate governance of the Company.

## **PART V      EXHIBITS AND SCHEDULES**

### **ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C**

#### **A   EXHIBITS**

See accompanying Index to Exhibits (page 83).

The following exhibit is filed as a separate section of this report:

2021 Audited Consolidated Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

#### **B   REPORTS ON SEC FORM 17-C (CURRENT REPORT)**

None.

#### **INDEX TO EXHIBITS**

#### **INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

#### **SIGNATURE**

INDEX TO EXHIBITS  
Form 17-A

<b>No.</b>	<b>Page No.</b>
(3) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5) Instruments Defining the Rights of Security Holders, Including Indentures	*
(8) Voting Trust Agreement	*
(9) Material Contracts	*
(10) Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13) Letter re Change in Certifying Accountant	*
(16) Report Furnished to Security Holders	*
(18) Subsidiaries of the Registrant	61
(19) Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20) Consent of Experts and Independent Counsel	*
(21) Power of Attorney	*
(29) Additional Exhibits	*

\* These Exhibits are either not applicable to the Company or require no answer.

**EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT**

Please refer to Item 1 under “Business” and *Note 2* of the accompanying Notes to the Consolidated Financial Statements for details.

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Land Corporation)**  
**INDEX TO THE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**FORM 17-A, ITEM 7**

**Consolidated Financial Statements**

---

Statement of Management's Responsibility for Financial Statements  
Independent Auditors' Report  
Consolidated Balance Sheets as at December 31, 2021 and 2020  
Consolidated Statements of Comprehensive Income  
    For the years ended December 31, 2021, 2020 and 2019  
Consolidated Statements of Changes in Stockholders' Equity  
    For the years ended December 31, 2021, 2020 and 2019  
Consolidated Statements of Cash Flows  
    For the years ended December 31, 2021, 2020 and 2019  
Notes to Consolidated Financial Statements

**Supplementary Schedules**

Independent Auditors' Report on Supplementary Schedules  
    SRC Annex 68-E Schedules  
A. Financial Assets  
B. Amounts Receivable from Directors, Officers, Employees, Related  
    Parties and Principal Stockholders (Other than Related parties) \*  
C. Amounts Receivable from Related Parties which are eliminated during  
    the Consolidation of Financial Statements  
D. Long-term Debt  
E. Indebtedness to Related Parties \*  
F. Guarantees of Securities of Other Issuers \*  
G. Capital Stock

Computation of Public Ownership

Financial Ratios - Key Performance Indicators

Reconciliation of Retained Earnings for Dividend Declaration

Conglomerate Map

*\*These schedules, which are required by SRC Rule 68.1, As Amended (2011), have been omitted because they are either not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements*

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in \_\_\_\_\_ on \_\_\_\_\_.

By:

MERRYMART CONSUMER CORP.

*Edgar J. Sia II*

EDGAR J. SIA II  
Chairman and Chief Executive Officer

*Ferdinand J. Sia*

FERDINAND J. SIA  
President

*Marriana H. Yulo*

MARRIANA H. YULO  
Chief Financial Officer

*Jacqueline Ann Marie O. Gomez*

JACQUELINE ANN MARIE O. GOMEZ  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 13 MAY 2022 at  
CITY OF PASAY affiants exhibiting to me their competent evidence of identity,  
to wit:

- 1) EDGAR J. SIA II with Passport No. P8371489B issued by DFA Manila expiring on December 2, 2031
- 2) FERDINAND J. SIA with Passport No. P7882199A issued by DFA Manila expiring on July 10, 2028
- 3) MARRIANA H. YULO with Passport No. P7881601A issued by DFA Manila expiring on July 10, 2028
- 4) JACQUELINE ANN MARIE O. GOMEZ with Passport No. P6783876A issued by DFA Manila expiring on April 15, 2028

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Book 93  
Series of 2022

*Elena Melisa L. Chica-Lledo*  
ATTY. ELENA MELISA L. CHICA-LLEDO  
NOTARY PUBLIC  
UNIT 719 TOWER E SEA RESIDENCE MOA, PASAY CITY  
MY COMMISSION EXPIRES ON DEC. 31, 2020  
BM 3795 2<sup>ND</sup> EXTENSION UNTIL JUNE 30, 2022  
PTR NO. 7896466 1-3-22 ROLL NO. 38180  
IBP LIFE TIME NO. 0873 CAM SUP. CHAPTER  
MCLE NO. VI-0024745 MAY 07, 2019



# MERRYMART

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MERRYMART CONSUMER CORP. AND SUBSIDIARIES** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (BOD) is responsible for overseeing the Group's financial reporting process.

The BOD reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**R.G. Manabat & Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature \_\_\_\_\_

*Edgar J. Sia II*  
Edgar J. Sia II, CEO/Chairman

Signature \_\_\_\_\_

*Ferdinand J. Sia*  
Ferdinand J. Sia, President

Signature \_\_\_\_\_

*Marriana H. Yulo*  
Marriana H. Yulo, CFO

Signed this 13th day of May 2022

DOC. NO. 397  
PAGE NO. 81  
BOOK NO. 43  
SERIES 2022

ATTY. ELENA MELITA L. CHICA-LLEDO  
NOTARY PUBLIC  
UNIT 719 TOWER E SEA RESIDENCE MOA, PASAY CITY  
MY COMMISSION EXPIRES ON DEC. 31, 2020  
BIA 3785 2<sup>nd</sup> EXTENSION UNTIL JUNE 30, 2022  
PTR NO. 7688456 1-3-22 ROLL NO. 38183  
IBP LEE TIME NO. 0073-GAM SUP CHAPTER  
MFE NO. VHX024746 MAY 07, 2019

# MERRYMART CONSUMER CORP. AND SUBSIDIARIES

(Formerly Injap Supermart Inc.)  
(A Subsidiary of Injap Investments, Inc.)

## **CONSOLIDATED FINANCIAL STATEMENTS** **December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F!  
6787 Ayala Avenue, Makati City!  
Philippines 1209!  
Telephone! +63 (2) 8885 7000!  
Fax! +63 (2) 8894 1985!  
Internet! www.home.kpmg/ph!  
Email! ph-inquiry@kpmg.com!

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**MerryMart Consumer Corp. and Subsidiaries**  
9th Floor Tower 1  
DoubleDragon Plaza, DD Meridian Park  
Pasay City

### *Opinion*

We have audited the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a subsidiary of Injap Investments, Inc.) and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Revenue Recognition (P3,855.51 million)*

Refer to Note 14 to the consolidated financial statements.

##### *The risk*

The Group's revenue is mainly generated from the sale of retail goods which is not complex but an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

##### *Our response*

We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period.
- We vouched, on a sample basis, sales transactions throughout the year to supporting documentation such as generated sales summary reports from the POS system, delivery documents and bank deposit slips, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, journal entries posted to revenue accounts to identify unusual or irregular items.
- We evaluated the adequacy of the financial statements disclosures.

#### *Existence and Completeness of Inventories (P1,372.73 million)*

Refer to Note 7 to the consolidated financial statements.

##### *The risk*

The Group's inventories represent 36% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this as a key audit matter.



*Our response*

We performed the following audit procedures, among others, over the existence and completeness of inventories:

- We obtained an understanding of the Group's inventory management process and performed tests of operating effectiveness of internal controls.
- We visited selected stores and warehouses and observed the physical inventory counts.
- We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports accurately reflect the results of the inventory count.
- We traced a sample of supporting documents for shipments, receipt and transfers, occurring immediately prior to the inventory count observation, to the accounting records of sales and purchases.
- We reviewed the reconciliations of the valued physical inventory compilation with the general ledger accounts and tested the reconciling items.
- We reviewed the roll-forward and roll-backward procedures performed by management and on sampling basis, and tested the transactions from the date of inventory count to the reporting date.
- We vouched, on a sample basis, purchase transactions for a selected period before and after year-end to supporting documentation to assess whether these transactions are recorded in the correct reporting period.
- We performed analytical procedures which involved identifying plausible and predictable relationships among relevant data on sales and gross profit for the last two years, and determined whether recorded amounts are reasonably within developed expectations.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.



## *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

May 15, 2022

Makati City, Metro Manila

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 5, 23	P2,030,327,961	P940,641,989
Receivables	4, 6, 23	86,062,063	25,071,685
Inventories	4, 7, 15	1,372,727,670	737,572,923
Prepaid expenses and other current assets	8	292,638,800	199,090,553
<b>Total Current Assets</b>		<b>3,781,756,494</b>	<b>1,902,377,150</b>
<b>Noncurrent Assets</b>			
Property and equipment	4, 9	1,718,685,658	908,849,180
Right-of-use assets	4, 20	449,025,449	402,933,511
Intangible asset	4, 11	54,962,301	42,910,253
Deferred tax assets	4, 21	37,919,270	44,276,810
Other noncurrent assets	4, 10, 20, 23, 25	450,109,053	174,714,961
<b>Total Noncurrent Assets</b>		<b>2,710,701,731</b>	<b>1,573,684,715</b>
		<b>P6,492,458,225</b>	<b>P3,476,061,865</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	12, 23	P822,473,155	P416,433,885
Loans payable - current	13, 23	1,295,000,000	450,000,000
Due to a related party	18, 23	-	62,482,842
<b>Total Current Liabilities</b>		<b>2,117,473,155</b>	<b>928,916,727</b>
<b>Noncurrent Liabilities</b>			
Retirement benefits liability	16, 17, 19	9,085,689	8,024,699
Lease liabilities	20, 23	407,535,140	376,322,986
Loans payable - net of current portion	13, 23	1,997,053,555	250,000,000
Other noncurrent liabilities		2,580,000	1,380,000
<b>Total Noncurrent Liabilities</b>		<b>2,416,254,384</b>	<b>635,727,685</b>
<b>Total Liabilities</b>		<b>4,533,727,539</b>	<b>1,564,644,412</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	22	379,746,835	379,746,835
Additional paid-up capital	22	1,386,292,253	1,386,292,253
Retained earnings	22	180,339,438	146,834,756
Remeasurement loss on defined benefit	19	659,303	(1,456,391)
		<b>1,947,037,829</b>	<b>1,911,417,453</b>
Non-controlling interest		<b>11,692,857</b>	<b>-</b>
<b>Total Equity</b>		<b>1,958,730,686</b>	<b>1,911,417,453</b>
		<b>P6,492,458,225</b>	<b>P3,476,061,865</b>

See Notes to the Consolidated Financial Statements.



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		<b>Years Ended December 31</b>		
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>				
Sale of goods	14	<b>P3,855,509,832</b>	P3,412,521,282	P2,482,302,804
Display rental	14	<b>21,034,255</b>	26,326,260	20,870,590
Other operating income	14, 17	<b>52,842,525</b>	35,236,233	12,062,959
		<b>3,929,386,612</b>	3,474,083,775	2,515,236,353
<b>COST OF SALES</b>	7, 15	<b>3,277,257,704</b>	3,145,722,630	2,370,672,389
<b>GROSS PROFIT</b>		<b>652,128,908</b>	328,361,145	144,563,964
<b>OPERATING EXPENSES</b>	16	<b>582,763,356</b>	304,656,866	98,053,988
<b>INCOME FROM OPERATIONS</b>		<b>69,365,552</b>	23,704,279	46,509,976
<b>INTEREST EXPENSE</b>	13, 20	<b>(15,960,615)</b>	(12,550,872)	(6,653,777)
<b>INTEREST INCOME</b>	5	<b>1,750,905</b>	5,769,988	109,993
<b>INCOME BEFORE INCOME TAX</b>		<b>55,155,842</b>	16,923,395	39,966,192
<b>INCOME TAX EXPENSE (BENEFIT)</b>	21	<b>21,158,303</b>	(31,317,679)	11,956,860
<b>NET INCOME</b>		<b>33,997,539</b>	48,241,074	28,009,332
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Item that will not be reclassified to profit or loss</i>				
Remeasurement gain (loss) on defined benefit plan	19	<b>2,959,628</b>	(2,080,559)	-
Deferred tax effect	21	<b>(843,934)</b>	624,168	-
		<b>2,115,694</b>	(1,456,391)	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P36,113,233</b>	P46,784,683	P28,009,332
<b>Net income attributable to:</b>				
Equity holders of the Parent Company		<b>P34,304,682</b>	P48,241,074	P28,009,332
Non-controlling interest		<b>(307,143)</b>	-	-
		<b>P33,997,539</b>	P48,241,074	P28,009,332
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company		<b>P36,420,376</b>	P46,784,683	P28,009,332
Non-controlling interest		<b>(307,143)</b>	-	-
		<b>P36,113,233</b>	P46,784,683	P28,009,332
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	22	<b>P0.005</b>	P0.01	P1.12

See Notes to the Consolidated Financial Statements.

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31									
	Note	Capital Stock	Additional Paid-up Capital	Remeasurement Gain (Loss) on Defined Benefit		Retained Earnings		Non-controlling Interest	Total
				Unappropriated	Appropriated	Total			
Balance at January 1, 2019		P1,250,000	P -	P -	P 41,984,350	P 37,000,000	P 78,984,350	P -	P80,234,350
Net income/total comprehensive income for the year	22	-	-	-	28,009,332	-	28,009,332	-	28,009,332
Appropriation during the year	22	-	-	-	(80,000,000)	80,000,000	-	-	-
Balance at December 31, 2019	24	1,250,000	-	-	(10,006,318)	117,000,000	106,993,682	-	108,243,682
Net income		-	-	-	48,241,074	-	48,241,074	-	48,241,074
Remeasurement loss on defined benefit plan	22	-	-	(1,456,391)	-	-	-	-	(1,456,391)
Total comprehensive income		-	-	(1,456,391)	48,241,074	-	48,241,074	-	46,784,683
Issuance of shares	22	378,496,835	1,515,189,874	-	-	-	-	-	1,893,686,709
Stock issuance cost	22	-	(128,897,621)	-	-	-	-	-	(128,897,621)
Reversal of appropriation during the year	22	-	-	-	117,000,000	(117,000,000)	-	-	-
Dividends	22	-	-	-	(8,400,000)	-	(8,400,000)	-	(8,400,000)
Transaction with owners		378,496,835	1,386,292,253	-	108,600,000	(117,000,000)	(8,400,000)	-	1,756,389,088
Balance at December 31, 2020		379,746,835	1,386,292,253	(1,456,391)	146,834,756	-	146,834,756	-	1,911,417,453
Net income		-	-	-	34,304,682	-	34,304,682	(307,143)	33,997,539
Remeasurement gain on defined benefit plan		-	-	2,115,694	-	-	-	-	2,115,694
Total comprehensive income		-	-	2,115,694	34,304,682	-	34,304,682	(307,143)	36,113,233
Stock issuance cost	2	-	-	-	(800,000)	-	(800,000)	-	(800,000)
Noncontrolling interest in incorporated subsidiary	2	-	-	-	-	-	-	12,000,000	12,000,000
Balance at December 31, 2021		P379,746,835	P1,386,292,253	P659,303	P180,339,438	P -	P180,339,438	P11,692,857	P1,958,730,686

See Notes to the Consolidated Financial Statements.

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P55,155,842	P16,923,395	P39,966,192
Adjustments for:				
Depreciation and amortization	9, 10, 11, 16	120,889,622	61,650,803	18,400,538
Interest expense	13, 20	15,960,615	12,550,872	6,653,777
Retirement benefits expense (income)	19	4,020,618	(252,191)	1,940,339
Gain on lease modification	17, 20	(956,794)	-	-
Interest income	5	(1,750,905)	(5,769,988)	(109,993)
Operating income before working capital changes		193,318,998	85,102,891	66,850,853
Decrease (increase) in:				
Receivables		(64,144,820)	(12,898,536)	(8,104,286)
Inventories		(635,154,747)	(554,154,180)	87,030,147
Prepaid expenses and other current assets		(98,937,112)	(166,721,324)	(43,353,391)
Increase (decrease) in:				
Accounts payable and other current liabilities		380,626,727	259,832,645	36,706,574
Unearned franchise fees		1,200,000	-	-
Cash generated from (absorbed by) operations		(223,090,954)	(388,838,504)	139,129,897
Interest received		4,905,347	2,615,546	109,993
Income tax paid		(10,255,832)	(41,765,936)	(272,626)
Interest paid	13, 20	(15,960,615)	(52,365,872)	(2,477,083)
Net cash provided by (used in) operating activities		(244,402,054)	(480,354,766)	136,490,181
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to intangible assets	11	(19,381,517)	(31,821,035)	(7,562,710)
Increase in other noncurrent assets	10	(275,394,092)	(133,042,749)	(41,672,212)
Additions to property and equipment	9	(864,217,613)	(671,917,935)	(201,822,638)
Net cash used in investing activities		(1,158,993,222)	(836,781,719)	(251,057,560)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans	13	2,664,970,222	550,000,000	150,000,000
Proceeds from issuance of shares by a subsidiary	2	12,000,000	-	-
Proceeds from deposit for future stock subscription	22	-	-	298,750,000
Proceeds from issuance of shares	22	-	1,594,936,709	1,380,000
Payments of cash dividends	22	-	(8,400,000)	-
Stock issuance cost	22	(800,000)	(128,897,621)	-
Lease payments	20	(47,689,465)	(32,889,484)	(1,027,500)
(Repayment) proceeds of cash advances to stockholders		(62,482,842)	12,720,271	(85,134,387)
Payment of loans	13	(72,916,667)	-	-
Net cash provided by financing activities		2,493,081,248	1,987,469,875	363,968,113
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,089,685,972	670,333,390	249,400,734
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	5	940,641,989	270,308,599	20,907,865
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	5	P2,030,327,961	P940,641,989	P270,308,599

See Notes to the Consolidated Financial Statements.

**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

MerryMart Consumer Corp. (formerly Injap Supermart Inc.) (the “Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 9, 2009.

The Parent Company’s primary purpose is to engage in, conduct and carry on the business of buying, selling, manufacturing, distributing, marketing at wholesale and retail of consumer goods including liquor and agricultural, meat and fresh products; lease out store and office spaces and to offer advertising and maintenance services for a fee to its lessee or lease occupants; and to establish and continue the business of general merchandise, mercantile, trading and marketing, processing, production making and manufacturing of consumer products and commodities, and engage in the importation of consumer goods, food and non-food items, agricultural and seafood products and fresh and processed, and other merchandise for the distribution and wholesale and retail of goods and other similar merchandise.

The Parent Company is a subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On January 23, 2020, the SEC approved the increase in the Parent Company’s authorized capital stock from P5,000,000 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000 divided into 24,000,000,000 shares of the par value of P0.05 each. On the same date, the SEC also approved the amendment of its primary purpose and of the principal place of business of the Parent Company to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Barangay 76, Pasay City.

On January 23, 2020, the Board of Directors (BOD) and shareholders of the Parent Company approved to offer, subject to compliance with existing laws, and the rules and regulations of the SEC, up to 1,594,936,709 primary common shares through an initial public offering (IPO) at the price up to P1.00 per share. On January 27, 2020, the Parent Company filed its Registration Statement with the SEC covering its IPO.

On March 10, 2020, the SEC approved the Parent Company’s Registration Statement for 7,594,936,709 common shares to be listed and traded on the Small, Medium and Emerging Board of the Philippine Stock Exchange (“PSE”). The offering consists of 1,594,936,709 primary common shares with the maximum price set at P1.00 per share.

On June 15, 2020, the Parent Company completed its IPO and was listed in the PSE under the stock symbol “MM”. III remains as the ultimate parent company and controlling shareholder of MM. As at December 31, 2021, there are twenty (20) shareholders of the Parent Company’s securities.

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## 2. Basis of Preparation

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group and the Parent Company's financial statements as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on May 13, 2022.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared using the historical cost basis of accounting, except for retirement benefits liability which is measured at present value of defined benefit obligation.

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred herein to as the "Group").

Subsidiaries	Percentage of Ownership	
	2021	2020
MerryMart Grocery Centers, Inc. (MMGC) <sup>(a)</sup>	100	100
MM Consumer Technologies Corp. (MTech) <sup>(b)</sup>	100	-

(a) Consolidated effective September 28, 2018.

(b) Consolidated effective May 27, 2021.

### **MMGC**

MMGC was incorporated and registered with the SEC on September 28, 2018. It is engaged to acquire, hold, own, operate or manage of wholesale or retail trade of foodstuffs, grocery items, household items, consumer goods and merchandise, on any lands, buildings, supermarkets, malls, stores, stalls or structures owned, leased, held, operated, managed or occupied by the entity.

### *MTech*

MTech was registered with the SEC on May 27, 2021 primarily to invest in, purchase, or otherwise acquire, and own, hold, use sell, assign, transfer, lease, mortgage, exchange, develop, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities and obligations of any corporation or corporations, association or associations, joint ventures, incorporated or otherwise, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; to possess and exercise in respect thereof, all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, to carry on, provide support and manage the general business of any corporation, company, association or joint venture and to secure and guarantee the loans and obligations of , and act as surety for its subsidiaries, affiliates or associates as may be authorized by the Board of Directors; and to exercise such powers, act or functions as may be essential or necessary to carry out the purpose stated herein.

MTech has not yet started its operations as at December 31, 2021.

MTech has a subsidiary namely, MBOX Smart Lockers Corp. (MBox), which is included in the consolidated financial statements.

### *MBOX*

MBox was incorporated and registered with the SEC on June 4, 2021. It is engaged to invest, own, operate, manage, develop infrastructure, facilities, services, applications and systems for storage and distribution, which includes smart lockers, storages and other logistics systems, tools, equipment and services.

MBox is 70% owned by MTech.

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests include the portion of profit or loss and net assets not attributable to the equity holders of the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests also include the interests not held by MTech in MBox as at December 31, 2021.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The place of incorporation and the place of registration of the subsidiaries are the same with the Parent Company. The Parent Company and its Subsidiaries are domiciled in the Philippines.

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### **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

#### Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective January 1, 2022*

- **Property, Plant and Equipment - Proceeds before Intended Use** (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- **Onerous Contracts - Cost of Fulfilling a Contract** (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.



- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards, of which the following is applicable to the Group:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (*Amendment to PFRS 9, Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees 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. It applies 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.
  - *Lease Incentives* (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

#### *Effective January 1, 2023*

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Noncurrent Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft was due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

#### Financial Instruments

##### Date of Recognition

The Group recognizes a financial asset or financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

#### *Initial Recognition of Financial Instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized initially at fair value. The initial measurement, except for those designated as FVPL, includes transaction costs.

#### Financial Assets

##### *Classification and Subsequent Measurement*

The Group classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and how information is provided to management:

- the stated policies and objectives for the portfolio and the operations of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessing the cash flow characteristics of financial assets, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for financial assets acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Group has no financial assets at FVOCI and FVPL as at December 31, 2021 and 2020.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, receivables (excluding advances to suppliers and advances to employees) and security deposits (included under "Other Noncurrent Assets") are included in this category (Notes 5, 6, 10 and 23).

#### Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group has no financial liabilities at FVPL as at December 31, 2021 and 2020

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the consolidated statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2021 and 2020, the Company's accounts payable and other current liabilities (excluding payables to the government and unearned franchise fee), loans payable, due to a related party and lease liabilities are included in this category (Notes 12, 13, 18 and 23).

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

For a modification of the financial asset that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in profit or loss.

### Impairment of Financial Assets

The Group recognizes allowance for expected credit losses (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

#### Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.



### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

### Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in-first out (FIFO) method. Cost comprises of purchase price, including duties, applicable landing charges and other incidental expenses incurred in bringing the inventories to its present location and condition. NRV is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the consolidated statements of financial position as current assets when the costs or expenses related to the assets are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, assets are classified as noncurrent assets.

#### Input Value-added Tax (VAT)

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Group upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized for no more than 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

#### Property and Equipment

Property and equipment, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Leasehold improvements	10 years or lease term, whichever is shorter
Furniture, fixtures and equipment	5 to 10
Transportation equipment	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use. An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

Land is carried at cost less any impairment in value, if any. The initial cost of land comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. It excludes the costs of day-to-day servicing. Land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the land (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Construction in-progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs.

#### Intangible Asset

Intangible asset acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible asset with finite life is amortized using the straight-line method over its useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible asset with finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of comprehensive income in the expense category consistent with the function of the intangible asset.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Capitalized costs are amortized on a straight-line basis over an estimated useful life of five years as the life of this intangible asset is considered limited.

#### Other Noncurrent Assets

Other noncurrent assets consist of advances to Carlos Drugs – Lucena, Inc. (Carlos Superdrug), prepaid rent and security deposits. Advances to Carlos Superdrug pertains to the amount paid in advance for the purchase of shares and wherein the Group has no control yet. Prepaid rent is rent paid prior to the rental period to which it relates, or an amount of rent paid that has not yet been used. Security deposits represent noninterest-bearing deposits which are generally applied against unpaid rentals should the lessee decide not to renew the lease or are forfeited as damages for any violation of contract.

### Business Combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

### Non-controlling Interests (NCI)

The acquisitions of NCI are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

### Impairment of Nonfinancial Assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Capital stock are classified as equity. Incremental costs directly attributable to the issuance of common stock are recognized as a deduction from equity, net of any tax effects, and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

#### Additional Paid-in Capital

Additional paid-in capital represents the amount received in excess of the par value of the capital stock issued.

Stock issuance costs are transaction costs that are directly attributable to the issuance of new shares accounted for as a deduction from equity, net of any related income tax benefit. Such costs are deducted from additional paid-in capital arising from the share issuance. If the additional paid-in capital is insufficient to absorb such expenses, the excess shall be charged to stock issuance costs to be reported as a contra equity account as a deduction from the following in the order of priority: (1) additional paid-in capital from previous stock issuance; and (2) retained earnings.

#### Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

#### Revenue Recognition

##### *Revenue from Contracts with Customers*

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenues exclude VAT and other fees collected on behalf of other parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods*  
Sale of goods from retail and food shop is recognized at point in time when the control of the asset is transferred to the customer, generally upon delivery.
- *Concession Income*  
Concession income, included as part of other income, pertains to the net margin from sales of concessionaire supplier's goods inside the store. The income is recognized when earned.

- *Other Income*  
Other income pertains to application fees, merchandise support and other miscellaneous income and are recognized when earned.

#### *Revenues from Other Sources*

##### *Display Rental*

Display rental from the use of the Group's gondola and store spaces is recognized upon use of the selected area.

##### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. Interest income from banks which is presented net of final tax is recognized when earned.

#### Cost of Sales

Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location.

#### Expense Recognition

Expenses are recognized when they are incurred and are reported in the consolidated financial statements in the periods to which they relate.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

#### Operating Expenses

Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

#### Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- i. the Group has the right to operate the asset; or
- ii. the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the ROU asset reflects that the Group will exercise a purchase option. In that case the ROU asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.



When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Variable lease payments that depend on sales or usage are excluded from the lease liability. The payments are recognized in profit or loss in the period in which the performance or use occurs.

#### Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption applies to leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset otherwise it's expensed out. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

The amount of specific borrowing costs capitalized is net of the investment income on any temporary investment of the funds pending expenditure on the asset. On the other hand, general borrowing costs capitalized is exclusive of any investment income earned.

#### Employee Benefits

##### Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Retirement Costs

The Group has no established retirement plan for its permanent employees and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

The defined benefit retirement liability is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability
- Remeasurements of defined benefit retirement liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the defined benefit retirement liability is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the defined benefit retirement liability. Net interest on the defined benefit retirement liability is recognized as expense or income in profit or loss.

Remeasurements of defined benefit retirement liability comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise.

### Taxes

#### *Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the carryforward tax benefits of the net operating loss carry-over (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Future taxable profits will be available against which they can be used. If the amount of taxable temporary differences is insufficient to recognize deferred tax asset in full, the future taxable profits, adjusted for reversals of existing temporary differences, are considered based on the business plan of the Group.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### VAT

Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” and “Payables to the government” under “Accounts payables and other current liabilities” account in the consolidated statements of financial position.

#### Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management of the Group.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis. The Group has single segment, which is the sale of goods to customers.

The measurement policies the Group used for segment reporting under PFRS 8, *Operating Segments* are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to exercise judgments, make estimates and use assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Impairment of Nonfinancial Assets*

PFRSs require that an impairment review be performed on non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

The combined carrying amounts of property and equipment, ROU assets, advances to Carlos Superdrug and intangible assets with finite lives amounted to P2,338.48 million and P1,354.69 million as at December 31, 2021 and 2020 respectively (Notes 9, 10, 11, 20 and 25).

#### *Provisions and Contingencies*

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements in 2021 and 2020.

#### *Determination of whether the Group is acting as a Principal or an Agent*

The Group is a principal if it controls the specified good or service before it is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party and the Group does not control the good or service before it is transferred to the customer.

The Group assesses its concession agreements against the following indicators to help determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk; and
- whether the Group has discretion in establishing prices.

In 2019, the Group concluded that it is acting as the agent on its concession agreements as the Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customers, it does not set prices and take inventory risk. The Group acts as an agent in selling to the end-customers and is receiving a "Commission" in consideration for the service that it is performing to the concessionaire. The Group recognizes concession income which pertains to the net margin from sales of concessionaire suppliers' goods inside the store.

In 2020, the Group revised its concession agreements and concluded that it is acting as the principal as it has the primary responsibility for fulfilling the promise to provide the goods under concession to its customers. The Group has the right to direct the use of and obtain substantially all of the remaining benefits of the goods under concession and has the discretion in establishing the price for the goods.

As a result, starting 2020 the Group is acting as the principal in selling the goods to end-customers. The gross proceeds from the sale of goods under concession were recognized as part of the sales of goods and the related costs were charged as part of cost of sales.

#### *Determination on whether an Arrangements Contains a Lease*

The Group uses its judgment in determining whether an arrangement is or contains a lease. A contract contains a lease if the determination of contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time if the customer has the right to obtain substantially all of the economic benefits from the use of the identified assets and the right to direct the use of the identified assets.

#### *Determination of Incremental Borrowing Rate on Leases*

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as when the Group does not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

#### *Business Combinations*

At the time of acquisition, the Group considers whether the acquisition represents of net assets the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired. If investment property is acquired, the assessment includes reference to the guidance in PAS 40, *Investment Property* and considers relevant factors including whether property management services are acquired and the nature of those services, and the level and nature of ancillary services. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

#### *Determination of Control*

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

- a. power over the entity;
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent Company's returns.

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

*Assessment for ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on financial assets at amortized cost is not material because majority of the transactions with respect to these financial assets were entered into by the Group only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on financial assets at amortized cost was recognized in 2021 and 2020.

The carrying amounts of financial assets at amortized cost are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents (excluding cash on hand)	5, 23	<b>P1,967,743,019</b>	P894,848,375
Receivables (excluding advances to suppliers and advances to employees)	6, 23	<b>74,860,264</b>	19,898,437
Security deposits (included under other noncurrent assets)	10, 20, 23	<b>161,447,516</b>	112,804,660
		<b>P2,204,050,799</b>	P1,027,551,472

#### *Write-down of Inventories*

The Group writes-down the costs of inventories to NRV whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

No inventories were written down to their net realizable values in 2021, 2020 and 2019.

The carrying amounts of the Group's inventories amounted to P1,372.73 million and P737.57 million as at December 31, 2021 and 2020, respectively (Note 7).

*Estimating Useful Lives of Property and Equipment, ROU Assets and Intangible Asset with Finite Life*

The Group estimates the useful lives of property and equipment, ROU assets and intangible asset with finite life based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible asset with finite life are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment and intangible asset with finite life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment and intangible asset with finite life would increase recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P1,718.69 million and P908.85 million as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property and equipment amounted to P95.41 million and P41.02 million as at December 31, 2021 and 2020, respectively (Note 9).

Intangible asset with finite life, net of accumulated amortization, amounted to P54.96 million and P42.91 million as at December 31, 2021 and 2020, respectively. Accumulated amortization of the intangible asset with finite life amounted to P11.00 million and P3.67 million as at December 31, 2021 and 2020, respectively (Note 11).

ROU assets carried at cost, net of accumulated amortization, amounted to P449.03 million and P402.93 million as at December 31, 2021 and 2020, respectively. Accumulated amortization of ROU assets amounted to P99.18 million and P42.66 million as at December 31, 2021 and 2022, respectively (Note 20).

*Realizability of Deferred Tax Assets*

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax asset on deductible temporary difference and carryforward benefits of NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P37.92 million and P44.28 million as at December 31, 2021 and 2020 respectively (Note 21).



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## 5. Cash and Cash Equivalents

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash in banks	4, 23	<b>P1,967,743,019</b>	P492,198,125
Cash on hand		<b>62,584,942</b>	45,793,614
Short-term placements	4, 23	-	402,650,250
		<b>P2,030,327,961</b>	P940,641,989

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates. The short-term placements as at December 31, 2020 have matured in 2021.

Total interest income earned from cash and cash equivalents amounted to P1.75 million, P5.77 million, and P0.11 million in 2021, 2020 and 2019, respectively.

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## 6. Receivables

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Trade	23	<b>P60,549,738</b>	P13,750,206
Receivable from franchisee	23	<b>6,831,305</b>	2,904,879
Advances to employees		<b>8,385,060</b>	5,173,248
Advances to suppliers		<b>2,816,739</b>	-
Accrued interest	23	-	3,154,442
Others	23	<b>7,479,221</b>	88,910
	4	<b>P86,062,063</b>	P25,071,685

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 days credit terms.

Accrued interest pertains to the interest income earned from the short-term placements.

Other receivables mainly pertain to receivables from employees and insurance company.

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## 7. Inventories

This account consists of groceries and other consumer products held for sale in the ordinary course of business on wholesale or retail basis.

	<b>2021</b>	<b>2020</b>
Merchandise inventories	<b>P1,359,218,058</b>	P732,754,059
Packaging materials	<b>13,509,612</b>	4,818,864
	<b>P1,372,727,670</b>	P737,572,923

Inventories at cost is lower than its NRV as at December 31, 2021 and 2020.

Inventories charged to cost of sales amounted to P3,277.26 million, P3,145.72 million and P2,370.67 million in 2021, 2020 and 2019, respectively (Note 15).

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## 8. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Input VAT - net	<b>P261,328,991</b>	P168,134,439
Prepaid expenses	<b>18,929,482</b>	17,783,148
Advances to suppliers	<b>10,640,710</b>	8,447,793
Creditable withholding tax	<b>1,270,463</b>	3,287,562
Prepaid taxes	<b>469,154</b>	1,437,611
	<b>P292,638,800</b>	P199,090,553

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Input VAT represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the store construction which can be applied against future output VAT.

Prepaid expenses include advertising and insurance which will be amortized within one (1) year.

Creditable withholding taxes pertain to taxes withheld by the Group's customers which can be applied against any future income tax liability.

## 9. Property and Equipment

The movements and balances of this account consist of:

	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Machineries	Construction in Progress	Land	Total
<b>Cost</b>							
Balance, January 1, 2020	P37,669,047	P48,953,698	P5,979,800	P -	P145,538,016	P -	P238,140,561
Additions	53,984,360	80,085,455	19,332,042	-	411,722,588	146,608,490	711,732,935
Reclassifications	68,291,878	83,303,566	-	-	(151,595,444)	-	-
Balance, December 31, 2020	159,945,285	212,342,719	25,311,842	-	405,665,160	146,608,490	949,873,496
Additions	47,495,153	236,412,681	9,501,703	15,678,898	168,278,998	386,850,180	864,217,613
Reclassifications	124,708,758	-	-	-	(124,708,758)	-	-
<b>Balance, December 31, 2021</b>	<b>332,149,196</b>	<b>448,755,400</b>	<b>34,813,545</b>	<b>15,678,898</b>	<b>449,235,400</b>	<b>533,458,670</b>	<b>1,814,091,109</b>
<b>Accumulated Depreciation</b>							
Balance, January 1, 2020	2,471,568	11,988,505	1,885,820	-	-	-	16,345,893
Depreciation for the year	4,887,734	16,812,959	2,977,730	-	-	-	24,678,423
Balance, December 31, 2020	7,359,302	28,801,464	4,863,550	119,727	-	-	41,024,316
Depreciation for the year	14,270,078	35,376,710	4,614,620	119,727	-	-	54,381,135
<b>Balance, December 31, 2021</b>	<b>21,629,380</b>	<b>64,178,174</b>	<b>9,478,170</b>	<b>119,727</b>	<b>-</b>	<b>-</b>	<b>95,405,451</b>
<b>Carrying Amount</b>							
As at December 31, 2020	P152,585,983	P183,541,255	P20,448,292	P -	P405,665,160	P146,608,490	P908,849,180
<b>As at December 31, 2021</b>	<b>P310,519,816</b>	<b>P384,577,226</b>	<b>P25,335,375</b>	<b>P15,559,171</b>	<b>P449,235,400</b>	<b>P533,458,670</b>	<b>P1,718,685,658</b>

Depreciation expense charged to “Operating expense” account amounted to P54.38 million, P24.68 million and P9.04 million in 2021, 2020 and 2019, respectively (Note 16).

There were no property and equipment pledged or mortgaged as security as at December 31, 2021 and 2020.

## 10. Other Noncurrent Assets

Details of this account follows:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Prepaid rent	20	<b>P170,478,144</b>	P59,536,551
Security deposits	4, 20, 23	<b>161,447,516</b>	112,804,660
Advances to third party	25	<b>115,810,226</b>	-
Construction bond		<b>2,373,167</b>	2,373,750
		<b>P450,109,053</b>	P174,714,961

Prepaid rent pertains to the amount paid in advance for the use of place or property.

Security deposits pertain to non-interest bearing deposits paid to and held by the Group’s lessors which are refundable at the end of the lease term.

Advances to a third-party pertains to the initial payment made to Carlos Superdrug for its acquisition of the latter’s shares and for which the closing date of the business combination was determined to be subsequent to December 31, 2021 (Note 25).

## 11. Intangible Asset

This account pertains to computer software licenses which have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group’s specific requirements.

The movements and balances of this account consist of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
<b>Cost</b>			
Beginning balance		<b>P46,583,745</b>	P14,762,710
Additions		<b>19,381,517</b>	31,821,035
		<b>65,965,262</b>	46,583,745
<b>Accumulated Amortization</b>			
Beginning balance		<b>3,673,492</b>	149,937
Amortization for the year	16	<b>7,329,469</b>	3,523,555
		<b>11,002,961</b>	3,673,492
		<b>P54,962,301</b>	P42,910,253

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Trade	3, 23	<b>P706,258,744</b>	P319,260,360
Current portion of lease liabilities	3, 20	<b>64,934,043</b>	39,521,500
Accrued expenses	3, 23	<b>26,638,056</b>	40,800,454
Accrued interest expense	3, 23	<b>12,075,208</b>	1,975,000
Payables to the government		<b>2,022,425</b>	1,877,341
Current portion of unearned franchise fees		<b>676,000</b>	676,000
Others	3, 23	<b>9,868,679</b>	12,323,230
		<b>P822,473,155</b>	P416,433,885

Trade payables are liabilities arising from the purchases of inventories. These are non-interest bearing and are normally settled within 7-60 days.

Accrued expenses pertain to unbilled expenses for professional fees, utilities and other charges.

Unearned franchise fees pertain to amounts collected in advance in relation to the franchise agreement. Breakdown of the unearned franchise fees follows:

	<b>2021</b>	<b>2020</b>
Current	<b>P676,000</b>	P676,000
Noncurrent	<b>1,380,000</b>	1,380,000
	<b>P2,056,000</b>	P2,056,000

## 13. Loans Payable

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Current		<b>P1,295,000,000</b>	P450,000,000
Noncurrent		<b>1,997,053,555</b>	250,000,000
	23	<b>P3,292,053,555</b>	P700,000,000

Loans payable pertains to unsecured loans obtained from local banks.

### Long-term Loans Payable

On November 4, 2020, the Group obtained an unsecured loan amounting to P250 million for the construction of the Group's branches. This loan bears fixed interest rate of 6.00% per annum and is payable until May 2023. The loan agreement does not contain any financial or non-financial covenants. Total payments made on this loan amounted to P72.92 million in 2021. Total remaining loans payable amounted to P177.08 million as at December 31, 2021, wherein P125 million is due in 2022 and the remaining P52.08 million is due in 2023.

On December 16, 2021, the Group obtained an unsecured loan amounting to P2,000 million for the construction of the Group's branches with an issue cost amounting to P35.03 million. This loan, which bears an annual fixed interest of 5.97%, and is payable until December 16, 2026. The loan contains financial covenants relating to maintenance of certain financial ratios. Out of the P2,000 million loans payable as at December 31, 2021, P20 million is due in 2022 while the remaining P1,980 is payable until 2026.

The financial tests under the second loan agreement include compliance relating to maintenance of certain financial ratios.

As at December 31, 2021, the Group is in compliance with the covenants of its debt agreements.

#### Short-term Loans Payable

The Group obtained short-term loans from various financial institutions which are payable within one year. The proceeds from these borrowings were used for working capital purposes more specifically in the development of the Group's new stores. The interest rates on these short-term borrowings are repriced monthly based on negotiated rates or prevailing market rates.

Total interest expense, exclusive of the capitalized borrowing costs, recognized in profit or loss amounted to P1.04 million, P0.75 million and P2.48 million in 2021, 2020 and 2019, respectively. Total capitalized borrowing costs charged in "Property and equipment - net" account amounted to P62.39 million and P41.79 million as at December 31, 2021 and 2020, respectively (Note 9).

The movement of loans arising from these loan agreements are as follows:

	<b>2021</b>	<b>2020</b>
Balance at beginning of year	<b>P700,000,000</b>	P150,000,000
Proceeds from loans payable net of issue cost	<b>2,664,970,222</b>	550,000,000
Payment of loans payable	<b>(72,916,667)</b>	-
Balance at end of year	<b>P3,292,053,555</b>	P700,000,000

The schedules for principal payments for loans payable are as follow:

	<b>2021</b>	<b>2020</b>
Due within one year	<b>P1,295,000,000</b>	P450,000,000
Beyond one year but not later than five years	<b>1,997,053,555</b>	250,000,000
	<b>P3,292,053,555</b>	P700,000,000

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## 14. Revenues

### Revenues from Contract with Customers

The Group generates revenues primarily from trading and selling goods and consumer products on a wholesale or retail basis. The revenues from contract with customers is disaggregated by revenue streams as follows:

	<i>Note</i>	2021	2020	2019
Sale of goods		<b>P3,855,509,832</b>	P3,412,521,282	P2,482,302,804
Display rental		<b>21,034,255</b>	26,326,260	20,870,590
Concession income*	17	-	-	9,152,292
Application fees*	17	<b>3,300,000</b>	7,700,000	2,200,000
		<b>P3,879,844,087</b>	P3,446,547,542	P2,514,525,686

\* Included under "Other Operating income" account

Sale of goods is recognized at point in time when control of the asset is transferred to the customer, generally upon delivery.

In 2019, concession income pertains to the net margin from sales of concessionaire suppliers' goods inside the store. The Group does not, at any point, have control of the goods which are sold. Although the Group transacts with the end-customers, it does not set prices and take inventory risk. The Group acts as an agent in selling to the end-customers and is receiving a "Commission" in consideration for the service that it is performing to the concessionaire.

In 2020, the Group revised its concession agreements wherein it has the primary responsibility for fulfilling the promise to provide the goods under concession to its customers. The Group has the right to direct the use of and obtain substantially all of the remaining benefits of the goods under concession and has the discretion in establishing the price for the goods. As a result, starting 2020, the Group is acting as the principal in selling the goods to end-customers. The gross proceeds from the sale of goods under concession were recognized as part of the sales of goods and the related costs were charged as part of cost of sales.

Application fees pertain to the amount received in processing the franchise application of its franchisees. The fees are recognized when the service is rendered, which is generally once the franchise application is executed.

### Display Rental

This account pertains to the rental income earned from the suppliers for the exclusive use of gondola and store spaces to display their products in the selling area situated in strategic locations.

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## 15. Cost of Sales

This account consists of:

	<i>Note</i>	2021	2020	2019
Beginning inventory	4, 7	<b>P737,572,923</b>	P183,418,743	P270,448,890
Add: Purchases		<b>3,912,412,451</b>	3,699,876,810	2,283,642,242
Total goods available for sale		<b>4,649,985,374</b>	3,883,295,553	2,554,091,132
Less: Ending inventory	4, 7	<b>1,372,727,670</b>	737,572,923	183,418,743
		<b>P3,277,257,704</b>	P3,145,722,630	P2,370,672,389

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## 16. Operating Expenses

This account consists of:

	<i>Note</i>	2021	2020	2019
Electricity and water		<b>P121,956,498</b>	P33,294,797	P 8,586,803
Depreciation and amortization	9, 11, 20	<b>120,889,622</b>	61,650,803	18,400,538
Salaries, wages and other benefits		<b>121,453,457</b>	74,403,575	23,787,350
Contracted services		<b>105,511,833</b>	55,913,720	6,415,950
Taxes and licenses		<b>42,768,250</b>	19,467,014	9,206,374
Marketing		<b>17,013,186</b>	8,288,926	13,656,957
Supplies		<b>11,756,754</b>	5,927,670	2,830,925
Transportation and travel		<b>6,583,633</b>	14,462,416	1,296,201
Repairs and maintenance		<b>5,824,068</b>	1,931,771	817,102
Professional fees		<b>5,431,287</b>	1,482,387	2,569,656
Communications		<b>4,706,585</b>	2,814,862	1,303,689
Retirement benefits	19	<b>4,020,618</b>	1,880,449	1,940,339
Insurance		<b>1,441,737</b>	1,220,030	615,637
Rent expenses		<b>321,646</b>	13,846,925	1,001,828
Donations and sponsorships		-	250,000	5,100,000
Miscellaneous		<b>13,084,182</b>	7,821,521	524,639
		<b>P582,763,356</b>	P304,656,866	P98,053,988

Miscellaneous pertains to service fees, representation expenses and membership fees.

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## 17. Other Operating Income

This account consists of:

	<i>Note</i>	2021	2020	2019
Product enlistment fee		<b>P17,243,186</b>	P11,086,555	P -
Application fees	14	<b>3,300,000</b>	7,700,000	2,200,000
Opening support		<b>2,942,675</b>	2,942,675	-
Concession income	14	-	-	9,152,292
Others	19, 20	<b>29,356,664</b>	13,507,003	710,667
		<b>P52,842,525</b>	P35,236,233	P12,062,959

Others consist of transition liability gain from retirement benefit, incentives from suppliers and gain from lease modification (Notes 19 and 20).

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## 18. Related Party Transactions

All material related party transactions are subject to approval by the BOD. Material related party transactions pertain to those transactions, either individually, or in aggregate over a 12-month period, that exceed 10% of the Group's total assets, based on the latest audited financial statements. All other related party transactions that are considered not material are approved by management.



The Group, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref	Amount of Transaction	Outstanding Balances	Terms and Conditions
<b>Stockholders</b>					
Advances from stockholders	2021	a	(P62,482,842)	P -	Due and demandable; non-interest bearing; unsecured; payable in cash
	2020	a	12,720,271	62,482,842	Due and demandable; non-interest bearing; unsecured; payable in cash
Land acquired	2021	b	386,850,180	-	
	2020	b	146,608,491	-	
	2021			P -	
	2020			P62,482,842	

a. *Cash Advances*

These pertain to unsecured, non-interest bearing advances received from the stockholder for working capital requirements. These advances are generally settled within one year from the date of grant.

b. *Land Acquired*

In 2021, the Group acquired certain parcels of land from III amounting to P38.5 million which has been fully paid in 2021.

In 2020, the Group acquired two parcels of land from III, which has been fully paid in 2020.

c. *Key Management Personnel*

Short-term benefits of key management personnel amounted to P7.40 million, P7.37 and nil in 2021, 2020 and 2019, respectively. Directors' fees paid amounted to P0.36 million, nil and nil in 2021, 2020 and 2019, respectively.

## 19. Retirement Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under Republic Act No. 7641, *The Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service of employees who attain the normal retirement age of sixty (60) with at least five (5) years of service.

The principal actuarial assumptions used to determine retirement benefits with respect to the discount rate and salary rate increases were based on historical and projected normal rates.

The Plan is exposed to both financial and demographic risks. Risks associated to the Plan are as follows:

- Liquidity Risk - The inability to meet benefit obligation payout when due.
- Interest Rate Risk - The present value of DBO is relatively sensitive and inversely related to the discount rate. In particular, if the discount rate, which is referenced to government bonds decreases, then the DBO increases.

- Salary Risk - The present value of DBO is relatively sensitive and directly related to future salary rate increases. In particular, if the actual salary rate increases in the future are higher than expected then the DBO and benefits are higher as well.
- Persistency Risk - The present value of DBO is relatively sensitive and inversely related to the turnover rates. In particular, lower turnover rates, which means employees persist or stay with the Group longer, correspond to higher DBO and benefit payouts.

Since there is no retirement plan asset, there is no asset-liability matching strategy.

The following table below shows the reconciliation from the opening to the closing balances for DBO and its components:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Balance at January 1		<b>P8,024,699</b>	P6,196,332
Transition asset	17	-	(2,132,641)
Adjusted balance at January 1		<b>8,024,699</b>	4,063,691
<b>Included in Profit or Loss</b>			
Current service cost		<b>3,284,191</b>	1,336,418
Interest cost		<b>736,427</b>	544,031
	16	<b>4,020,618</b>	1,880,449
		<b>12,045,317</b>	5,944,140
<b>Included in Other Comprehensive Income (OCI)</b>			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
▪ Experience adjustments		<b>(1,322,600)</b>	2,349,978
▪ Financial assumptions		<b>(1,637,028)</b>	(269,419)
		<b>(2,959,628)</b>	2,080,559
<b>Balance at December 31</b>		<b>P9,085,689</b>	P8,024,699

Retirement benefits expense amounting to P4.02 million, P1.88 million and P1.94 million in 2021, 2020 and 2019 is presented under "Retirement benefits" and "Miscellaneous" under "Operating expenses" account in the consolidated statements of comprehensive income.

The principal actuarial assumptions used at December 31 are as follows:

	<b>2021</b>	<b>2020</b>
Discount rate	<b>5.20%</b>	4.10%
Future salary growth	<b>4.00%</b>	4.00%

Maturity analysis of the benefit payments are as follows:

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 - 5 Years</b>	<b>More than 5 Years</b>
<b>2021</b>	<b>P9,085,689</b>	<b>P210,039,275</b>	<b>P2,283,925</b>	<b>P207,755,350</b>
2020	8,024,699	185,946,689	2,194,338	183,752,351

As at December 31, 2021 and 2020, the weighted-average duration of the DBO is 23 and 13 years, respectively.

#### Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts shown below.

<b>2021</b>	<b>DBO</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate (1% movement)	<b>P3,612,917</b>	<b>(P6,283,764)</b>
Future salary growth (1% movement)	<b>5,604,616</b>	<b>(4,794,657)</b>

<b>2020</b>	<b>DBO</b>	
	<b>Increase</b>	<b>Decrease</b>
Discount rate (1% movement)	P4,941,303	(P9,383,848)
Future salary growth (1% movement)	9,324,808	(6,953,403)

Each sensitivity run is based on a change in a sole actuarial assumption while holding all other assumptions constant. However, the sensitivity runs may not be representative of the actual change in the DBO as it is unlikely that a change in assumption would occur in isolation as the assumptions may be correlated.

Furthermore, DBO figures in this sensitivity runs have been calculated using the PUC method, the same method used in the calculation of DBO.

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## **20. Lease Arrangements**

The Group has various lease agreements for its office, warehouse and store spaces.

Information about leases for which the Group is a lessee that qualifies under PFRS 16 for the recognition of ROU assets and lease liabilities are as follows:

- a. The Group leases its office space for a period of 10 years starting April 1, 2019 until January 30, 2029. The monthly rental rate shall escalate by 5% every four years. The agreement is subject to renewal upon mutual agreement of the parties.
- b. The Group leases its warehouse space for a period of 3 years starting November 4, 2019 until November 3, 2022. The monthly rental rate shall escalate by 5% every year. The agreement is subject to renewal upon mutual agreement of the parties.
- c. The Group leases store spaces. The terms of the leases are for periods ranging from 5 to 15 years, renewable upon mutual agreement of the parties. The rent shall escalate by an average of 5% each year.

Movements in the ROU assets as at December 31, 2021 and 2020 follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Cost</b>			
Beginning balance		<b>P445,593,322</b>	P127,475,614
Additions		<b>182,301,058</b>	318,117,708
Write-off		<b>(79,686,312)</b>	-
<b>Ending balance</b>		<b>548,208,068</b>	445,593,322
<b>Accumulated Amortization</b>			
Beginning balance		<b>42,659,811</b>	9,210,986
Amortization for the year	16	<b>59,179,018</b>	33,448,825
Write-off		<b>(2,656,210)</b>	-
<b>Ending balance</b>		<b>99,182,619</b>	42,659,811
<b>Net Carrying Amount</b>		<b>P449,025,449</b>	P402,933,511

Write-off pertains to modification of terms of the lease agreement in 2021. In 2021, the Group and the lessor modified the terms of the lease agreement and changed the payments to variable consideration rentals in which the payments will be based on the Company's monthly sales. The modification of the terms of the said lease agreement resulted to a gain on lease modification amounting to P0.96 million and is presented as part of "Other operating income" in the consolidated statements of comprehensive income (Note 17). The balance of the ROU and the lease liabilities as at December 31, 2020 were derecognized in 2021 after the modification of the lease agreement.

Movements and balances of lease liabilities as at December 31, 2021 and 2020 follows:

	<b>2021</b>	<b>2020</b>
Beginning balance	<b>P415,844,486</b>	P130,616,262
Additions	<b>182,301,058</b>	318,117,709
Interest expense	<b>14,915,682</b>	11,802,459
Payments of lease liabilities and interest	<b>(62,605,147)</b>	(44,691,944)
Write-off	<b>(77,986,896)</b>	-
<b>Ending balance</b>	<b>P472,469,183</b>	P415,844,486
Current portion	<b>64,934,043</b>	39,521,500
Noncurrent portion	<b>407,535,140</b>	376,322,986

Interest expense recognized in profit or loss amounted to P14.92 million, P11.80 million and P4.17 million in 2021, 2020 and 2019, respectively.

The Group also entered into various lease agreements for its store spaces. These lease agreements are based on percentage of sales, which are considered as variable considerations. Rent expense recognized from these agreements amounted to P2.72 million and P12.56 million in 2021 and 2020 and is recognized as part of "Rent expense" in the "Operating expenses" account.

Leases for several parking spaces and equipment with lease term of less than one year were expensed during the year. Rent expense amounted to P2.04 million and P1.29 million in 2021 and 2020, respectively. This is included under "Rent expenses" in the "Operating expenses" account.

The total cash outflow from leases amounted to P78.89 million, P58.54 million and P2.03 million in 2021, 2020 and 2019, respectively.

Total security deposits and advance rental payments from these lease arrangements amounted to P331.93 million and P172.34 million as at December 31, 2021 and 2020, respectively. These are included under "Other noncurrent assets" account in the consolidated statements of financial position (Note 10).

## 21. Income Taxes

Income tax expense (benefit) consists of:

	2021	2020	2019
Income tax:			
Current	<b>P16,640,438</b>	P3,982,955	P18,891,630
Effect on change in tax rate	<b>(995,739)</b>	-	-
	<b>15,644,699</b>	3,982,955	18,891,630
Deferred tax:			
Current	<b>(1,761,837)</b>	(35,300,634)	(6,934,770)
Effect on change in tax rate	<b>7,275,441</b>	-	-
	<b>5,513,604</b>	(35,300,634)	(6,934,770)
	<b>P21,158,303</b>	(P31,317,679)	P11,956,860

The components and movements of the Group's deferred tax assets and deferred tax liabilities, relating to temporary differences, are shown below.

	January 1, 2021	Charged to Profit or Loss	Charged to Other Comprehensive Income	Impact of CREATE	December 31, 2021
<b>Deferred Tax Asset</b>					
NOLCO	P44,848,343	P18,435,159	P -	(P7,474,724)	P55,808,778
Excess of lease payments over amortization of ROU	3,818,095	2,633,190	-	(636,349)	5,814,936
Retirement benefits liability	3,047,203	1,005,155	(739,907)	(507,867)	2,804,584
Difference between financial depreciation and tax depreciation	67,780	586,783	-	(11,298)	643,265
Accrued expense	269,998	225,000	-	(45,000)	449,998
Unearned franchise income	256,800	-	-	(42,800)	214,000
	<b>P52,308,219</b>	<b>P22,885,287</b>	<b>(P739,907)</b>	<b>(P8,718,038)</b>	<b>P65,735,561</b>
<b>Deferred Tax Liability</b>					
Capitalized interest claimed outright	P7,391,617	P12,366,004	P -	(P1,231,936)	P18,525,685
Debt issue cost	-	8,757,446	-	-	8,757,446
Gain from transitional asset	639,792	-	-	(106,632)	533,160
	<b>8,031,409</b>	<b>21,123,450</b>	<b>-</b>	<b>(1,338,568)</b>	<b>27,816,291</b>
<b>Total</b>	<b>P44,276,810</b>	<b>P1,761,837</b>	<b>(P739,907)</b>	<b>(P7,379,470)</b>	<b>P37,919,270</b>

	January 1, 2020	Charged to Profit or Loss	Charged to Other Comprehensive Income	December 31, 2020
Deferred Tax Asset				
NOLCO	P5,381,415	P39,466,928	P -	P44,848,343
Excess of lease payments over amortization of ROU	943,693	2,942,182	-	3,885,875
Retirement benefits liability	1,858,900	564,135	624,168	3,047,203
Accrued expense	-	269,998	-	269,998
Unearned franchise income	168,000	88,800	-	256,800
	P8,352,008	P43,332,043	P624,168	P52,308,219

	January 1, 2020	Charged to Profit or Loss	Charged to Other Comprehensive Income	December 31, 2020
Deferred Tax Liability				
Capitalized interest claimed outright	P -	P7,391,617	P -	P7,391,617
Gain from transitional asset	-	639,792	-	639,792
	-	8,031,409	-	8,031,409
Total	P8,352,008	P35,300,634	P624,168	P44,276,810

The reconciliation of the income tax expense (benefit) computed at the statutory income tax rates to the actual income tax expense (benefit) as shown in profit or loss is as follows:

	2021	2020	2019
Income before income tax	<b>P55,155,842</b>	P16,923,395	P39,966,192
Income tax at the statutory income tax rate	<b>P13,875,392</b>	P5,077,019	P11,989,858
Tax effect due to change in tax rate in 2020	<b>6,279,702</b>	-	-
Nondeductible expenses	<b>1,402,129</b>	22,629	-
Unrecognized deferred tax assets	<b>117,034</b>	-	-
Income tax effects of interest income subjected to final tax	<b>(435,954)</b>	(1,730,996)	(32,998)
MCIT	-	3,982,955	-
Stock issuance cost	<b>(80,000)</b>	(38,669,286)	-
	<b>P21,158,303</b>	(P31,317,679)	P11,956,860

The BIR issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 of Republic Act (RA) No. 11494, Bayanihan to Recover as One Act, which provides that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Expiry Date	Balance January 1, 2021	Addition	Expired/ Applied	Balance December 31, 2021
2021	December 31, 2026	P -	P 89,340,935	P -	P89,340,935
2020	December 31, 2025	131,556,427	-	(14,706,954)	116,849,473
2019	December 31, 2022	17,469,918	-	-	17,469,918
2018	December 31, 2021	468,134	-	-	468,134
		<b>P149,494,479</b>	<b>P89,340,935</b>	<b>(14,706,954)</b>	<b>P224,128,460</b>

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (the "CREATE Act"), with nine (9) provisions vetoed by the President. Below are the salient features of the CREATE Act that are relevant to the Company:

- a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.
- b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the BIR issued the following implementing RR that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of RR No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the CREATE Act, to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*
- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of the CREATE Act, Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;*
- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under the CREATE Act Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated VAT Regulations of 2005), As Amended; and*
- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to CREATE Act, Which Further Amended the National Revenue Code of 1997.*

## 22. Equity and Earnings Per Share

### Capital Stock

As at December 31, 2021 and 2020, the authorized and issued capital stock of the Parent Company consists of:

	2021	2020
<b>Authorized Capital Stock</b>		
Common:		
2021 - P0.05 par value	<b>P1,200,000,000</b>	
2020 - P0.05 par value		P1,200,000,000
<b>Number of Shares Authorized for Issue</b>		
Common	<b>24,000,000,000</b>	24,000,000,000

Details of the shares issued are as follows:

	2021	2020
Balance at beginning of year	<b>7,594,936,709</b>	12,500
Issuance of shares	-	7,594,924,209
	<b>7,594,936,709</b>	7,594,936,709

Details of the issued capital stock are as follows:

	2021	2020
Balance at beginning of year	<b>P379,746,835</b>	P1,250,000
Issuance of shares	-	378,496,835
	<b>P379,746,835</b>	P379,746,835

On January 23, 2020, the SEC approved the increase in authorized capital stock from P5,000,000 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000 divided into 24,000,000,000 shares of the par value of P0.05 each.

On June 15, 2020, the Group issued 1,594,936,709 additional shares of capital stock.

### Retained Earnings

On December 21, 2020, the BOD approved the reversal of P111 million appropriated retained earnings made in 2016 and 2018.

On February 18, 2020, the BOD approved the declaration of cash dividends amounting to P8.4 million or P0.0014 per share, payable to stockholders of record on February 21, 2020. The cash dividends were paid on February 26, 2020. There was no dividend declaration in 2019.

On February 18, 2020, the BOD approved the reversal of the appropriated retained earnings of P6 million made on December 16, 2016.



## EPS

EPS is computed as follows:

	2021	2020	2019
Net income attributable to common shareholders of the Parent Company	<b>P34,304,682</b>	P48,241,074	P28,009,332
Weighted average number of common shares for basic EPS, before retrospective effect of stock split	<b>7,594,936,709</b>	6,490,143,969	12,500
Retrospective effect of change in par value from P100 to P0.05 (stock split) on January 23, 2020	-	1,570,253	24,987,500
Weighted average number of common shares for basic EPS, as adjusted	<b>7,594,936,709</b>	6,491,714,222	25,000,000
Basic EPS	<b>P0.005</b>	P0.01	P1.12
Diluted EPS	<b>P0.005</b>	P0.01	P1.12
Basic EPS, as previously presented	<b>P -</b>	P -	P2,240.75
Diluted EPS, as previously presented	<b>P -</b>	P -	P2,240.75

In accordance with PAS 33, *Earnings per Share*, retrospective adjustment was made to the EPS calculation for the effect of the stock split resulting from the approval by the SEC of the increase in authorized capital stock from P5,000,000 divided into 50,000 shares with par value of P100.00 each to P1,200,000,000 divided into 24,000,000,000 shares with par value of P0.05 each, which adjusted the number of common shares outstanding from 12,500 to 25,000,000 without a corresponding change in the Group's resources.

In the calculation of weighted average number of common shares, the number of shares outstanding was adjusted for the proportionate change in the number of ordinary shares outstanding as if the share split occurred at the beginning of the earliest period presented.

In 2021, 2020 and 2019, the Parent Company has no potential dilutive debt or equity instruments.

## 23. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund its respective operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial assets include cash and cash equivalents, receivables and security deposits. These financial assets are used to fund the Group's operations and capital expenditures.

#### Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The risk arises principally from the Group's cash, receivables and security deposits. The objective is to reduce the risk of loss through default by counterparties.

Exposure to credit risk is monitored on an on-going basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents (excluding cash on hand)	4, 5	<b>P1,967,743,019</b>	P894,876,375
Receivables (excluding advances to suppliers and advances to employees)	4, 6	<b>74,860,264</b>	19,898,437
Security deposits (included under other noncurrent assets)	10	<b>161,447,516</b>	112,804,660
		<b>P2,204,050,799</b>	P1,027,579,472

These financial assets are subjected to 12-month ECL.

The Group's process in assessing the ECLs are discussed in Note 4 to the consolidated financial statements.

These financial assets are neither past due nor impaired and has credit quality of high grade financial assets as at December 31, 2021 and 2020.

The Group assessed the credit quality of cash and cash equivalents as high grade since this is deposited with reputable banks with low probability of insolvency. Receivables assessed as high grade pertains to receivable from banks for credit card purchases and customers that had no default in payment. The Group performs credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness.

The credit risk for security deposits is considered negligible as these are mainly from Companies that are generally financially stable.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2021	Note	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	12	754,840,687	754,840,687	754,840,687	P -	P -
Loans payable	13	3,292,053,555	3,368,747,222	1,334,010,628	2,034,736,594	-
Lease liabilities**	12, 20	472,469,183	545,845,371	80,606,629	288,599,225	176,639,517

\* excluding payables to the, current portion of lease liabilities, payable to the government and unearned franchise fees amounting to P64,934,043, P2,022,425 and P676,000, respectively.

\*\*including current portion of lease liabilities

December 31, 2020	Note	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
<b>Financial Liabilities</b>						
Accounts payable and other current liabilities*	12	P374,359,044	P374,359,044	P374,359,044	P -	P -
Loans payable	13	700,000,000	731,204,043	546,047,793	185,156,250	-
Due to a related party	18	62,482,842	62,482,842	62,482,842	-	-
Lease liabilities**	12, 20	415,844,486	498,555,760	53,375,246	202,604,777	242,575,737

\* excluding current portion of lease liabilities, payables to the government and unearned franchise fees amounting to P39,521,500, P1,877,341 and P676,000, respectively.

\*\*including current portion of lease liabilities

### Fair Values

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### *Cash and Cash Equivalents/Receivables/Accounts Payable and Other Current Liabilities/Short-term Loans Payable /Due to a Related Party*

The carrying amounts of these accounts approximate their fair values due to the relatively short-term nature of these financial instruments.

#### *Security Deposits/Lease Liabilities*

Security deposits and lease liabilities are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date.

#### *Long-term Loans Payable*

The fair value of the interest-bearing fixed-rate long-term loans payable is based on the discounted value of expected future cash flows using the applicable market rates for similar types of loans as of reporting date. Carrying amounts approximates fair value since the impact of discounting is immaterial.

#### Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2021, 2020 and 2019. The Group is not subject to externally-imposed capital requirements.

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## **24. Other Matters**

#### Effect of COVID-19 Pandemic

To manage and contain the COVID-19 spread in the country, national and local government imposed several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services.

The COVID-19 pandemic triggered unprecedented quarantine restrictions locally and across the globe causing massive disruptions in business activities and economies.

The gradual opening-up of economies and easing up of pandemic restrictions especially alongside robust vaccination efforts contributed to the modest recovery in 2021 in terms of sales and volumes. However, the extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

#### Impact of Ukraine-Russia Conflict

On February 21, 2022, the Russian Federation officially recognized two breakaway regions in eastern Ukraine and authorized the use of military force in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military operations in multiple locations. These ongoing operations have led to casualties, significant dislocation of the population, damage to infrastructure and disruption to economic activity in Ukraine. This event has not only affected the countries involved in particular, but also impacted the global economy negatively. One of the major effects of the invasion was the rise on fuel prices which resulted to higher prices of commodities. The extent of the consequences on the financial performance of the Group will depend on certain developments on this event such as the duration of the conflict between the two countries and programs and plans made by the global market in managing the prices of fuel over the months to come, all of which are uncertain as at the date of issuance of the separate financial statements. The Group cannot reliably estimate the impacts on its financial position and results of operations, but the management will continue monitoring and evaluating the impact during the 2022 financial year.

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## **25. Subsequent Events**

On November 8, 2021, the Group signed an agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc. ("Carlos Superdrug"). The Group will acquire 287,856 secondary shares representing 71.96% in Carlos Superdrug for P289.53 million as soon as all conditions precedents are completed by the Selling Shareholders which include among others the approval of the SEC of the amendment of the Articles of Incorporation and By-Laws of the Corporation. The Group will also purchase an additional 50,000 primary shares for P50.29 million.

On January 6, 2022, the Securities and Exchange Commission (SEC) approved the amended provisions of articles of incorporation of Carlos Drugs-Lucena, Inc. allowing the Group to complete its acquisition of shares.

The acquisition gave the Group a 71.96% ownership and control on January 6, 2022. For the convenience purposes, the Group used December 31, 2021 as the cut-off date in determining the net assets of Carlos Drugs-Lucena. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Preliminary net asset value of Carlos Drugs-Lucena is P108.17 million.

On January 10, 2022, the Group paid P25.00 million to Carlos Drugs-Lucena for the subscription of 50,000 shares which will increase the Parent Company's ownership to 75%.

On November 15, 2021, the Group signed an Agreement with ZC Ramthel Corporation ("Cecile's Pharmacy") to acquire a majority stake in the Mindanao based pharmacy chain.

On March 9, 2022, the Company signed an Agreement with ZC Ramthel Corporation ("Cecile's Pharmacy") for the acquisition of 25,000 secondary shares representing 25.00% and the subscription of 60,000 shares out of the increase in authorized capital stock of Cecile's Pharmacy for an aggregate amount of P398.18 million to bring the Company's ownership to 53.125%.

As of May 13, 2022, the increase in Cecile's Pharmacy authorized capital stock is still in process.

**for**  
**AUDITED FINANCIAL STATEMENTS**

**SEC Registration Number**

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**COMPANY NAME**

M	E	R	R	Y	M	A	R	T		C	O	N	S	U	M	E	R		C	O	R	P	.		A	N	D		
S	U	B	S	I	D	I	A	R	I	E	S		(	F	o	r	m	e	r	l	y								
S	u	p	e	r	m	a	r	t	,		I	n	c	.	)		(	A		S	u	b	s	i	d	i	a	r	y
o	f		I	n	j	a	p		I	n	v	e	s	t	m	e	n	t	s	,		I	n	c	.	)			

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

g	t	h		F	l	o	o	r	,		T	o	w	e	r		1	,										
D	o	u	b	l	e	D	r	a	g	o	n		P	l	a	z	a	,		D	D							
M	e	r	i	d	i	a	n		P	a	r	k		A	r	e	a		C	o	r	n	e	r				
M	a	c	a	p	a	g	a	l		A	v	e	n	u	e		a	n	d		E	D	S	A				
E	x	t	e	n	s	i	o	n	,		B	a	y		A	r	e	a	,									
B	a	r	a	n	g	a	y		7	6	,		P	a	s	a	y		C	i	t	y						

**Form Type**

A A F S

**Department requiring the report**

**Secondary License Type, If Applicable**

**COMPANY INFORMATION**

**Company's email Address**

N/A

**Company's Telephone Number/s**

02-8253-0356

**Mobile Number**

0917-560-7273

**No. of Stockholders**

**Annual Meeting (Month / Day)**

November 11

**Fiscal Year (Month / Day)**

December 31

**CONTACT PERSON INFORMATION**

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

**Name of Contact Person**

RIZZA MARIE JOY J. SIA

**Email Address**

**Telephone Number/s**

8856-7111

**Mobile Number**

**CONTACT PERSON'S ADDRESS**

DD Meridian Park Area Cor. Macapagal Ave. and EDSA Ext. BLVD. San. San Rafael, Pasay City

**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.



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This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021, and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

May 15, 2022

Makati City, Metro Manila



**MERRYMART CONSUMER CORP.****Key Performance Indicators of the Company**

The following are the key performance indicators used by the Group as at December 31, 2021 and 2020.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current Ratio	1.79	2.05
Asset to Equity	3.31	1.82
Debt to Equity Ratio	1.68	0.37
Acid Test Ratio	1.00	1.04
Return on Equity	1.76%	4.78%
Net Income to Revenue	0.87%	1.39%
Revenue Growth	13.11%	38.12%
Income Growth	-29.53%	72.23%
EBITDA (PHP in thousands)	128,561.0	91,125.1
Solvency Ratio	0.03	0.07

The following are the formula by which the Company calculates the foregoing performance indicators are as follows:

1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$
3. Debt to Equity Ratio	$\frac{\text{Total Interest Bearing Short-Term and Long-Term Debt}}{\text{Total Equity}}$
4. Return on Equity	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to the Owners of the Parent}}$
5. Net Income to Revenue	$\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$
6. Revenue Growth	$\frac{\text{Total Revenue (Current Period)} - \text{Total Revenue (Prior Period)}}{\text{Total Revenue (Prior Period)}}$

7. Income Growth	$\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$	-1
8. EBITDA	Income from Operations + Depreciation and Amortization + Interest Expense	
9. Acid Test Ratio	$\frac{\text{Cash + Accounts Receivable + Marketable Securities}}{\text{Current Liabilities}}$	
10. Solvency Ratio	$\frac{\text{Net Income + Depreciation and Amortization}}{\text{Total Liabilities}}$	



R.G. Manabat & Co.  
The KPMG Center, 6/F!  
6787 Ayala Avenue, Makati City!  
Philippines 1209!  
Telephone! +63 (2) 8885 7000!  
Fax! +63 (2) 8894 1985!  
Internet! www.home.kpmg/ph!  
Email! ph-inquiry@kpmg.com!

# REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders  
**MerryMart Consumer Corp.**  
9th Floor Tower 1  
DoubleDragon Plaza, DD Meridian Park  
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc., (a subsidiary of Injap Investments, Inc.) and its subsidiaries (the “Group”) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated May 15, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group’s management. Such additional components include:

- Map of the Conglomerate
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Supplementary Schedules of Annex 68-E

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)!



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'D. Virocel', with a long horizontal stroke extending to the left.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

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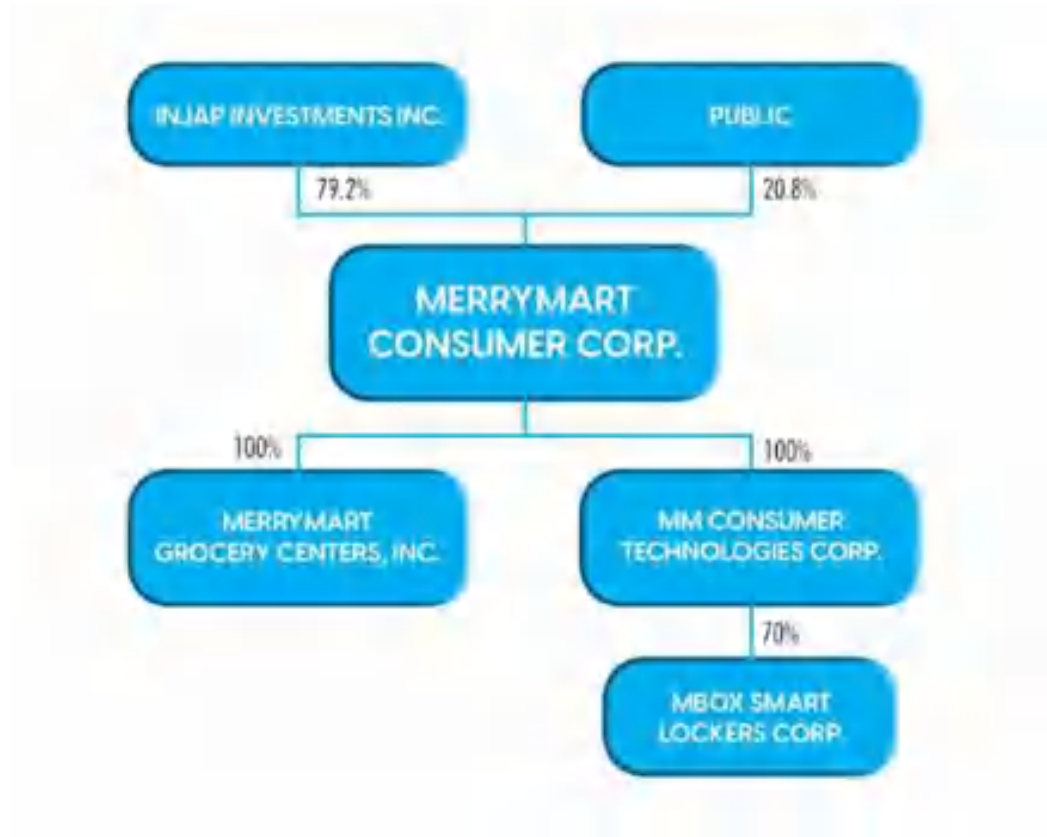
PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

May 15, 2022

Makati City, Metro Manila

**MERRYMART CONSUMER CORP.  
CORPORATE STRUCTURE  
DECEMBER 31, 2021**





**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION  
AS OF DECEMBER 31, 2021**

**MERRYMART CONSUMER CORP.**

9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park  
Corner Macapagal Avenue and EDSA Extension, Bay Area  
Brgy 76, Pasay City, Metro Manila

<b>Unappropriated Retained Earnings, beginning</b>	<b>P243,454,283</b>
<b>Adjustments:</b>	
(see adjustments in previous year' reconciliation)	-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>243,454,283</b>
<b>Add: Net income</b>	<b>119,360,227</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain (loss) net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain (loss)	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustments due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
<b>Add: Non-actual losses</b>	-
Depreciation on revaluation increment (after tax)	-
Adjustments due to deviation from PFRS/GAAP - gain	-
Loss on fair value adjustments of investment Property (after tax)	-
<b>Net income actual/realized</b>	<b>119,360,227</b>
<b>Add (Less):</b>	
Dividend declaration for the period	-
Appropriations of Retained Earnings during the period	-
Reversal of appropriations	-
Effect of prior period adjustments	-
Treasury Shares	-
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>P362,814,510</b>



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii) (PhP)	Value based on market quotation at end of reporting period (iii) (PhP)	Income received and accrued (PhP)
Cash and Cash Equivalents	N/A	2,030,327,961	2,030,327,961	1,750,905
Receivables	N/A	86,062,063	86,062,063	-
Due from related parties	N/A	-	-	-
Refundable Deposits	N/A	161,447,516	161,447,516	-



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name and Designation of Debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Non Current	Balance at end of period
	(PhP)	(PhP)	(Php)	(PhP)	(PhP)	(PhP)	(PhP)
Injap Investments Inc. (Parent Company)	-	-	-	-	-	-	-
Edgar J. Sia (Chairman)	-	-	-	-	-	-	-
Edgar J. Sia (Director)	-	-	-	-	-	-	-
Pacita J. Sia (Treasurer)	-	-	-	-	-	-	-
Ferdinand J. Sia (Director)	-	-	-	-	-	-	-
Rizza Marie Joy J. Sia (Corporate Secretary)	-	-	-	-	-	-	-





**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE**  
**ELIMINATED DURING DURING THE CONSOLIDATION OF FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name and Designation of Debtor (i)	Balance at beginning of period (PhP)	Additions (PhP)	Amounts collected (ii) (Php)	Amounts written off (iii) (PhP)	Current (PhP)	Non Current (PhP)	Balance at end of period (PhP)
MerryMart Grocery Centers Inc. (Subsidiary)	1,409,943,743	1,303,329,688	2,713,273,431	-	2,713,273,431	-	-



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name and Designation of Debtor (i)	Balance at beginning of period  (PhP)	Additions  (PhP)	Amortization (ii)  (PhP)	Amounts written off (iii)  (PhP)	Current  (PhP)	Non Current  (PhP)	Balance at end of period  (PhP)
Software licenses	42,910,253	19,381,517	7,329,469	-	-	54,962,301	54,962,301



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE E – LONG-TERM DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Title of issue and type of obligation (i)	Amount authorized by indenture  (PhP)	Amounts shown under caption "Current portion of long-term debt" in related balance sheet (ii)  (PhP)	Amounts shown under caption "Long-Term debt" in related balance sheet (iii)  (Php)
Loans	2,142,053,555	145,000,000	1,997,053,555



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of related party (i)	Balance at beginning of period (PhP)	Balance at end of period (PhP)
Injap Investments Inc. (Parent Company)	62,482,842	-

The amount pertains to unsecured, non-interest bearing advances granted to and received from related parties for working capital requirements. These advances are generally settled within one year from the date of grant.



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
N/A	N/A	N/A	N/A	N/A



**MERRYMART CONSUMER CORP. AND SUBSIDIARIES**  
**SCHEDULE H – CAPITAL STOCK**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by related parties (ii)	Director, officers and employees	Others (iii)
Common shares	24,000,000,000	7,594,936,709	-	5,999,989,995	6,005	-



Annex 68-I
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**SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF  
SECURITIES TO THE PUBLIC**

**MerryMart Consumer Corp. (formerly Injap Supermarket Inc.)**

For the Period Ended December 31, 2021

1. Gross and net proceeds as disclosed in the final prospectus

**P1,594,936,709.**

2. Actual gross and net proceeds

**P1,466,335,088.**

3. Each expenditure item where the proceeds were used

Capital expenditures and initial working capital for store	
network expansion investments in distribution centers	P728,090,056
Investments in distribution centers	191,271,675
General corporate purpose	214,635,088

4. Balance of the proceeds as at the end of the reporting period

**P332,338,269.**

**MERRYMART CONSUMER CORP.**  
**COMPUTATION OF PUBLIC OWNERSHIP**  
**AS OF DECEMBER 31, 2021**

	Direct	Indirect	Total Direct and Indirect Shares	% to Total Issued and Outstanding Shares
<b>Number of Common Shares Issued and Outstanding</b>	7,594,936,709	-	7,594,936,709	100.00%
<b>Directors</b>				
Edgar J. Sia II	838,000	-	838,000	0.01%
Ferdinand J. Sia	276,000	-	276,000	0.00%
Mariana H. Yulo-Lucini	1	10,500,000	10,500,001	0.14%
Gary P. Cheng	1	500,000	500,001	0.01%
Victoria R. Tamayao	1	-	1	0.00%
Jose Roelph E. Desales	1	725,000	725,001	0.01%
Jacqueline Ann Marie O. Gomez	1	2,000,000	2,000,001	0.03%
		-	-	0.00%
<b>Subtotal</b>	<b>1,114,005</b>	<b>13,725,000</b>	<b>14,839,005</b>	<b>0.20%</b>
<b>Officers</b>				
Edgar J. Sia II (same as above)	-	-	-	0.00%
Ferdinand J. Sia (same as above)	-	-	-	0.00%
Mariana H. Yulo-Lucini (same as above)	-	-	-	0.00%
Jacqueline Ann Marie O. Gomez (same as above)	-	-	-	0.00%
Shella A. Sia	-	-	-	0.00%
Rizza Marie Joy J. Sia	2,000	-	2,000	0.00%
Maribel N. Sibayan	-	600,000	600,000	0.01%
Ma. Mercedes L. Talcón	-	150,000	150,000	0.00%
<b>Subtotal</b>	<b>2,000</b>	<b>750,000</b>	<b>752,000</b>	<b>0.01%</b>
<b>Principal/Substantial Stockholders</b>				
Injap Investments Inc.	5,999,989,995	-	5,999,989,995	79.00%
		-	-	0.00%
<b>Subtotal</b>	<b>5,999,989,995</b>	<b>-</b>	<b>5,999,989,995</b>	<b>79.00%</b>
<b>Others</b>				
Edgar J. Sia	2,000	-	2,000	
Pactia J. Sia	2,000	-	2,000	
<b>Subtotal</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>0.00%</b>
<b>Total Shares held by Directors, Officers, Principal/Substantial Stockholders and Affiliates</b>	<b>6,001,110,000</b>	<b>14,475,000</b>	<b>6,015,585,000</b>	<b>79.21%</b>
<b>Total Number of Shares Owned by the Public</b>			<b>1,579,351,709</b>	<b>20.79%</b>



# MERRYMART

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

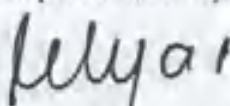
The management of **MERRYMART CONSUMER CORP.** (the "Company"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

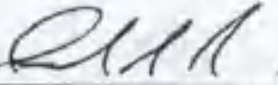
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

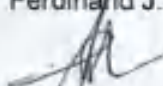
The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**R.G. Manabat & Co.**, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature   
Edgar J. Sia II, CEO/Chairman

Signature   
Ferdinand J. Sia, President

Signature   
Marriana H. Yulo, CFO

Signed this 13th day of Nov 2022

DOC. NO. 394  
PAGE NO. 81  
BOOK NO. 49  
SERIES 2022

**ATTY. ELENA MELITA L. CHICA-LLEDO**  
NOTARY PUBLIC  
UNIT 719 TOWER E SEA RESIDENCE MOA, PASAY CITY  
MY COMMISSION EXPIRES ON DEC. 31, 2020  
BIA 3795 2<sup>ND</sup> EXTENSION UNTIL JUNE 30, 2022  
PTR NO. 7696496 1-3-22 ROLL NO. 38180  
IBP LIFE TIME NO. 0073 CAM SUR CHAPTER  
MCLE NO. VI-0024745 MAY 07, 2019

# MERRYMART CONSUMER CORP.

(Formerly Injap Supermart Inc.)  
(A Subsidiary of Injap Investments, Inc.)

## **SEPARATE FINANCIAL STATEMENTS** **December 31, 2021 and 2020**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F!  
6787 Ayala Avenue, Makati City!  
Philippines 1209!  
Telephone! +63 (2) 8885 7000!  
Fax! +63 (2) 8894 1985!  
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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**MerryMart Consumer Corp.**  
9th Floor Tower 1  
DoubleDragon Plaza, DD Meridian Park  
Pasay City

### Report on the Audit of the Separate Financial Statements

#### *Opinion*

We have audited the separate financial statements of MerryMart Consumer Corp., formerly Injap Supermart Inc. (a subsidiary of Injap Investments, Inc.) (the “Company”), which comprise the separate statements of financial position as at December 31, 2021 and 2020, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2021 and 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

#### Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)!



### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**Report on the Supplementary Information Required Under Revenue Regulations  
No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read 'D. Virocel', with a stylized flourish at the end.

DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements

Tax Identification No. 912-535-864

BIR Accreditation No. 08-001987-031-2019

Issued August 7, 2019; valid until August 6, 2022

PTR No. MKT 8854088

Issued January 3, 2022 at Makati City

May 15, 2022

Makati City, Metro Manila



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING  
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders  
**MerryMart Consumer Corp.**  
9th Floor Tower 1  
DoubleDragon Plaza, DD Meridian Park  
Pasay City

We have audited the accompanying separate financial statements of MerryMart Consumer Corp. (the "Company") as at and for the year ended December 31, 2021, on which we have rendered our report dated May 15, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL  
Partner  
CPA License No. 0094495  
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years  
covering the audit of 2019 to 2023 financial statements  
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financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
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financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)!

**MERRYMART CONSUMER CORP.**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**

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**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 5, 22	P1,841,284,283	P755,398,575
Receivables	4, 6, 22	8,639,792	7,780,306
Inventories	4, 7, 16	371,992,965	221,742,763
Due from related parties	4, 18	2,713,273,431	1,409,943,743
Prepaid expenses and other current assets	8	25,678,701	32,614,718
<b>Total Current Assets</b>		<b>4,960,869,172</b>	<b>2,427,480,105</b>
<b>Noncurrent Assets</b>			
Investment in subsidiaries	9	65,000,000	25,000,000
Property and equipment	10	268,521,607	206,825,655
Right-of-use asset	14	-	77,030,102
Deferred tax assets	20	-	2,341,178
Other noncurrent assets	4, 11	343,964,019	76,876,593
<b>Total Noncurrent Assets</b>		<b>677,485,626</b>	<b>388,073,528</b>
		<b>P5,638,354,798</b>	<b>P2,815,553,633</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	12	P341,044,120	P178,873,323
Loans payable - current	13	1,145,000,000	300,000,000
<b>Total Current Liabilities</b>		<b>1,486,044,120</b>	<b>478,873,323</b>
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	13	1,997,053,555	250,000,000
Noncurrent portion of lease liability	14	-	72,194,265
Deferred tax liabilities	20	20,958,467	-
Retirement benefits liability	19	4,811,738	5,435,078
<b>Total Noncurrent Liabilities</b>		<b>2,022,823,760</b>	<b>327,629,343</b>
<b>Total Liabilities</b>		<b>3,508,867,880</b>	<b>806,502,666</b>
<b>Equity</b>			
Capital stock	21	379,746,835	379,746,835
Additional paid-up capital		1,386,292,253	1,386,292,253
Retained earnings	21	362,814,510	243,454,283
Retirement gain (loss) on defined benefit	19	633,320	(442,404)
<b>Total Equity</b>		<b>2,129,486,918</b>	<b>2,009,050,967</b>
		<b>P5,638,354,798</b>	<b>P2,815,553,633</b>

See Notes to the Separate Financial Statements.



**MERRYMART CONSUMER CORP.**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**  


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**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

<b>Years Ended December 31</b>			
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>			
Sale of goods		<b>P2,625,139,682</b>	P2,611,965,472
Display rental	15, 23	<b>18,866,291</b>	17,819,331
Other operating income	15, 23	<b>26,003,604</b>	15,912,640
		<b>2,670,009,577</b>	2,645,697,443
<b>COST OF SALES</b>	7, 16	<b>(2,410,307,673)</b>	(2,445,156,359)
<b>GROSS PROFIT</b>		<b>259,701,904</b>	200,541,084
<b>OPERATING EXPENSES</b>	17	<b>(102,978,793)</b>	(71,916,061)
<b>INCOME FROM OPERATIONS</b>		<b>156,723,111</b>	128,625,023
<b>INTEREST INCOME</b>	5	<b>1,180,752</b>	5,539,950
<b>INTEREST EXPENSE</b>	14	<b>-</b>	(764,680)
<b>INCOME BEFORE INCOME TAX</b>		<b>157,903,863</b>	133,400,293
<b>INCOME TAX EXPENSE (BENEFIT)</b>			
Current tax expense		<b>15,644,699</b>	3,982,956
Deferred tax expense (benefit)		<b>22,898,937</b>	(292,677)
	20	<b>38,543,636</b>	3,690,279
<b>NET INCOME</b>		<b>119,360,227</b>	129,710,014
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item that will not be reclassified to profit or loss</b>			
Remeasurement gain (loss) on defined benefit plan	19	<b>1,476,431</b>	(632,005)
Tax effect	20	<b>(400,707)</b>	189,601
		<b>1,075,724</b>	(442,404)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P120,435,951</b>	P129,267,610
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	21	<b>P0.02</b>	P0.02

*See Notes to the Separate Financial Statements.*

**MERRYMART CONSUMER CORP.**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**

**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

Years Ended December 31									
	Note	Capital Stock	Additional Paid-in Capital	Remeasurement Gain (Loss) on Retirement		Retained Earnings		Total	Total Equity
				Benefits Liability	Unappropriated	Appropriated			
Balance as at January 1, 2020		P1,250,000	P -	P -	P5,144,269	P117,000,000	P122,144,269	P123,394,269	
Net income		-	-	-	129,710,014	-	129,710,014	129,710,014	
Remeasurement loss on defined benefit plan	19	-	-	(442,404)	-	-	129,710,014	(442,404)	
Total comprehensive income		-	-	(442,404)	129,710,014	-	129,710,014	129,267,610	
Issuance of shares	21	378,496,835	1,515,189,874	-	-	-	-	1,893,686,709	
Stock issuance cost	21	-	(128,897,621)	-	-	-	-	(128,897,621)	
Reversal of appropriation during the year	21	-	-	-	117,000,000	(117,000,000)	-	-	
Dividends	21	-	-	-	(8,400,000)	-	(8,400,000)	(8,400,000)	
Transactions with owners		378,496,835	1,386,292,253	-	108,600,000	(117,000,000)	(8,400,000)	1,756,389,088	
Balance as at December 31, 2020		379,746,835	1,386,292,253	(442,404)	243,454,283	-	243,454,283	2,009,050,967	
Net income		-	-	-	119,360,227	-	119,360,227	119,360,227	
Remeasurement gain on defined benefit plan	19	-	-	1,075,724	-	-	-	1,075,724	
Balance as at December 31, 2021		P379,746,835	P1,386,292,253	P633,320	P362,814,510	P -	P362,814,510	P2,129,486,918	

See Notes to the Separate Financial Statements.

**MERRYMART CONSUMER CORP.**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**  
**SEPARATE STATEMENTS OF CASH FLOWS**

		<b>Years Ended December 31</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P157,903,863</b>	P133,400,293
Adjustments for:			
Depreciation and amortization	10, 14, 17	<b>8,062,655</b>	6,073,047
Retirement benefits expense (gain)	19	<b>853,091</b>	(1,393,259)
Interest expense	14	-	764,680
Gain on rent concession	14	-	(2,464,096)
Gain on lease modification	14	<b>(956,794)</b>	-
Interest income	5	<b>(1,180,752)</b>	(5,539,950)
Operating income before working capital change:		<b>164,682,063</b>	130,840,715
(Increase) decrease in:			
Receivables		<b>(4,013,929)</b>	(3,757,994)
Inventories		<b>(150,250,202)</b>	(73,338,175)
Due from related parties		<b>(1,303,329,688)</b>	(1,214,193,743)
Prepaid expenses and other current assets		<b>1,547,150</b>	(26,730,762)
Increase (decrease) in:			
Accounts payable and other current liabilities		<b>152,963,429</b>	143,072,085
Due to a related party		-	(1,418,455)
Cash absorbed by operations		<b>(1,138,401,177)</b>	(1,045,526,329)
Interest received		<b>4,335,195</b>	2,385,507
Income tax paid		<b>(10,255,832)</b>	(47,563,432)
Interest paid	13	<b>(43,568,056)</b>	(31,575,000)
Net cash used in operating activities		<b>(1,187,889,870)</b>	(1,122,279,254)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in a subsidiary	9	<b>(25,000,000)</b>	-
Additions to property and equipment	10	<b>(26,190,551)</b>	(174,863,379)
Advances to a third-party	11	<b>(115,810,226)</b>	-
Increase in other noncurrent assets	11	<b>(151,277,200)</b>	(76,876,593)
Cash used in investing activities		<b>(318,277,977)</b>	(251,739,972)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans payable - net	13	<b>2,664,970,222</b>	550,000,000
Payment of loans payable	13	<b>(72,916,667)</b>	-
Proceeds from issuance of stocks	21	-	1,466,039,088
Cash dividends paid	21	-	(8,400,000)
Net cash provided by financing activities		<b>2,592,053,555</b>	2,007,639,088
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,085,885,708</b>	633,619,862
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>755,398,575</b>	121,778,713
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	5	<b>P1,841,284,283</b>	P755,398,575

See Notes to the Separate Financial Statements.

**MERRYMART CONSUMER CORP.**  
**(Formerly Injap Supermart Inc.)**  
**(A Subsidiary of Injap Investments, Inc.)**

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**1. Corporate Information**

MerryMart Consumer Corp. (formerly Injap Supermart Inc.) (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 9, 2009.

The Company’s primary purpose is to engage in, conduct and carry on the business of buying, selling, manufacturing, distributing, marketing at wholesale and retail of consumer goods including liquor and agricultural, meat and fresh products; lease out store and office spaces and to offer advertising and maintenance services for a fee to its lessee or lease occupants.

The Company is a subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On January 23, 2020, the SEC approved the increase in the Company’s authorized capital stock from P5,000,000.00 divided into 50,000 shares of the par value of P100.00 each to P1,200,000,000.00 divided into 24,000,000,000 shares of the par value of P0.05 each. On the same date, the SEC also approved the amendment of its primary purpose and of the principal place of business of the Company to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.

On January 23, 2020, the Board of Directors (BOD) and shareholders approved to offer, subject to compliance with existing laws, and the rules and regulations of the SEC, up to 1,594,936,709 primary common shares through an initial public offering (IPO) at the price up to P1.00 per share. On January 27, 2020, the Company filed its Registration Statement with the SEC covering its IPO.

On March 10, 2020, the SEC approved the Company’s Registration Statement for 7,594,936,709 common shares to be listed and traded on the Small, Medium and Emerging Board of the Philippine Stock Exchange (“PSE”). The offering consists of 1,594,936,709 primary common shares with the maximum price set at P1.00 per share.

On June 15, 2020, the Company completed its IPO and was listed in the Philippine Stock Exchange (“PSE”) under the stock symbol “MM”. III remains as the ultimate parent company and controlling shareholder of MM. As at December 31, 2021, there are twenty (20) shareholders of the Company’s securities.

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## 2. Basis of Preparation

### Statement of Compliance

The accompanying separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The separate financial statements of the Company as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issuance by the BOD on May 13, 2022.

### Basis of Measurement

The separate financial statements of the Company have been prepared using the historical cost basis of accounting, except for retirement benefits liability which is measured at present value of defined benefit obligation.

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with PFRS. Such consolidated financial statements provide information about the economic activities of the Company and its subsidiaries. The consolidated financial statements can be obtained from the Company's business address.

### Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

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## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in these separate financial statements, except for the changes in accounting policies as explained below.

### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to *PFRS 16*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

#### Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Company has not early adopted the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

- **Onerous Contracts - Cost of Fulfilling a Contract** (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- **Annual Improvements to PFRS Standards 2018-2020.** This cycle of improvements contains amendments to four standards, of which the following is applicable to the Company:
  - **Fees in the '10 per cent' Test for Derecognition of Financial Liabilities** (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees 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. It applies 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.
  - **Lease Incentives** (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

*Effective January 1, 2023*

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, *Non-Current Liabilities with Covenants* after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.



- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

#### Current versus Noncurrent Classification

The Company presents assets and liabilities in the separate statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

#### Financial Instruments

##### *Date of Recognition*

The Company recognizes a financial asset or financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

##### *Initial Recognition of Financial Instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized initially at fair value. The initial measurement, except for those designated as FVPL, includes transaction costs.

#### Financial Assets

##### *Classification and Subsequent Measurement*

The Company classifies its financial assets, at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Company manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and how information is provided to management:

- the stated policies and objectives for the portfolio and the operations of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of assessing the cash flow characteristics of financial assets, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

The Company considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Company considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for financial assets acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Company has no financial assets at FVOCI and FVPL as at December 31, 2021 and 2020.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Company's cash and cash equivalents, receivables, due from related parties and security deposits (included in "Other noncurrent assets") are included in this category (Notes 5, 6, 9, 11, 18 and 22).

#### Financial Liabilities

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company has no financial liabilities at FVPL as at December 31, 2021 and 2020.

#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense" account in the separate statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's accounts payable and other current liabilities (excluding payables to government agencies) and loans payable are included in this category (Notes 12, 13 and 22).

## Derecognition of Financial Assets and Financial Liabilities

### *Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company’s continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

For a modification of the financial asset that does not result in derecognition, the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognized in profit or loss as a gain or loss from modification. Costs or fees in relation to the modification of the financial asset are recognized as part of the carrying amount of the asset and amortized over the remaining term of the instrument. A modification of the original financial asset that results in derecognition of the financial asset, requires the recognition of a new financial asset in line with the general requirements for the initial recognition (i.e. at fair value plus transaction costs).

### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

## Impairment of Financial Assets

The Company recognizes allowance for expected credit losses (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

### Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the first-in-first out (FIFO) method. Cost comprises of purchase price, including duties, applicable landing charges and other incidental expenses incurred in bringing the inventories to its present location and condition. NRV is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets are classified in the separate statements of financial position as current assets when the costs or expenses related to the assets are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, assets are classified as noncurrent assets.

#### Input Value-added Tax (VAT)

Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Company upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized for no more than 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Useful Life in Years
Leasehold improvements	10 years or lease term, whichever is shorter
Furniture, fixtures and equipment	5 to 10
Transportation equipment	5 to 10

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

Land is carried at cost less any impairment in value, if any. The initial cost of land comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. It excludes the costs of day to day servicing. Land is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the land (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Construction in-progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs.

#### Investment in Subsidiaries

The Company's investments in shares of stock of subsidiaries is accounted for under the cost method. The investment is carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiary in its separate statements of comprehensive income when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. In accordance with *PFRS 10, Consolidated Financial Statements*, the Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.



#### Other Noncurrent Assets

Other noncurrent assets consist of advances to Carlos Drugs - Lucena, Inc. (Carlos SuperDrug), prepaid rent and security deposits. Advances to Carlos SuperDrug pertains to the amount paid in advance for the purchase of shares and wherein the Company has no control yet. Prepaid rent is rent paid prior to the rental period to which it relates, or an amount of rent paid that has not yet been used. Security deposits represent noninterest-bearing deposits which are generally applied against unpaid rentals should the lessee decide not to renew the lease or are forfeited as damages for any violation of contract.

#### Business Combination

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Company measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

### Impairment of Nonfinancial Assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received.

The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Capital Stock

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.