

Remarks = pls. use black ink for scanning purposes.

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)

Form 17-Q for the Third Quarter of 2021

(Form Type)

N/A

Amendment Designation

N/A

Period Ended Date

N/A

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 2021
2. Commission identification number 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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The following financial statements are submitted as part of this report:

- a) Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the three months ended September 30, 2021 and September 30, 2020; Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the nine months ended September 30, 2021 and September 30, 2020;
- b) Notes to the Unaudited Condensed Consolidated Interim Financial Statement
- c) Unaudited Condensed Consolidated Interim Statements of Financial Position as of September 30, 2021 and December 31, 2020 (audited);
- d) Unaudited Condensed Consolidated Interim Statements of Changes in Equity for the nine months ended September 30, 2021 and September 30, 2020; and
- e) Unaudited Condensed Consolidated Interim Statements of Cash Flows for the nine months ended September 30, 2021 and September 30, 2020.

MERRYMART CONSUMER CORP. AND SUBSIDIARIES

(Formerly Injap Supermart Inc.)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**As at September 30, 2021 and December 31, 2020 and
For the Nine Months Ended September 30, 2021 and 2020**

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	September 30, 2021 Unaudited PHP	December 31, 2020 Audited PHP
ASSETS		
Current Assets		
Cash and cash equivalents	P716,590,619	P940,641,989
Receivables	40,693,846	25,071,685
Inventories	1,108,488,515	737,572,923
Prepaid expenses and other current assets	250,143,253	199,090,553
Total Current Assets	2,115,916,233	1,902,377,150
Noncurrent Asset		
Property and equipment	1,168,397,353	908,849,180
Right-of-use asset	408,464,572	402,933,511
Intangible asset	50,562,429	42,910,253
Deferred tax asset	66,347,558	44,276,810
Other noncurrent assets	203,158,246	174,714,961
Total Noncurrent Asset	1,896,930,158	1,573,684,715
	P4,012,846,391	P3,476,061,865
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	P549,514,400	P416,433,885
Short-term loans payable	1,025,000,000	450,000,000
Income tax payable	22,215,414	-
Due to related parties	-	62,482,842
Total Current Liabilities	1,596,729,814	928,916,727
Noncurrent Liability		
Retirement benefits liability	8,024,699	8,024,699
Other noncurrent liabilities	2,580,000	1,380,000
Loans payable	83,333,333	250,000,000
Lease Liabilities	388,555,692	376,322,986
Total Noncurrent Liabilities	482,493,724	635,727,685
Total Liabilities	2,079,223,538	1,564,644,412
Equity		
Capital stock	379,746,835	379,746,835
Additional paid-up capital	1,386,292,253	1,386,292,253
Retained earnings	169,040,156	146,834,756
Remeasurement gain on defined benefit	(1,456,391)	(1,456,391)
Total Equity	1,933,622,853	1,911,417,453
	P4,012,846,391	P3,476,061,865

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	September 30, 2021 Unaudited	September 30, 2020 Unaudited
REVENUE		
Sale of goods	2,753,066,867	2,393,801,110
Display rental	18,346,083	17,931,187
Other operating income	38,425,528	12,191,031
	2,809,838,478	2,423,923,328
COST OF SALES	2,395,502,992	2,209,435,484
GROSS PROFIT	414,335,486	214,487,844
OPERATING EXPENSES	376,527,915	183,769,049
INCOME FROM OPERATIONS	37,807,571	30,718,795
INTEREST EXPENSE	8,754,019	16,215,055
INTEREST INCOME	1,215,234	4,351,771
INCOME BEFORE TAX	30,268,786	18,855,511
INCOME TAX EXPENSE (BENEFIT)		
Current	29,334,134	11,134,022
Deferred	(22,070,748)	(6,782,900)
	7,263,386	4,351,122
NET INCOME/TOTAL COMPREHENSIVE INCOME	23,005,400	14,504,389

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2021 AND 2020

	September 30, 2021 Unaudited	September 30, 2020 Unaudited
REVENUE		
Sale of goods	949,867,183	769,964,936
Display rental	5,712,255	5,958,732
Other operating income	10,498,431	6,809,072
	966,077,869	782,732,740
COST OF SALES	798,169,430	693,411,793
GROSS PROFIT	167,908,439	89,320,947
OPERATING EXPENSES	157,219,799	85,831,099
INCOME FROM OPERATIONS	10,688,640	3,489,848
INTEREST EXPENSE	2,277,037	6,840,113
INTEREST INCOME	283,331	3,181,637
INCOME BEFORE TAX	8,694,934	(168,628)
INCOME TAX EXPENSE (BENEFIT)		
Current	11,786,053	3,406,695
Deferred	(9,683,153)	(4,411,775)
	2,102,900	(1,005,080)
NET INCOME/TOTAL COMPREHENSIVE INCOME	6,592,034	836,452

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Capital Stock	Additional paid-up capital	Remeasurement loss on defined benefit	Retained Earnings		Total	Total
					Unappropriated	Appropriated		
Balance at December 31, 2019		P1,250,000	P-	P-	(P10,006,318)	P117,000,000	P106,993,682	P108,243,682
Issuance of capital stock		378,496,835	1,386,292,253	-	-	-	-	1,764,789,088
Dividends Declared		-	-	-	(8,400,000)	-	(8,400,000)	(8,400,000)
Unappropriation during the period		-	-	-	6,000,000	(6,000,000)	-	-
Net income/total comprehensive income for the period		-	-	-	14,504,389	-	14,504,389	14,504,389
Balance as at September 30, 2020		P379,746,835	P1,386,292,253	P-	P2,098,071	P111,000,000	P113,098,071	P1,879,137,159
Balance at December 31, 2020		P379,746,835	P1,386,292,253	(P1,456,391)	P146,834,756	P-	P146,834,756	P1,911,417,453
Stock issuance cost		-	-	-	(800,000)	-	(800,000)	(800,000)
Net income/total comprehensive income for the period		-	-	-	23,005,400	-	23,005,400	23,005,400
Balance as at September 30, 2021		P379,746,835	P1,386,292,253	(P1,456,391)	P169,040,156	P-	P169,040,156	P1,933,622,853

MERRYMART CONSUMER CORP. AND A SUBSIDIARIES
(Formerly Injap Supermart Inc.)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
UNAUDITED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	September 30, 2021	September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P30,268,786	P18,855,511
Adjustments for:		
Depreciation and amortization	82,276,788	51,940,779
Interest expense	8,754,019	16,215,055
Retirement benefits expense	-	866,185
Interest income	(1,215,234)	(4,351,771)
Operating income before working capital changes	120,084,359	83,525,759
Decrease (increase) in:		
Receivables	(15,622,161)	(3,908,670)
Inventories	(370,915,592)	(385,846,887)
Other current assets	(51,052,700)	(87,392,017)
Increase (decrease) in:		
Accounts payable and other current liabilities	133,080,515	210,176,139
Due to a related party	(62,482,842)	(49,762,571)
Cash generated used in operations	(246,908,421)	(233,208,247)
Income tax paid	(8,088,923)	(30,055,653)
Interest paid	(37,999,590)	(17,956,250)
Interest received	1,215,234	4,351,771
Net cash used in operating activities	(291,781,700)	(276,868,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for PPE acquisition	(271,088,305)	(360,421,288)
Payments for intangible assets acquisition	(12,896,652)	(7,159,499)
Increase in other noncurrent assets	(28,443,285)	(48,507,557)
Net cash used in investing activities	(312,428,242)	(416,088,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from initial public offering, net of issuance costs	-	1,465,999,088
Proceeds from availment of loans	450,000,000	300,000,000
Payment of loans	(41,666,667)	-
Increase in other noncurrent liabilities	1,200,000	14,098,087
Lease payment	(28,574,761)	(18,039,888)
Stock issuance cost payment	(800,000)	-
Dividends paid	-	(8,400,000)
Net cash provided by financing activities	380,158,572	1,753,657,287
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(224,051,370)	1,060,700,564
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	940,641,989	270,308,599
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P716,590,619	P1,331,009,163

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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.

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 initial public offering and was listed in the PSE under the stock symbol “MM”. III remains as the ultimate parent company and controlling shareholder of MM.

2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2020. The condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the audited consolidated financial statements of MerryMart Consumer Corp and a Subsidiary (collectively referred to as the “Group”) as at and for the year ended December 31, 2020.

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.

The consolidated financial statements include the accounts of the Parent Company and the Subsidiaries. The equity interests of the Parent Company in the Subsidiaries as at September 30, 2021 and December 31, 2020 are as follows:

Subsidiaries	Percentage of Ownership	
	September 30, 2021	December 31, 2020
MerryMart Grocery Centers, Inc. (MMGCI) ⁽¹⁾	100%	100%
MM Consumer Technologies Corp. (MMCTC) ⁽²⁾	100%	-

(1) Incorporated September 28, 2018

(2) Incorporated May 27, 2021

MMCTC owns 70% of MBox Smart Lockers Corp (MBSLC). MBSLC was incorporated and registered with the SEC on June 4, 2021.

The Parent Company and its Subsidiaries are all domiciled in the Philippines.

3. Summary of Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2020.

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, 2020 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.

- *Amendments to References to Conceptual Framework in PFRSs Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRSs practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *PFRS 3, Business Combination - Definition of a Business (Amendments)*
The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:
 - confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs;
 - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
 - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (*Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify the definition of material and its application by:

- raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;
- including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;
- clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
- clarifying the explanatory paragraphs accompanying the definition; and
- aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Effective June 1, 2020

- PFRS 16, *Leases - COVID-19-related Concessions (Amendments)*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments were early adopted by the Group as the rent concession from the lessor met all of the above criteria.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. 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, 2021

- 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 standards which are 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.
 - 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.

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.

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. As of September 30, 2021, 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 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.

4. Use of Judgments and Estimates

In preparing the condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2020.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2021	December 31, 2020
Cash on hand	P15,705,153	P45,793,614
Cash in banks	700,885,466	492,198,125
Short-term placements	-	402,650,250
	P716,590,619	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.

Total interest income earned from cash and cash equivalents amounted to P1,215,234 and P4,351,771 for the nine months ended September 30, 2021 and September 30, 2020, respectively.

6. Receivables

This account consists of:

	September 30, 2021	December 31, 2020
Trade	P20,588,798	P13,750,206
Advances to employees	6,612,691	5,173,248
Receivable from Franchisee	11,824,482	2,904,879
Accrued interest	83,611	3,154,442
Others	1,584,264	88,910
	P40,693,846	P25,071,685

Trade receivables pertain to receivables from credit card sales and in-house charge sales, and receivable from display rental. These receivables generally have 1-3 days credit terms.

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.

	September 30, 2021	December 31, 2020
Merchandise inventories	P1,096,756,121	P732,754,059
Packaging materials	11,732,394	4,818,864
	P1,108,488,515	P737,572,923

Inventories charged to cost of sales amounted to P2,395.50 million and P2,209.44 million for the nine months ended September 30, 2021 and September 30, 2020, respectively.

8. Prepaid expenses and other current assets

This account consists of:

	September 30, 2021	December 31, 2020
Input VAT - net	P222,535,193	P168,134,439
Prepaid expenses	15,555,451	17,783,148
Advances to contractors and suppliers	10,039,958	8,447,793
Creditable withholding tax	-	3,287,562
Prepaid taxes	2,012,651	1,437,611
	P250,143,253	P199,090,553

This account consists of prepaid expenses, input VAT and other miscellaneous current assets.

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.

Advances to contractors and suppliers represent amount paid as down payments to contractors and suppliers to facilitate the initial construction of the Group's stores.

Creditable withholding taxes pertain to taxes withheld by the Group's customers which can be applied against any future income tax liability.

9. Intangible Asset

	September 30, 2021	December 31, 2020
<i>Cost</i>		
Beginning balance	P46,583,745	P14,762,710
Additions	12,896,652	30,215,828
Construction in progress	-	1,605,207
	59,480,397	46,583,745
<i>Accumulated amortization</i>		
Beginning balance	3,673,492	149,937
Amortization for the year	5,244,476	3,523,555
	8,917,968	3,673,492
	P50,562,429	P42,910,253

The computer software licenses have been built, installed or supplied by the manufacturer ready to operate or require some customization based on the Group's specific requirements.

10. Other Noncurrent Assets

This account consists of:

	September 30, 2021	December 31, 2020
Security deposits	P133,910,710	P112,804,660
Prepaid rent	67,040,026	59,536,551
Construction bond	2,207,510	2,373,750
	P203,158,246	P174,714,961

11. Short-term and Long-term Loans Payable

Loans payable pertains to unsecured loans obtained from local banks.

Details of the account are as follows:

	September 30, 2021	December 31, 2020
Balance at beginning of the year	P700,000,000	P150,000,000
Additions	450,000,000	550,000,000
Principal payments	(41,666,667)	-
	1,108,333,333	700,000,000
Less short-term notes and current portion of long-term notes	1,025,000,000	450,000,000
Noncurrent portion	P83,333,333	P250,000,000

Long-term Loans Payable

On November 4, 2020, the Company obtained an unsecured loan amounting to P250 million for the construction of the Company's branches. This loan bears fixed interest of 6.00% per annum and is due on May 4, 2023. The loan agreements do not contain any financial or non-financial covenants.

Outstanding balance of this loan is P208.33 million as at September 30, 2021, with non-current portion amounting to P83.33 million.

Total interest expense, exclusive of the capitalized borrowing costs, recognized in profit or loss amounted to nil and P2.44 million in September 30, 2021 and 2020, respectively. Total capitalized borrowing costs charged under "Property and equipment - net" accounts amounted to P38.00 million and P15.52 million as at September 30, 2021 and 2020, respectively.

12. 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:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Sale of goods	P2,753,066,867	P2,393,801,110
Application fees*	3,300,000	7,700,000
	P2,756,366,867	P2,401,501,110

* 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.

Application fees pertain to the amount received in processing the franchise application of its customers. 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.

13. Cost of Sales

This account consists of:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Beginning inventory	P737,572,923	P183,418,743
Add: Purchases	2,766,418,584	2,595,282,371
Total goods available for sale	3,503,991,507	2,778,701,114
Less: Ending inventory	1,108,488,515	569,265,630
	P2,395,502,992	P2,209,435,484

14. Related Party Transactions

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
Stockholders					
Advances from stockholders	September 30, 2021	<i>a</i>	P-	P-	Due and demandable; non-interest bearing; unsecured; payable in cash
	December 31, 2020	<i>a</i>	12,720,271	62,482,842	Due and demandable; non-interest bearing; unsecured; payable in cash
Land acquired	December 31, 2020	<i>b</i>	146,608,491	-	
	September 30, 2021			P-	
	December 31, 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 2020, the Parent Company acquired two parcels of land from III, which has been fully paid in 2020.

15. 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 are as follows:

- The Group leases its office space for a period of 10 years starting April 1, 2019 until January 30, 2029. The agreement is subject to renewal upon mutual agreement of the parties.
- The Group leases its warehouse space and store spaces for periods ranging from 5 to 15 years, renewable upon mutual agreement of the parties.

Interest expense recognized in profit or loss amounted to P8.75 million and P13.78 million for the nine months ending September 30, 2021 and September 30, 2020, respectively.

The Group also entered into lease agreements for its store spaces that do not qualify under PFRS 16. These lease agreements are based on variable consideration.

Total security deposits and advance rental payments from these lease arrangements amounted to P200.95 million and P172.34 million as at September 30, 2021 and December 31, 2020. These are included under "Other noncurrent assets" account in the consolidated interim statements of comprehensive position.

16. Income Taxes

Income tax expense (benefit) consists of:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Current	P29,334,134	P11,134,022
Deferred	(22,070,748)	(6,782,900)
	P7,263,386	P4,351,122

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss is as follows:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Income before income tax	P30,268,786	P18,855,511
Income tax at the statutory income tax rate of: 2020 – 30%, 2021 – 25%	7,567,196	5,656,653
Income tax effects of interest income subjected to final tax	(303,810)	(1,305,531)
	P7,263,386	P4,351,122

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subjected to 25% or 20% income tax depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No.2-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for year ended December 31, 2020 is 27.5%. The result is lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020. The reduced amounts are reflected in the Company's 2020 annual income tax return.

17. Equity and Earnings per Share

Capital Stock

As at September 30, 2021 and December 31, 2020, the authorized and issued capital stock of the Parent Company consists of:

	September 30, 2021	December 31, 2020
Authorized Capital Stock		
Common – P0.05 par value	1,200,000,000	1,200,000,000
Number of Shares Authorized		
Common	24,000,000,000	24,000,000,000
Issued Capital Stock		
Common – P0.05 par value	379,746,835	379,746,835
Number of Shares Issued		
Common	7,594,936,709	7,594,936,709

On November 15, 2019, the Stockholders representing at least 2/3 of the outstanding capital stock and the BOD approved the increase in the Parent Company's authorized capital stock from P5,000,000 divided into 50,000 shares, with P100 par value to P1,200,000,000 divided into 24,000,000,000 shares, with P0.05 par value. Of the total increase in the authorized capital stock, 5,975,000,000 shares, equivalent to P298,750,000, was subscribed by the Injap Investments Inc (III). The payment for the subscription was received in December 2019 and was recorded under "Deposit for future stock subscription" account in the consolidated statements of financial position as at December 31, 2019.

On January 23, 2020, the SEC approved the increase in 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 June 15, 2020, the Company 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, payable to stockholders of record on February 21, 2020. The cash dividends were paid on February 26, 2020.

On December 19, 2019, the BOD approved the appropriation of retained earnings amounting to P80 million out of the Parent Company's unappropriated retained earnings as at December 31, 2019. The appropriation is intended for construction and establishment of the Parent Company's branches nationwide within 3 years.

EPS

EPS is computed as follows:

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Net income attributable to common shareholders of the Parent Company	P23,005,400	P14,504,389
Weighted average number of common shares for basic EPS	7,594,936,709	6,121,289,153
Basic/Diluted EPS	P0.00303	P0.00237

The basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loans and stock options.

18. 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:

	September 30, 2021	December 31, 2020
Cash and cash equivalents (excluding cash on hand)	P700,885,466	P894,848,375
Receivables (excluding advances to employees)	34,081,155	25,071,685
Security deposits (included under other noncurrent assets)	133,910,710	112,804,660
	P868,877,331	P1,032,724,720

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 September 30, 2021 and December 31, 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:

September 30, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and other current liabilities*	P491,158,262	P491,158,262	P491,158,262	P -	P -
Loans payable	1,108,333,333	1,108,333,333	1,025,000,000	83,333,333	-
Due to a related party	-	-	-	-	-
Lease liabilities**	428,004,494	428,004,494	39,448,802	388,555,692	-

* excluding statutory obligations, current portion of lease liabilities and unearned franchise fees

**including current portion of lease liabilities

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and other current liabilities*	P374,359,043	P374,359,043	P374,359,043	P -	P -
Loans payable	700,000,000	700,000,000	450,000,000	250,000,000	-
Due to a related party	62,482,842	62,482,842	62,482,842	-	-
Lease liabilities**	415,844,486	415,844,486	39,521,500	376,322,986	-

* excluding statutory obligations, current portion of lease liabilities and unearned franchise fees

**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/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.

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 September 30, 2021 and December 31, 2020. The Group is not subject to externally-imposed capital requirements.

19. Subsequent events

On November 8, 2021, the Company signed a Memorandum of Agreement for the acquisition of 75.08% equity stake in Carlos Drugs-Lucena Inc.

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)
As of September 30, 2021

	Total	Neither past due nor impaired	Past due but not impaired			
			1 - 90 days	91 - 180 days	181 - 360 days	> 360 days
Receivables	P40,693,846	33,208,684	7,485,162	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARIES
(Formerly Injap Supermart Inc.)
UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF
COMPREHENSIVE INCOME
For the periods ended September 30, 2021 and September 30, 2020

	For the quarter ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
REVENUES				
Sale of goods	₱949,867,183	₱769,964,936	₱2,753,066,867	₱2,393,801,110
Display rental	5,712,255	5,958,732	18,346,083	17,931,187
Other operating income	10,498,431	6,809,072	38,425,528	12,191,031
	966,077,869	782,732,740	2,809,838,478	2,423,923,328
COST OF SALES	798,169,430	693,411,793	2,395,502,992	2,209,435,484
GROSS PROFIT	167,908,439	89,320,947	414,335,486	214,487,844
OPERATING EXPENSES	157,219,799	85,831,099	376,527,915	183,769,049
INCOME FROM OPERATIONS	10,688,640	3,489,848	37,807,571	30,718,795
INTEREST EXPENSE	2,277,037	6,840,113	8,754,019	16,215,055
INTEREST INCOME	283,331	3,181,637	1,215,234	4,351,771
INCOME BEFORE TAX	8,694,934	(168,628)	30,268,786	18,855,511
INCOME TAX EXPENSE (BENEFIT)	2,102,900	(1,005,080)	7,263,386	4,351,122
NET INCOME/TOTAL COMPREHENSIVE INCOME	₱6,592,034	₱836,452	₱23,005,400	₱14,504,389

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

September 30, 2021 versus September 30, 2020 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, 2021 and September 30, 2020

	September 30, 2021	September 30, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
REVENUES						
Sale of goods	₱2,753,066,867	₱2,393,801,110	₱359,265,757	15.0%	98.0%	98.8%
Display rental	18,346,083	17,931,187	414,896	2.3%	0.7%	0.7%
Other operating income	38,425,528	12,191,031	26,234,497	215.2%	1.3%	0.5%
	2,809,838,478	2,423,923,328	385,915,150	15.9%	100.0%	100.0%
COST OF SALES	2,395,502,992	2,209,435,484	186,067,508	8.4%	85.3%	91.2%
GROSS PROFIT	414,335,486	214,487,844	199,847,642	93.2%	14.7%	8.8%
OPERATING EXPENSES	376,527,915	183,769,049	192,758,866	104.9%	13.4%	7.6%
INCOME FROM OPERATIONS	37,807,571	30,718,795	7,088,776	23.1%	1.3%	1.3%
INTEREST EXPENSE	8,754,019	16,215,055	(7,461,036)	(46.0%)	0.3%	0.7%
INTEREST INCOME	1,215,234	4,351,771	(3,136,537)	(72.1%)	0.0%	0.2%
INCOME BEFORE TAX	30,268,786	18,855,511	11,413,275	60.5%	1.1%	0.8%
INCOME TAX EXPENSE	7,263,386	4,351,122	2,912,264	66.9%	0.3%	0.2%
NET INCOME/TOTAL COMPREHENSIVE INCOME	₱23,005,400	₱14,504,389	₱8,501,011	58.6%	0.8%	0.6%

MERRYMART CONSUMER CORP. AND SUBSIDIARIES

(Formerly Injap Supermart Inc.)

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended September 30, 2021 and September 30, 2020

	September 30, 2021	September 30, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2021	2020
REVENUES						
Sale of goods	₱949,867,183	₱769,964,936	₱179,902,247	23.4%	98.3%	98.4%
Display rental	5,712,255	5,958,732	(246,477)	(4.1%)	0.6%	0.8%
Other operating income	10,498,431	6,809,072	3,689,359	54.2%	1.1%	0.9%
	966,077,869	782,732,740	183,345,129	23.4%	100.0%	100.0%
COST OF SALES	798,169,430	693,411,793	104,757,637	15.1%	82.6%	88.6%
GROSS PROFIT	167,908,439	89,320,947	78,587,492	88.0%	17.4%	11.4%
OPERATING EXPENSES	157,219,799	85,831,099	71,388,700	83.2%	16.3%	11.0%
INCOME FROM OPERATIONS	10,688,640	3,489,848	7,198,792	206.3%	1.1%	0.4%
INTEREST EXPENSE	2,277,037	6,840,113	(4,563,076)	(66.7%)	0.2%	0.9%
INTEREST INCOME	283,331	3,181,637	(2,898,306)	(91.1%)	0.0%	0.4%
INCOME BEFORE TAX	8,694,934	(168,628)	8,863,562	(5256.3%)	0.9%	(0.0%)
INCOME TAX EXPENSE (BENEFIT)	2,102,900	(1,005,080)	3,107,980	(309.2%)	0.2%	(0.1%)
NET INCOME/TOTAL COMPREHENSIVE INCOME	₱6,592,034	₱836,452	₱5,755,582	688.1%	0.7%	0.1%

For the Nine Months Ended September 30, 2021 compared to the Nine Months Ended September 30, 2020

For the nine months ended September 30, 2021, the Group booked consolidated revenues of ₱2,809.84 million an increase of 15.9% from ₱2,423.92 million from the same period 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. As at September 30, 2021, MM Group has 42 stores compared to 11 stores as at September 30, 2020.

For the nine months ended September 30, 2021, sale of goods contributes 98.0% of the total revenue.

The other operating income relates mainly to the franchise fees of the Group and listing fees of new products in the store.

For the nine months ended September 30, 2021, the Group's cost of sales is ₱2,395.50 million, an increase of 8.4% compared to ₱2,209.44 million for the nine months ended September 30, 2020, due to the increase in sale of goods.

For the nine months ended September 30, 2021, the Group realized an increase of 93.2% in consolidated gross profit from ₱214.49 million in nine months of 2020 to ₱414.34 million in nine months of 2021, driven by strong sales growth and increase in other operating income of the Group.

Operating expenses increased by ₱192.76 million or 104.9% from the ₱183.77 million in the nine months ended September 30, 2020 to ₱376.53 million in the nine months ended September 30, 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 amounted to ₱8.75 million for the nine months 2021. The amount mainly pertains to the interest expense on the lease liabilities of the Group in accordance with accounting standards (PFRS 16).

Income tax expense for the nine months of 2021 amounted to ₱7.26 million, an increase of 66.9% from same period in 2020. The increase is due to higher taxable income driven by continuous sales growth of the Group.

For the nine months ended September 30, 2021, the Group booked consolidated net income of ₱23.01 million, an increase of 58.6% from ₱14.50 million in nine months ended September 30, 2020. The increase in net income was driven by higher revenue from stores and increase in other operating income offset by the increase in operating expenses.

For the Quarter Ended September 30, 2021 compared to the Quarter Ended September 30, 2020

For the quarter ended September 30, 2021, MM Group booked consolidated revenues of ₱966.08 million an increase of 23.4% from ₱782.73 million from the same period in 2020. This was driven by the expansion of the Group's groceries with the opening of additional MerryMart-branded groceries and higher other operating income for the period.

For the quarter ended September 30, 2021, the Group realized an increase of 88.0% in consolidated gross profit from ₱89.32 million for the quarter ended September 30, 2020 to ₱167.91 million for the quarter ended September 30, 2021, driven by the increase in revenues and gross margin of the Group.

Operating expenses increased by ₱71.39 million or 83.2% from the ₱85.83 million in the quarter ended September 30, 2020 to ₱157.22 million in 2021. The increase in operating expenses is mainly from increase in the number of operating stores and higher head office expenses of the Group.

For the quarter ended September 30, 2021, the Group booked consolidated net income of ₱6.59 million, an increase of 688.1% from ₱0.84 million for the quarter ended September 30, 2020. The increase in net income was driven by higher revenue from stores and increase in other operating income, offset by increase in operating expenses.

September 30, 2021 versus December 31, 2020 Statements of Financial Position

MERRYMART CONSUMER CORP. AND SUBSIDIARIES

(Formerly Injap Supermart Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021 and DECEMBER 31, 2020

	September 30, 2021	December 31, 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		September 30, 2021	December 31, 2020
	Unaudited	Audited				
ASSETS						
Current Assets						
Cash and cash equivalents	₱716,590,619	₱940,641,989	(₱224,051,370)	(23.8%)	17.9%	27.1%
Receivables	40,693,846	25,071,685	15,622,161	62.3%	1.0%	0.7%
Inventories	1,108,488,515	737,572,923	370,915,592	50.3%	27.6%	21.2%
Prepaid expenses and other current assets	250,143,253	199,090,553	51,052,700	25.6%	6.2%	5.7%
Total Current Assets	₱2,115,916,233	₱1,902,377,150	213,539,083	11.2%	52.7%	54.7%
Noncurrent Assets						
Property and equipment - net	₱1,168,397,353	₱908,849,180	₱259,548,173	28.6%	29.1%	26.1%
Right-of-use asset	408,464,572	402,933,511	5,531,061	1.4%	10.2%	11.6%
Intangible asset	50,562,429	42,910,253	7,652,176	17.8%	1.3%	1.2%
Deferred tax asset	66,347,558	44,276,810	22,070,748	49.8%	1.7%	1.3%
Other noncurrent assets	203,158,246	174,714,961	28,443,285	16.3%	5.1%	5.0%
Total Noncurrent Assets	₱1,896,930,158	₱1,573,684,715	323,245,443	20.5%	47.3%	45.3%
Total Assets	₱4,012,846,391	₱3,476,061,865	₱536,784,526	15.4%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	₱549,514,400	₱416,433,885	₱133,080,515	32.0%	13.7%	12.0%
Short-term loans payable	1,025,000,000	450,000,000	575,000,000	127.8%	25.5%	12.9%
Income tax payable	22,215,414	-	22,215,414	0.0%	0.6%	0.0%
Due to related parties	-	62,482,842	(62,482,842)	(100.0%)	0.0%	1.8%
Total Current Liabilities	₱1,596,729,814	₱928,916,727	₱667,813,087	71.9%	39.8%	26.7%
Noncurrent Liabilities						
Retirement liability	₱8,024,699	₱8,024,699	-	0.0%	0.2%	0.2%
Other noncurrent liabilities	2,580,000	1,380,000	1,200,000	87.0%	0.1%	0.0%
Long-term loans payable	83,333,333	250,000,000	(166,666,667)	(66.7%)	2.1%	7.2%
Lease liability	388,555,692	376,322,986	12,232,706	3.3%	9.7%	10.8%
Total Noncurrent Liabilities	₱482,493,724	₱635,727,685	(153,233,961)	(24.1%)	12.0%	18.3%
Total Liabilities	₱2,079,223,538	₱1,564,644,412	₱514,579,126	32.9%	51.8%	45.0%
Equity						
Capital stock	₱379,746,835	₱379,746,835	-	0.0%	9.5%	10.9%
Additional paid-in capital	1,386,292,253	1,386,292,253	-	0.0%	34.5%	39.9%
Retained earnings	169,040,156	146,834,756	22,205,400	15.1%	4.2%	4.2%
Remeasurement loss on defined benefit	(1,456,391)	(1,456,391)	-	0.0%	(0.0%)	(0.0%)
Total Equity	₱1,933,622,853	₱1,911,417,453	₱22,205,400	1.2%	48.2%	55.0%
Total Liabilities and Equity	₱4,012,846,391	₱3,476,061,865	₱536,784,526	15.4%	100.0%	100.0%

As of September 30, 2021 vs December 31, 2020

Total assets as at September 30, 2021 was ₱4.01 billion compared to ₱3.48 billion as at December 31, 2020, or a 15.4% increase.

Current Assets

As at September 30, 2021 and December 31, 2020, total current assets amounted to ₱2.12 billion or 52.7% of total assets, and ₱1.90 billion or 54.7% of total assets, respectively, for an increase of ₱213.54 million or 11.2%.

Cash and cash equivalents decreased by 23.8% from ₱940.64 million as at December 31, 2020 to ₱716.59 million as at September 30, 2021 primarily due to cash used for construction and working capital requirements of new stores.

Receivables only accounts for 1.0% of the total assets as at September 30, 2021. It increased by 62.3% from ₱25.07 million as at December 31, 2020 to ₱40.69 million as at September 30, 2021. Increase in receivables mainly due increase in receivables from credit card transactions that are settled within 1-3 days from transaction date and receivables from display rental.

Inventories increased by 50.3% from ₱737.57 million as at December 31, 2020 to ₱1.11 billion as at September 30, 2021. Inventories accounts for 27.6% of the total assets as at September 30, 2021. Increase in inventories was due to the opening of a central distribution center in CentralHub – Tarlac and opening of additional stores.

Prepaid expenses and other current assets increased by 25.6% from ₱199.09 million as at December 31, 2020 to ₱250.14 million as at September 30, 2021 primarily due to the increase in input VAT related to the construction of new stores, additional prepayments and advances to suppliers.

Noncurrent Assets

As at September 30, 2021 and December 31, 2020, total noncurrent assets amounted to ₱1.90 billion or 47.3% of total assets, and ₱1.57 billion or 45.3% of total assets, respectively, for an increase of ₱323.25 million or 20.5%. The increase in noncurrent assets is mainly due to the increase in property and equipment and deferred tax asset.

Property and equipment increased by 28.6% from ₱908.85 million as at December 31, 2020 to ₱1.17 billion as at September 30, 2021 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 ₱408.46 million as at September 30, 2021, which is 10.2% of total assets and ₱402.93 million as at December 31, 2020. The increase is due to the recognition of Right-of-Use related to lease contracts of new stores.

Intangible Assets increased by 17.8% from ₱42.91 million as at December 31, 2020 to ₱50.56 million as at September 30, 2021 due to additions to software and information system of the Group.

Deferred tax assets increased by 49.8% from ₱44.28 million as at December 31, 2020 to ₱66.35 million as at September 30, 2021. The increase in deferred tax assets is mainly from the additional NOLCO from subsidiaries.

Increase in other noncurrent assets mainly pertain to the deposits made by the Group for new lease for its new and upcoming stores. Other noncurrent assets amounted to ₱203.16 million as at September 30, 2021 or 5.1% of total assets and ₱174.71 million as at December 31, 2020.

Current Liabilities

As at September 30, 2021 and December 31, 2020, total current liabilities amounted to ₱1.60 billion or 39.8% of total assets, and ₱928.92 million or 26.7% of total assets, respectively, for an increase of ₱667.81 million or 71.9%. The increase in current liabilities is mainly due to availment of additional short term loan and increase in the current portion of loans payable.

Accounts payable and other current liabilities increased by 32.0% to ₱549.51 million as at September 30, 2021, or 13.7% of total assets, due to increase in payable to trade suppliers.

Short-term loans payable amounted to ₱1.03 billion as at September 30, 2021, the increase is due to the additional short-term loan availed in the nine months of 2021 and reclassification of the current portion of long-term loans.

Due to related parties amounted to nil as at September 30, 2021 from ₱62.48 as at December 31, 2020. The decrease was due to payments to related parties made during the period.

Income tax payable amounted to ₱22.22 million or 0.6% of total assets and nil or 0.0% of total assets as at September 30, 2021 and December 31, 2020, respectively. Increase is due to the current tax expense for the period.

Noncurrent Liabilities

As at September 30, 2021 and December 31, 2020, total noncurrent liabilities amounted to ₱482.49 million or 12.0% of total assets, and ₱635.73 million or 18.3% of total assets, respectively, for a decrease of ₱153.23 million or 24.1%.

Retirement benefits liability pertains to retirement cost recognized by the Group for its retirement obligation to its employees.

Long-term loans payable amounted to ₱83.33 million on September 30, 2021, a decrease of ₱166.67 million or 66.7% from ₱250.00 million as at December 31, 2020. The decrease is due to reclassification of current portion to short-term loans payable and payment of the principal.

Lease liability amounting to ₱388.56 million as at September 30, 2021 and ₱376.32 as at December 31, 2020 pertains to the contractual lease liability recognized by the Group for its stores and office space in relation to the PFRS 16. The increase in lease liability was due to additional spaces qualified under PFRS 16 leased by the Group for its newly opened stores.

Equity

As at September 30, 2021 and December 31, 2020, total equity amounted to ₱1.93 billion or 48.2% of total assets, and ₱1.91 million or 55.0% of total assets, respectively, for an increase of ₱22.21 million or 1.2%. The increase is from the net income for the period.

Key Performance Indicators of the Company

	Unaudited September 30, 2021	Audited December 31, 2020
Current Ratio	1.33	2.05
Asset to Equity	2.08	1.82
Debt to Equity Ratio	0.57	0.24
Acid Test Ratio	0.47	1.04

	Unaudited For the nine months ending September 30, 2021	Unaudited For the nine months ending September 30, 2020
Return on Equity	1.20%	1.46%
Net Income to Revenue	0.82%	0.60%
Revenue Growth	15.92%	28.35%
Income Growth	58.61%	26.42%
EBITDA	PhP92.72 million	PhP61.79 million
Solvency Ratio	0.05	0.04

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 $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - \text{Net Income Attributable to Owners of the Parent (Prior Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
8. EBITDA $\text{Income from Operations} + \text{Depreciation and Amortization} + \text{Interest Expense}$

9. Acid Test Ratio	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$

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 II--OTHER INFORMATION

N/A

MERRYMART

14 October 2021

Securities and Exchange Commission

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City

Attention: **Hon. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities Regulation Department

Philippine Stock Exchange, Inc.

6th Floor, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Subject: **Summary of the Application of Proceeds from the Initial Public Offering**

Ladies and Gentlemen,

In line with the Initial Public Offering (IPO) of MerryMart Consumer Corp. (MM) on June 15, 2020, we submit herewith our report on the application of the actual net proceeds coming from MM Initial Public Offering amounting to **ONE BILLION FOUR HUNDRED SIXTY SIX MILLION THREE HUNDRED THIRTY FIVE THOUSAND EIGHTY EIGHT PESOS AND FIVE CENTAVOS (P1,466,335,088.05)**.

For the third quarter of 2021, the application of the net proceeds is broken down as follows:

(in Php)	Allocation of Actual Net Proceeds	Actual Disbursements			Actual Remaining as of 30 SEPT 2021
		As of 30 JUN 2021	Q3 2021	Total as of 30 SEPT 2021	
Capital expenditures and initial working capital for store network expansion	1,030,800,000	465,384,996	81,648,866	547,033,862	483,766,138
Investments in distribution centers	220,900,000	134,193,022	38,261,014	172,454,036	48,445,964
General corporate purpose	214,635,088	155,076,206	31,522,251	186,598,457	28,036,631
Total	1,466,335,088	754,654,224	151,432,131	906,086,355	560,248,733

Thank you.

Very truly yours,


Marriana H. Yulo
CFO/CIO

06/15/21

PASAY CITY

SUBSCRIBED AND SWORN to before me this _____ at _____, Philippines, affiant exhibited to me his/her identification:

Name	ID Number	Issued at/Expiry Date
Marriana H. Yulo	Passport No. P7881601A	DFA Manila / 10 Jul 2028

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Series of 2021

ERIN L. ESTEY, C.O.S.
Notary Public
Pasay City
2021
Commission No.
Roll No. 63306
Notary No. 012814-03/28/2014
01/04/2021/Pasay City
10th Floor, Tower 1
J. P. 100 Meridian Park
154 Ext. Bldg. 100

MERRYMART CONSUMER CORP.

REPORT OF FACTUAL FINDINGS ON THE
APPLICATION OF PROCEEDS FROM THE INITIAL PUBLIC
OFFERING



REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders

MERRYMART CONSUMER CORP.

9th Floor, Tower 1, DoubleDragon Plaza

DD Meridian Park, Corner Macapagal Avenue and EDSA Extension

Bay Area, Barangay 76, Pasay City, NCR, Philippines

We have performed the procedures agreed with you and enumerated below with respect to the Progress Report on the application of proceeds from the Initial Public Offering ("IPO") of MerryMart Consumer Corp. (the "Company") on June 15, 2020. The procedures were performed solely to comply with the requirement of the Philippine Stock Exchange (PSE) for the Company to submit an external auditors' report of factual findings on the accuracy of the information being represented by the Company relating to the use of proceeds from the IPO whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.

The agreed-upon procedures are summarized as follows:

1. Obtain and check the mathematical accuracy of the Quarterly Progress Report from the Company.
2. Compare the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the IPO in the Offering Circular ("Prospectus") and agree the amounts to the related supporting documents such as memorandum of agreements, invoices, deposit slips, passbook and letter of instructions.
3. Obtain written management representation as to any reallocation (or absences thereof) on the Company's planned use of proceeds or any change in the work program as disclosed in the Prospectus.

The results of the procedures performed are summarized in Annex A, which is an integral part of this report.

The procedures that we performed did not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), thus, we do not express any assurance on the use of proceeds from the IPO based on the said standards.

Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with PSA and PSRE, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of the proceeds from the IPO and items specified above and do not extend to any financial statements of the Company taken as a whole.

R.G. MANABAT & CO.



DARWIN P. VIROCEL

Partner

CPA License No. 0094495

SEC Accreditation No. 94495-SEC, Group A, effective for five (5) years
covering the audit of 2019 to 2023 financial statements

October 14, 2021

Makati City, Metro Manila

REPUBLIC OF THE PHILIPPINES)
Makati City) S.S.

I, Darwin P. Virocel, a Partner of R.G. Manabat & Co., do solemnly swear that all matters set forth in the above report are true and correct to the best of my knowledge.



Darwin P. Virocel
Partner

SUBSCRIBED AND SWORN TO before me, this 15th day of October 2021 in Makati City, Metro Manila, affiant exhibiting to me his PRC Professional Identification Card as Certified Public Accountant with Registration No. 0094495, which expires on December 17, 2022.

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ATTY. MARIA ELYANNA D. VALDEZ

Notary Public for Makati City

Appointment No. M-205

Valid until 12/31/2021

Roll No. 69907

PTR No. MKT8554473; Makati City

IBP Lifetime No. 016903; Quezon City

MCLE Compliance No. VI- 0009137 valid until 04/14/2022
The KPMG Center, 9/F, 6787 Ayala Ave. Makati City

Summary of Results of Agreed-Upon Procedures Performed Annex A

We report the results of our work as follows:

1. We have obtained and checked the mathematical accuracy of the Company's Quarterly Progress Report for the third quarter ended September 30, 2021. No exceptions noted.
2. We have compared the list of all the disbursements in the Quarterly Progress Report with the schedule of planned use of proceeds from the IPO in the Prospectus and agreed the amounts to the related supporting documents. No exceptions noted.

As presented by the Company and based on the above procedures, the table below lists the details of the disbursements made during the quarter ended September 30, 2021, from the P1,466,335,088 net IPO proceeds.

In (PHP)	Allocation of Actual Net Proceeds	Actual Disbursement			Actual Remaining as at 30 SEPT 2021
		As at 30 JUN 2021	Q3 2021	Total as at 30 SEPT 2021	
Capital expenditures and initial working capital for store network expansion	P1,030,600,000	P465,384,996	P81,648,866	P547,033,862	P483,766,138
Investments in distribution centers	220,900,000	134,193,022	38,261,014	172,454,036	48,445,964
General corporate purposes	214,635,088	155,076,206	31,522,251	186,598,457	28,036,631
Total	P1,466,335,088	P754,654,224	P151,432,131	P906,086,335	P560,248,733

Relative to the actual disbursements for the period, the following procedures were also performed:

- a. Compared and agreed the actual disbursements for the quarter ended September 30, 2021 submitted by the Company to the PSE to the related supporting documents which includes bank account passbooks, official receipts, collection receipts and bank deposit slips. No exceptions noted.
- b. Checked the details of the disbursements made as shown above to the related supporting documents and noted that the portion of the proceeds allocated for capital expenditures and initial working capital for store network expansion of various stores has been disbursed by the Company totaling P81,648,866, disbursement amounting to P38,261,014 for investment in distribution centers related to one of the distribution centers, and disbursement of P31,522,251 for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.


We have also observed disbursements pertaining to prior quarter which were included in the report amounting to P29,957,860. No other exceptions noted.

3. We have obtained written management representation and noted that there were no reallocations made on the Company's planned use of proceeds from the IPO or any changes in the work program as disclosed in the Prospectus.

SIGNATURES


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

Issuer MERRYMART CONSUMER CORP.

Signature and Title 
Jose Roelph E. Desales
Chief Information Officer

Date November 15, 2021

Principal Financial/Accounting Officer/Controller: **Marriana Yulo-Luccini**

Signature and Title 
Marriana Yulo-Luccini
Chief Finance Officer

Date November 15, 2021