

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 2020

(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, 2020
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, 2020 and September 30, 2019; Unaudited Condensed Consolidated Interim Statements of Comprehensive Income for the nine months ended September 30, 2020 and September 30, 2019;
- b) Notes to the Unaudited Condensed Consolidated Interim Financial Statement
- c) Unaudited Condensed Consolidated Interim Statements of Financial Position as of September 30, 2020 and December 31, 2019 (audited);
- d) Unaudited Condensed Consolidated Interim Statements of Changes in Equity for the nine months ended September 30, 2020 and September 30, 2019; and
- e) Unaudited Condensed Consolidated Interim Statements of Cash Flows for the nine months ended September 30, 2020 and September 30, 2019.

MERRYMART CONSUMER CORP. AND SUBSIDIARY

(Formerly Injap Supermart Inc.)

(A Wholly-owned Subsidiary of Injap Investments, Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**As of September 30, 2020 and December 31, 2019 and
For the Nine Months Ended September 30, 2020 and 2019**

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

	September 30, 2020 Unaudited PHP	December 31, 2019 Audited PHP
ASSETS		
Current Assets		
Cash and cash equivalents	1,331,009,163	270,308,599
Receivables	13,750,405	9,841,735
Inventories	569,265,630	183,418,743
Prepaid expenses and other current assets	133,761,256	46,369,239
Total Current Assets	2,047,786,454	509,938,316
Noncurrent Asset		
Property and equipment - net	576,736,003	221,794,668
Right-of-use asset	657,145,006	118,264,628
Intangible asset	19,967,019	14,612,773
Deferred tax asset	15,134,907	8,352,008
Other noncurrent assets	90,179,769	41,672,212
Total Noncurrent Asset	1,359,162,704	404,696,289
	3,406,949,158	914,634,605
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	355,217,188	145,041,049
Loans payable	450,000,000	150,000,000
Income tax payable	11,134,022	37,782,980
Due to related parties	-	49,762,571
Total Current Liabilities	816,351,210	382,586,600
Noncurrent Liability		
Retirement liability	7,062,517	6,196,332
Other noncurrent liabilities	15,478,087	1,380,000
Lease Liability	688,920,185	117,477,991
Deposit for future subscription	-	298,750,000
Total Non current Liabilities	711,460,789	423,804,323
Total Liabilities	1,527,811,999	806,390,923
Equity		
Capital stock	1,766,039,088	1,250,000
Retained earnings	113,098,071	106,993,682
Total Equity	1,879,137,159	108,243,682
	3,406,949,158	914,634,605

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
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UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF
COMPREHENSIVE INCOME
For the Nine Months Ended September 2020 and 2019

	September 30, 2020	September 30, 2019
	Unaudited	Unaudited
	PHP	PHP
REVENUE		
Sale of goods	2,393,801,110	1,873,284,945
Display rental	17,931,187	15,138,274
Other operating income	12,191,031	134,316
	2,423,923,328	1,888,557,535
COST OF SALES	(2,209,435,484)	(1,801,573,755)
GROSS PROFIT	214,487,844	86,983,780
OPERATING EXPENSES	(183,769,049)	(70,622,225)
INCOME FROM OPERATIONS	30,718,795	16,361,555
INTEREST EXPENSE	(16,215,055)	(39,503)
INTEREST INCOME	4,351,771	47,767
INCOME BEFORE TAX	18,855,511	16,369,819
INCOME TAX (EXPENSE)/ BENEFIT		
Current	(11,134,022)	(9,984,982)
Deferred	6,782,900	5,088,366
	(4,351,122)	(4,896,616)
NET INCOME / OTHER COMPREHENSIVE		
INCOME	14,504,389	11,473,203

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF
COMPREHENSIVE INCOME
For the Quarter Ended September 30, 2020 & 2019

	September 30, 2020	September 30, 2019
	PHP	PHP
REVENUES		
Sale of goods	769,964,936	668,926,965
Display rental	5,958,732	5,429,864
Other operating income	6,809,072	94,477
	782,732,740	674,451,306
COST OF SALES	(693,411,793)	(642,075,148)
GROSS PROFIT	89,320,947	32,376,158
OPERATING EXPENSES	(85,831,099)	(31,725,453)
INCOME FROM OPERATIONS	3,489,848	650,705
INTEREST EXPENSE	(6,840,113)	(39,503)
INTEREST INCOME	3,181,637	14,916
INCOME BEFORE TAX	(168,628)	626,118
INCOME TAX (EXPENSE) / BENEFIT	1,005,080	(183,361)
NET INCOME/TOTAL COMPREHENSIVE INCOME	836,452	442,757

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
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CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Retained Earnings			Total
			Unappropriated	Appropriated	Total	
Balance at December 31, 2018	P1,250,000	P-	P41,984,350	P37,000,000	P78,984,350	P80,234,350
Net income/total comprehensive income for the period	-	-	11,473,203	-	11,473,203	11,473,203
Balance at September 30, 2019	P1,250,000	P-	P53,457,553	P37,000,000	90,457,553	P91,707,553
Balance at December 31, 2019	P1,250,000	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 at September 30, 2020	P379,746,835	P1,386,292,253	P2,098,071	P111,000,000	P113,098,071	P1,879,137,159

MERRYMART CONSUMER CORP. AND A SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

Unaudited Consolidated Interim Statements of Cash Flows
For the Nine Months Ended September 2020 and 2019

	September 30, 2020 PHP	September 30, 2019 PHP
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	18,855,511	16,369,819
Adjustments for:		
Depreciation and amortization	51,940,779	5,600,224
Interest expense	16,215,055	(39,503)
Retirement benefits expense	866,185	1,455,254
Interest income	(4,351,771)	(47,767)
Operating income before working capital changes	83,525,759	23,338,027
Decrease (increase) in:		
Receivables	(3,908,670)	(5,607,187)
Inventories	(385,846,887)	110,879,581
Other current assets	(87,392,017)	(9,986,110)
Increase (decrease) in:		
Accounts payable and other current liabilities	210,176,139	30,821,636
Due to a related party	(49,762,571)	(9,130,932)
Cash generated from operations	(233,208,247)	140,315,015
Income tax paid	(30,055,653)	(17,714,056)
Interest paid	(17,956,250)	-
Interest received	4,351,771	47,767
Net cash provided by (used in) operating activities	(276,868,379)	122,648,726
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(360,421,288)	(61,960,256)
Additions to intangible assets	(7,159,499)	(2,228,252)
Increase in other noncurrent assets	(48,507,557)	(880,200)
Net cash used in investing activities	(416,088,344)	(65,068,708)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from initial public offering, net of issuance costs	1,465,999,088	-
Proceeds from availment of loans	300,000,000	-
Increase in other noncurrent liabilities	14,098,087	3,712,784
Dividends paid	(8,400,000)	-
Lease payment	(18,039,888)	-
Net cash provided by financing activities	1,753,657,287	3,712,784
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,060,700,564	61,292,802
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	270,308,599	20,907,865
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,331,009,163	82,200,667

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
(A Wholly-owned Subsidiary of Injap Investments, Inc.)

NOTES TO THE UNAUDITED 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 wholly-owned subsidiary of Injap Investments, Inc. (III), a company incorporated in the Philippines.

On December 18, 2019, the SEC approved the change in Company’s name to MerryMart Consumer Corp.

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 the same date, the SEC also approved the amendment of the principal place of business to the 9th Floor, Tower 1, DoubleDragon Plaza, DD Meridian Park, Corner Macapagal Avenue and Edsa Extension, Bay Area, Baranggay 76, Pasay City.

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, 2019. 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 Subsidiary (collectively referred to as the “Group”) as at and for the year ended December 31, 2019.

The condensed consolidated interim financial statements were prepared solely for the information and use by the management of DD and is not intended to be, and should not be used by anyone other than for the specified purpose.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors (BOD) on November 16, 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 Subsidiary 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.

The Parent Company and its Subsidiary are both 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, 2019. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2018.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2020 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's condensed consolidated interim financial statements.

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS 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) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) 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 Framework for the Preparation and Presentation of Financial Statements adopted by the 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.

The amendments are effective for annual periods beginning on or after January 1, 2020. This forthcoming amendments do not add new disclosures or amend existing ones.

- Definition of a Business (*Amendments to PFRS 3*). The amendments narrowed and clarified the definition of a business. The amendments 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: (a) 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; (b) 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 (c) 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.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application is permitted.

- **Definition of Material** (*Amendments to PAS 1, Presentation of Financial Statements and PAS 8*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such 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 what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application 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. 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 expense. 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 the applied to the consolidated financial statements as at and for the year ended December 31, 2019.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2020	December 31, 2019
Cash on hand	P113,150,933	P13,381,041
Cash in banks	517,858,230	186,927,558
Short-term placements	700,000,000	70,000,000
	P1,331,009,163	P270,308,599

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 P4,351,771 and P47,767 for the nine months ended September 30, 2020 and September 30, 2019, respectively.

6. Receivables

This account consists of:

	September 30, 2020	December 31, 2019
Trade	P1,095,756	P8,817,130
Advances to suppliers	8,612,847	823,028
Advances to employees	3,972,946	-
Others	68,856	201,577
	P13,750,405	P9,841,735

Trade receivables pertain to receivables from credit card sales and in-house charge sales. These receivables generally have 1-7 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.

Cost of inventories as at September 30, 2020 and December 31, 2019 amounted to P569.27 million and P183.42 million, respectively.

Inventories charged to cost of sales amounted to P2,209.44 million and P1,801.57 million for the nine months ended September 30, 2020 and September 30, 2019, respectively.

8. Prepaid expenses and other current assets

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

Input VAT, which amounted to P100.25 million and P46.31 million as at September 30, 2020 and December 31, 2019, respectively, represents accumulated input taxes from purchases of goods and services for business operations and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

Prepaid expenses amounting to P33.12 million as at September 30, 2020, pertains to unamortized portion of taxes and licenses and payments made in advance for advertisements & promotions, supplies and others.

9. Right-of-use Asset

Details of this account follows:

	September 30, 2020	December 31, 2019
Cost		
Balance, beginning of the period	P127,475,614	P -
Additions during the period	571,083,295	127,475,614
	698,558,909	127,475,614
Accumulated Amortization		
Balance, beginning of the period	9,210,986	-
Amortization during the period/year	32,202,917	9,210,986
	41,413,903	9,210,986
	P657,145,006	P118,264,628

10. Intangible Asset

This account pertains to computer software licenses. Intangible assets as at September 30, 2020 and December 31, 2019 amounted to P19.97 million and P14.61 million, respectively. Additional cost and amortization for the nine months ended September 30, 2020 amounted to P7.16 million and P1.80 million, respectively.

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.

11. Loans Payable

Loans payable represents unsecured short-term loans obtained from local banks which bears interest ranging from 6.00% to 7.25% per annum, with terms of less than one year. Loans payable amounted to P450 million and P150 million as at September 30, 2020 and December 31, 2019, respectively. There are no loan covenants on the Company's short-term loans.

Capitalized borrowing costs amounted to P15.52 million and nil for the nine months ended September 30, 2020 and 2019, respectively. Interest expense recognized amounted to P2.44 million and P39,503 for the nine months ended September 30, 2020 and 2019, 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, 2020	For the nine months ended September 30, 2019
Sale of goods	P2,393,801,110	P1,873,284,945
Application fees*	7,700,000	-
	P2,401,501,110	P1,873,284,945

* 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, 2020	For the nine months ended September 30, 2019
Beginning inventory	P183,418,743	P270,448,890
Add: Purchases	2,595,282,371	1,690,694,174
Total goods available for sale	2,778,701,114	1,961,143,064
Less: Ending inventory	569,265,630	159,569,309
	P2,209,435,484	P1,801,573,755

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, 2020	a	P302,032,352	P-	Due and demandable; non-interest bearing; unsecured; payable in cash
	December 31, 2019	a	P -	P49,762,571	Due and demandable; non-interest bearing; unsecured; payable in cash
Deposit for future stock subscription	December 31, 2019	b	298,750,000	298,750,000	To be applied against future stock subscription
	September 30, 2020			P-	
	December 31, 2019			P348,512,571	

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. *Deposit for Future Stock Subscription*

In December 2019, the Parent Company received subscription from III for its increase in authorized capital stock.

c. *Key Management Personnel*

No key management personnel compensation is recognized for the nine months ended September 30, 2020 and 2019.

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 with monthly rental rate of P1.02 million subject to 5% annual escalation starting on the third year. The agreement is subject to renewal upon mutual agreement of the parties.
- The Group leases its warehouse space and store space from various lessors with lease terms ranging from 3 to 12 years.

Related right-of-use asset from these lease arrangements are disclosed in Note 9.

Interest expense recognized in profit or loss amounted to P13.78 million and nil for the nine months ending September 30, 2020 and September 30, 2019, 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. Rent expense recognized from these agreements amounted to P3.89 million for nine months ending September 30, 2020.

Total security deposits from these lease arrangements amounted to P67.11 million and P40.42

million as at September 30, 2020 and December 31, 2019, respectively. These are included under “Other noncurrent assets” account in the consolidated interim statements of comprehensive position.

18. Income Taxes

Income tax expense (benefit) consists of:

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Current	P11,134,022	P9,984,982
Deferred	(6,782,900)	(5,088,366)
	P4,351,122	P4,896,616

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, 2020	For the nine months ended September 30, 2019
Income before income tax	P18,855,511	P16,369,820
Income tax at the statutory income tax rate of 30%	5,656,653	4,910,946
Income tax effects of interest income subjected to final tax	(1,305,531)	(14,330)
	P4,351,122	P4,896,616

19. Equity and Earnings per Share

Capital Stock

As at September 30, 2020 and December 31, 2019, the authorized and issued capital stock of the Parent Company consists of:

	September 30, 2020	December 31, 2019
Authorized Capital Stock		
Common – September 30, 2020 - P0.05 par value, December 31, 2019 - P100 par value	P1,200,000,000	P5,000,000
Number of Shares Authorized		
Common	24,000,000,000	50,000
Issued Capital Stock		
Common – September 30, 2020 - P0.05 par value, December 31, 2019 - P100 par value	P379,746,835	P1,250,000
Number of Shares Issued		
Common	7,594,936,709	12,500

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 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. There was no dividend declaration in 2019.

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.

On December 14, 2018, the BOD approved the appropriation of retained earnings amounting to P9 million out of the Parent Company’s unappropriated retained earnings as at December 31, 2018. The appropriation is intended for the Parent Company’s future expansion within 3 years.

EPS

EPS is computed as follows:

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Net income attributable to common shareholders of the Parent Company	P14,504,389	P11,473,203
Weighted average number of common shares	6,121,289,153	12,500
Basic/Diluted EPS	P0.00237	P917.86

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

20. 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, 2020	December 31, 2019
Cash and cash equivalents (excluding cash on hand)	P1,217,858,230	P256,927,558
Receivables (excluding advances to suppliers and employees)	1,164,612	9,018,707
Security deposits (included under other noncurrent assets)	67,109,687	40,420,029
	P1,286,132,529	P306,366,294

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, 2020 and December 31, 2019.

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, 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*	353,489,956	353,489,956	353,489,956	-	-
Loans payable	450,000,000	450,000,000	450,000,000	-	-
Lease liability**	688,920,185	781,887,742	97,129,652	372,056,725	312,701,365

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

**including current portion of lease liability

December 31, 2019	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*	P112,365,673	P112,365,673	P112,365,673	P -	P -
Loans payable	150,000,000	150,000,000	150,000,000	-	-
Due to a related party	49,762,571	49,762,571	49,762,571	-	-
Lease liability**	130,616,262	160,169,001	27,697,023	64,612,891	67,859,087

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

**including current portion of lease liability

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 Liability

Security deposits and lease liability 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, 2020 and December 31, 2019. The Group is not subject to externally-imposed capital requirements.

MERRYMART CONSUMER CORP. AND SUBSIDIARY
(Formerly Injap Supermart Inc.)
As of September 30, 2020

	Total	Neither past due nor impaired	Past due but not impaired			
			1 - 90 days	91 - 180 days	181 - 360 days	> 360 days
Receivables	P13,750,405	P13,750,405	-	-	-	-

MERRYMART CONSUMER CORP. AND SUBSIDIARY

For the periods ended September 30, 2020 and September 30, 2019

	For the quarter ended September 30, 2020	For the quarter ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
REVENUES				
Sale of goods	769,964,936	668,926,965	2,393,801,110	1,873,284,945
Display rental	5,958,732	5,429,864	17,931,187	15,138,274
Other operating income	6,809,072	94,477	12,191,031	134,316
	782,732,740	674,451,306	2,423,923,328	1,888,557,535
COST OF SALES	(693,411,793)	(642,075,148)	(2,209,435,484)	(1,801,573,755)
GROSS PROFIT	89,320,947	32,376,158	214,487,844	86,983,780
OPERATING EXPENSES	(85,831,099)	(31,725,453)	(183,769,049)	(70,622,225)
INCOME FROM OPERATIONS	3,489,848	650,705	30,718,795	16,361,555
INTEREST EXPENSE	(6,840,113)	(39,503)	(16,215,055)	(39,503)
INTEREST INCOME	3,181,637	14,916	4,351,771	47,767
INCOME BEFORE TAX	(168,628)	626,118	18,855,511	16,369,819
INCOME TAX (EXPENSE) BENEFIT	1,005,080	(183,361)	(4,351,122)	(4,896,616)
NET INCOME/TOTAL COMPREHENSIVE INCOME	836,452	442,757	14,504,389	11,473,203

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Quarterly Report.

September 30, 2020 versus September 30, 2019 Results of Operations

MERRYMART CONSUMER CORP. AND SUBSIDIARY

For the quarter ended September 30, 2020 and September 30, 2019

	September 30, 2020	September 30, 2019	Horizontal Analysis		Vertical Analysis	
	PHP	PHP	Increase (Decrease)		2020	2019
REVENUES						
Sale of goods	769,964,936	668,926,965	101,037,971	15.1%	98.4%	99.2%
Display rental	5,958,732	5,429,864	528,868	9.7%	0.8%	0.8%
Other operating income	6,809,072	94,477	6,714,595	7107.1%	0.9%	0.0%
	782,732,740	674,451,306	108,281,434	16.1%	100.0%	100.0%
COST OF SALES	(693,411,793)	(642,075,148)	(51,336,645)	8.0%	(88.6%)	(95.2%)
GROSS PROFIT	89,320,947	32,376,158	56,944,789	175.9%	11.4%	4.8%
OPERATING EXPENSES	(85,831,099)	(31,725,453)	(54,105,646)	170.5%	(11.0%)	(4.7%)
INCOME FROM OPERATIONS	3,489,848	650,705	2,839,143	436.3%	0.4%	0.1%
INTEREST EXPENSE	(6,840,113)	(39,503)	(6,800,610)	17215.4%	(0.9%)	(0.0%)
INTEREST INCOME	3,181,637	14,916	3,166,721	21230.4%	0.4%	0.0%
INCOME BEFORE TAX	(168,628)	626,118	(794,746)	(126.9%)	(0.0%)	0.1%
INCOME TAX (EXPENSE) / BENEFIT	1,005,080	(183,361)	1,188,441	(648.1%)	0.1%	(0.0%)
NET INCOME/TOTAL COMPREHENSIVE INCOME	836,452	442,757	393,695	88.9%	0.1%	0.1%

MERRYMART CONSUMER CORP. AND SUBSIDIARY

For the nine months ended September 30, 2020 and September 30, 2019

	September 30, 2020	September 30, 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
REVENUES						
Sale of goods	2,393,801,110	1,873,284,945	520,516,165	27.8%	98.8%	99.2%
Display rental	17,931,187	15,138,274	2,792,913	18.4%	0.7%	0.8%
Other operating income	12,191,031	134,316	12,056,715	8976.4%	0.5%	0.0%
	2,423,923,328	1,888,557,535	535,365,793	28.3%	100.0%	100.0%
COST OF SALES	(2,209,435,484)	(1,801,573,755)	-407,861,729	22.6%	(91.2%)	(95.4%)
GROSS PROFIT	214,487,844	86,983,780	127,504,064	146.6%	8.8%	4.6%
OPERATING EXPENSES	(183,769,049)	(70,622,225)	-113,146,824	160.2%	(7.6%)	(3.7%)
INCOME FROM OPERATIONS	30,718,795	16,361,555	14,357,240	87.7%	1.3%	0.9%
INTEREST EXPENSE	(16,215,055)	(39,503)	-16,175,552	40947.7%	(0.7%)	(0.0%)
INTEREST INCOME	4,351,771	47,767	4,304,004	9010.4%	0.2%	0.0%
INCOME BEFORE TAX	18,855,511	16,369,819	2,485,692	15.2%	0.8%	0.9%
INCOME TAX EXPENSE	(4,351,122)	(4,896,616)	545,494	(11.1%)	(0.2%)	(0.3%)
NET INCOME/TOTAL COMPREHENSIVE INCOME	14,504,389	11,473,203	3,031,186	26.4%	0.6%	0.6%

Nine months Ended September 30, 2020 compared to nine months ended September 30, 2019

For the nine months ended September 30, 2020, the Group earned a consolidated revenue of ₱2,423.92 million an increase of 28.3% from ₱1,888.56 million in the same period in 2019. This was driven by the expansion of the Group's grocery retail store with the opening new MerryMart-branded groceries and store and the continuous strong growth of the first two grocery stores in Roxas, Capiz. As of the date of this disclosure, MerryMart has eighteen (18) operating branches compared to three (3) operating branches in the same period last year.

For the nine months ended September 30, 2020, sale of goods contributes 98.8% of the total revenue.

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

For the nine months ended September 30, 2020, the Group's cost of sales is ₱2,209.44 million, an increase of 22.6% compared to ₱1,801.57 million for the nine months ended September 30, 2019. The growth in revenues have outpaced the growth in the Group's cost of sales.

For the nine months ended September 30, 2020, the Group realized an increase of 146.6% in consolidated gross profit from ₱86.98 million in 9M 2019 at 4.6% margin to ₱214.49 million at 8.8% margin in 9M 2020, driven by strong sales growth from old and new stores and higher margin for MerryMart Grocery stores.

Operating expenses increased by ₱113.15 million or 160.2% from the ₱70.62 million in the nine months ended September 30, 2019 to ₱183.77 million in the nine months ended September 30, 2020. 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 ₱16.22 million for the nine months 2020. The amount mainly pertains to the interest expense on the lease liabilities of the Group in accordance with PFRS 16.

Income tax expense for the nine months of 2020 amounted to ₱4.35 million, an increase of 11.1% from nine months 2019. The decrease is due to higher income tax benefit recognized.

For the nine months ended September 30, 2020, the Group earned a consolidated net income of ₱14.50 million, an increase of 26.4% from ₱11.47 million in nine months ended September 30, 2019. The increase in revenues are driven by the higher gross profit margin for the period and sales from additional operating stores.

September 30, 2020 versus December 31, 2019 Statements of Financial Position

MERRYMART CONSUMER CORP. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 30, 2020	Audited December 31, 2019	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2020	2019
ASSETS						
Current Assets						
Cash and cash equivalents	1,331,009,163	270,308,599	1,060,700,564	392.4%	39.1%	29.6%
Receivables	13,750,405	9,841,735	3,908,670	39.7%	0.4%	1.1%
Inventories	569,265,630	183,418,743	385,846,887	210.4%	16.7%	20.1%
Prepaid expenses and other current assets	133,761,256	46,369,239	87,392,017	188.5%	3.9%	5.1%
Total Current Assets	2,047,786,454	509,938,316	1,537,848,138	301.6%	60.1%	55.8%
Noncurrent Assets						
Property and equipment - net	576,736,003	221,794,668	354,941,335	160.0%	16.9%	24.2%
Right-of-use asset	657,145,006	118,264,628	538,880,378	455.7%	19.3%	12.9%
Intangible asset	19,967,019	14,612,773	5,354,246	36.6%	0.6%	1.6%
Deferred tax asset	15,134,907	8,352,008	6,782,899	81.2%	0.4%	0.9%
Other noncurrent assets	90,179,769	41,672,212	48,507,557	116.4%	2.6%	4.6%
Total Noncurrent Assets	1,359,162,704	404,696,289	954,466,415	235.8%	39.9%	44.2%
	3,406,949,158	914,634,605	2,492,314,553	272.5%	100.0%	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	355,217,188	145,041,049	210,176,139	144.9%	10.4%	15.9%
Loans payable	450,000,000	150,000,000	300,000,000	200.0%	13.2%	16.4%
Income tax payable	11,134,022	37,782,980	(26,648,958)	(70.5%)	0.3%	4.1%
Due to related parties	-	49,762,571	(49,762,571)	(100.0%)	0.0%	5.4%
Total Current Liabilities	816,351,210	382,586,600	433,764,610	113.4%	24.0%	41.8%
Noncurrent Liabilities						
Retirement liability	7,062,517	6,196,332	866,185	14.0%	0.2%	0.7%
Other noncurrent liabilities	15,478,087	1,380,000	14,098,087	1021.6%	0.5%	0.2%
Lease liability	688,920,185	117,477,991	571,442,194	486.4%	20.2%	12.8%
Deposit for future subscription	-	298,750,000	(298,750,000)	(100.0%)	0.0%	32.7%
Total Noncurrent Liabilities	711,460,789	423,804,323	287,656,466	67.9%	20.9%	46.3%
Total Liabilities	1,527,811,999	806,390,923	721,421,076	89.5%	44.8%	88.2%
Equity						
Capital stock	1,766,039,088	1,250,000	1,764,789,088	141183.1%	51.8%	0.1%
Retained earnings	113,098,071	106,993,682	6,104,389	5.7%	3.3%	11.7%
Total Equity	1,879,137,159	108,243,682	1,770,893,477	1636.0%	55.2%	11.8%
Total Liabilities and Equity	3,406,949,158	914,634,605	2,492,314,553	272.5%	100.0%	100.0%

As of September 30, 2020 vs December 31, 2019

Total assets as at September 30, 2020 is ₱3.41 billion compared to ₱914.63 million as at December 31, 2019, or a 272.5% increase.

Current Assets

As at September 30, 2020 and December 31, 2019, total current assets amounted to ₱2.05 billion or 60.1% of total assets, and ₱509.94 million or 55.8% of total assets, respectively, for an increase of ₱1.54 billion or 301.6%.

Cash and cash equivalents increased by 392.4% from ₱270.31 million as at December 31, 2019 to ₱1.33 billion as at September 30, 2020 primarily due to the proceeds received from the public offering of the Company.

Receivables only accounts for 0.4% of the total assets as at September 30, 2020. It increased by 39.7% from ₱9.84 million as at December 31, 2019 to ₱13.75 million as at September 30, 2020.

Inventories increased by 210.4% from ₱183.42 million as at December 31, 2019 to ₱569.27 million as at September 30, 2020. Inventories accounts for 16.7% of the total assets as of September 30, 2020. Increase in inventories was due to the opening of new stores and distribution center for the period.

Prepaid expenses and other current assets increased by 188.5% from ₱46.37 million as at December 31, 2019 to ₱133.76 million as at September 30, 2020 primarily due to the increased in input VAT related to the construction of new stores and additional prepayments recognized subject to amortization.

Noncurrent Assets

As at September 30, 2020 and December 31, 2019, total noncurrent assets amounted to ₱1.36 billion or 39.9% of total assets, and ₱404.70 million or 44.2% of total assets, respectively, for an increase of ₱954.47 million or 235.8%.

Property and equipment increased by 160.0% from ₱221.79 million as at December 31, 2019 to ₱576.74 million as at September 30, 2020 primarily due to the increase in leasehold improvements of the new stores, as well as acquisitions of store equipment and office furniture and fixtures for MerryMart's new office and stores.

Right-of-Use is in relation to the adoption of PFRS 16 in 2019. Right-of-Use Assets amounted to ₱657.15 million as at September 30, 2020, which is 19.3% of total assets and ₱118.26 as at December 31, 2019. The increase in due to the recognition of Right-of-Use related to lease contracts of new stores.

Intangible Assets increased by 36.6% from ₱14.61 million as at December 31, 2019 to ₱19.97 million as at September 30, 2020 due primarily to the additions to computer software.

Deferred tax assets increased by 81.2% from ₱8.35 million as at December 31, 2019 to ₱15.13 million as at September 30, 2020. Increase in deferred tax assets is due to deferred tax component recognized for PFRS 16.

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 ₱90.18 million as at September 30, 2020 or 2.6% of total assets and ₱41.67 million as at December 31, 2019.

Current Liabilities

As at September 30, 2020 and December 31, 2019, total current liabilities amounted to ₱816.35 million or 24.0% of total assets, and ₱382.59 million or 41.8% of total assets, respectively, for an increase of ₱433.76 million or 113.4%.

Accounts payable and other current liabilities increased by 144.9% to ₱355.22 million as at September 30, 2020, or 10.4% of total assets, due to higher payables to suppliers as at September 30, 2020.

Loans payable amounted to ₱450 million as at September 30, 2020, an increase of ₱300 million, due to the short-term loans availed by the Company in 2020.

Due to related parties amounted to nil as at September 30, 2020 from ₱49.76 as at December 31, 2019. The decrease was due to payments for advances from related parties.

Income tax payable amounted to ₱11.13 million as at September 30, 2020 or 0.3% of total asset, 70.5% lower than ₱37.78 million as at December 31, 2019.

Noncurrent Liabilities

As at September 30, 2020 and December 31, 2019, total noncurrent liabilities amounted to ₱711.46 million or 20.9% of total assets, and ₱423.80 million or 46.3% of total assets, respectively, for an increase of ₱287.66 million or 67.9%.

Retirement benefits liability increased by ₱0.87 million or 14.0% due to the additional retirement cost recognized by the Group for its retirement obligation to its employees.

Deposit for future subscription amounted to ₱298.75 million as at December 31, 2019 was converted to Capital Stock in 2020.

Lease liability amounting to ₱688.92 million as at September 30, 2020 and ₱117.48 as at December 31, 2019 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 lease contracts for the period qualified under PFRS 16.

Equity

As at September 30, 2020 and December 31, 2019, total equity amounted to ₱1.88 billion or 55.2% of total assets, and ₱108.24 million or 11.8% of total assets, respectively, for an increase of ₱1.77 billion or 1636.0%. The increase in equity is due to the conversion of deposit for future subscription of ₱298.75 and issuance of new shares during the public offering of the Company.

Key Performance Indicators of the Company

The following are the key performance indicators used by the Group as at September 30 and December 31 and for the nine-month periods ended September 30:

	Unaudited September 30, 2020	Audited December 31, 2019
Current Ratio	2.51	1.33
Asset to Equity	1.81	8.45
Debt to Equity Ratio	0.24	1.39
Acid Test Ratio	1.65	0.73

	Unaudited For the nine months ending September 30, 2020	Unaudited For the nine months ending September 30, 2019
Return on Equity	1.46%	13.35%
Net Income to Revenue	0.60%	0.61%
Revenue Growth	28.35%	43.06%
Income Growth	26.42%	-23.50%
EBITDA	61,786,853	21,970,043
Solvency Ratio	0.04	0.06
Interest Coverage Ratio	1.71	-

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	$\frac{\text{Cash} + \text{Accounts Receivable} + \text{Marketable Securities}}{\text{Current Liabilities}}$	
10. Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation and Amortization}}{\text{Total Liabilities}}$	
11. Interest Coverage Ratio	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Paid}}$	

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 ₱276.87 million for the nine months ended September 30, 2020, while net cash provided by operating activities amounted to ₱122.65 million for the nine months ended September 30, 2019.

Net cash used in investing activities

Net cash used in investing activities amounted to ₱416.09 million and ₱65.07 million for the nine months ended September 30, 2020 and 2019, 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 ₱1.75 billion and ₱3.71 million for the nine months ended September 30, 2020 and 2019. Consolidated net cash from financing was attributable mainly from issuance of new shares and availment of short-term 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.

PART II--OTHER INFORMATION

N/A

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 16, 2020

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



Signature and Title **Marriana Yulo-Luccini**
Chief Finance Officer

Date November 16, 2020

MERRYMART CONSUMER CORP.

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



R.G. Manabat & Co.
The KPMG Center, 9/F
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Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
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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.

A handwritten signature in black ink, appearing to read 'Darwin P. Virocel', with a stylized flourish at the end.

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 15, 2020
Makati City, Metro Manila

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 quarter ended September 30, 2020. 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, 2020, from the P1,466.3 million net IPO proceeds.

	Allocation per Prospectus (in millions)	Allocation of Actual Net Proceeds (in millions)	Actual Disbursement		Balance as at end of 2020-Q3 (in millions)
			Actual Disbursement for 2020-Q3 (in millions)	Total Cumulative Disbursement (in millions)	
Capital expenditures and initial working capital for store network expansion	P1,030.8	P1,030.8	P106.9	P108.3	P922.5
Investment in distribution centers	220.9	220.9	0.4	0.4	220.5
General corporate purposes	220.1	214.6	9.4	31.7	182.9
Total	P1,471.8	P1,466.3	P116.7	P140.4	P1,325.9

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, 2020 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 P106.9 million, disbursement amounting to P0.4 million for investment in distribution centers related to one of the stores, and disbursement of P9.4 million for the Company's general corporate requirements. Such transactions and amounts thereof were agreed to the related vouchers and official receipts.

We also observed that various disbursements in the prior quarter were included in the report. These disbursements form part of the total capital expenditures and initial working capital for store network expansion and general corporate requirements. No 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.



15 October 2020

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

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

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 2020, 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 2020
		As of 30 JUN 2020	Q3 2020	Total as of 30 SEPT 2020	
Capital expenditures and initial working capital for store network expansion	1,030,800,000	1,361,980	106,978,545	108,340,525	922,459,475
Investments in distribution centers	220,900,000	-	390,249	390,249	220,509,751
General corporate purpose	214,635,088	22,321,430	9,360,669	31,682,099	182,952,989
Total	1,466,335,088	23,683,410	116,729,463	140,412,873	1,325,922,216

Thank you.

Very truly yours,

Marriana H. Yulo-Luccini
CFO/CIO