COVER SHEET

SEC Registration Number

C	S	2	0	0	3	1	5	8	7	7

COMPANY NAME

M	E	T	R	O		R	E	T	A	I	L		S	T	O	R	E	S		G	R	O	U	P	,		I	N	C
.																													

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

V	I	C	S	A	L		B	U	I	L	D	I	N	G	,		C	O	R	N	E	R		O	F		C	.	D
.		S	E	N	O		A	N	D		W	.	O	.		S	E	N	O		S	T	R	E	E	T	S	,	
G	U	I	Z	O	,		N	O	R	T	H		R	E	C	L	A	M	A	T	I	O	N		A	R	E	A	,
M	A	N	D	A	U	E		C	I	T	Y	,		C	E	B	U													

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@metrogaisano.com	(032) 236-8390	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
19	First Friday of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joselito G. Orense	joel.orense@metroretail.com.ph	(032) 236-7813	N/A

CONTACT PERSON's ADDRESS

Vicsal bldg., Corner of C.D.Seno & W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City, Cebu

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended..... September 30, 2016

2. Commission identification number..... CS200315877

3. BIR Tax Identification No..... 226-527-915-000

....

4. Exact name of issuer as specified in its charter

METRO RETAIL STORES GROUP, INC.

.....

5. Province, country or other jurisdiction of incorporation or organization

Cebu, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

.....

7. Address of issuer's principal office Postal Code

Vicsal Building, Corner of C.D. Seno and W.O. Seno Sts., Guizo, North Reclamation Area, Mandaue City

.....

8. Issuer's telephone number, including area code

(032)236-8390

.....

9. Former name, former address and former fiscal year, if changed since last report N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	3,429,375,000

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

Yes [x] No [ ]

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

Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial Statements are filed as part of this form 17-Q, pages 1 to 17 and are incorporated herein by reference to said quarterly report.

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

METRO RETAIL STORES GROUP, INC.
(Formerly Valueshop Market Market, Inc.)

UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016
(With Comparative Audited Figures as at December 31, 2015)

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3 and 22)	**₱2,388,383,942**	₱2,351,037,390
Short-term investments (Notes 4 and 22)	**525,000,000**	2,225,000,000
Receivables (Notes 5 and 22)	**673,699,487**	839,071,118
Merchandise inventories (Note 6)	**3,313,131,222**	3,679,815,495
Other current assets (Note 7)	**559,522,679**	481,614,888
Total Current Assets	**7,459,737,330**	9,576,538,891
Noncurrent Assets		
Property and equipment (Note 8)	**2,243,880,276**	1,646,911,609
Deferred tax assets (Note 19)	**136,038,182**	136,795,616
Other noncurrent assets (Note 9)	**385,267,937**	311,407,142
Total Noncurrent Assets	**2,765,186,395**	2,095,114,367
TOTAL ASSETS	**₱10,224,923,725**	₱11,671,653,258
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 10 and 22)	**₱2,911,188,928**	₱3,374,242,962
Income tax payable	**–**	192,731,583
Loans payable (Notes 11 and 22)	**–**	950,000,000
Total Current Liabilities	**2,911,188,928**	4,516,974,545
Noncurrent Liabilities		
Retirement benefit obligation (Note 16)	**384,127,854**	354,685,612
Other noncurrent liabilities (Note 12)	**364,056,467**	354,771,064
Total Noncurrent Liabilities	**748,184,321**	709,456,676
Total Liabilities	**3,659,373,249**	5,226,431,221
Equity		
Capital stock (Note 13)	**3,429,375,000**	3,429,375,000
Additional paid-in capital (Note 13)	**2,455,542,149**	2,455,542,149
Retained earnings (Note 13)	**695,569,664**	575,241,224
Remeasurement losses on defined benefit obligation	**(14,936,336)**	(14,936,336)
Total Equity	**6,565,550,477**	6,445,222,037
TOTAL LIABILITIES AND EQUITY	**₱10,224,923,726**	₱11,671,653,258

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.
(Formerly Valueshop Market Market, Inc.)

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	**2016**	2015
REVENUE				
Net sales	**₱7,828,305,750**	₱7,637,082,191	**₱23,738,272,246**	₱22,363,817,549
Rental (Note 23)	**66,670,424**	55,790,252	**205,286,622**	123,140,682
Interest and other income (Note 14)	**35,529,114**	14,227,034	**118,684,563**	43,838,197
	7,930,505,288	7,707,099,477	**24,062,243,431**	22,530,796,428
COSTS AND EXPENSES				
Cost of sales (Note 6)	**6,317,560,409**	6,082,066,879	**19,048,640,453**	17,837,767,820
General and administrative (Note 15)	**1,508,977,007**	1,358,643,819	**4,418,264,883**	3,980,585,311
Selling and marketing (Note 17)	**84,767,112**	64,855,253	**193,129,744**	192,084,368
Finance costs (Notes 11 and 12)	**3,471,547**	11,653,870	**15,127,234**	28,710,115
	7,914,776,075	7,517,219,821	**23,675,162,314**	22,039,147,614
INCOME BEFORE INCOME TAX	**15,729,213**	189,879,656	**387,081,117**	491,648,814
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)				
Current	**6,002,768**	55,339,722	**111,673,369**	142,804,915
Deferred	**(2,895,268)**	1,564,626	**757,432**	4,540,942
	3,107,500	56,904,348	**112,430,801**	147,345,857
NET INCOME	**12,621,713**	132,975,308	**274,650,316**	344,302,957
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains on defined benefit obligation	**–**	**–**	**–**	5,936,077
Income tax effect	**–**	**–**	**–**	(1,780,823)
	–	**–**	**–**	4,155,254
TOTAL COMPREHENSIVE INCOME	**₱12,621,713**	₱132,975,308	**₱274,650,316**	₱348,458,211
Basic/Diluted Earnings Per Share (Note 20)	**₱0.01**	₱0.05	**₱0.08**	₱0.14

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.
(Formerly Valueshop Market Market, Inc.)

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2016 AND 2015

	Capital Stock (Notes 13 and 20)	Additional Paid-in Capital (Notes 13)	Retained Earnings (Notes 13)	Remeasurement Gains (Losses) on Defined Benefit Obligation	Total
Balances at December 31, 2015 (Audited)	**₱3,429,375,000**	**₱2,455,542,149**	**₱575,241,224**	**(₱14,936,336)**	**₱6,445,222,037**
Net income for the period	**–**	**–**	**274,650,316**	**–**	**274,650,316**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total Comprehensive Income	**–**	**–**	**274,650,316**	**–**	**274,650,316**
Declaration of dividends (Note 13)	**–**	**–**	**(154,321,876)**	**–**	**(154,321,876)**
Balances at September 30, 2016 (Unaudited)	**₱3,429,375,000**	**₱2,455,542,149**	**₱695,569,664**	**(₱14,936,336)**	**₱6,565,550,477**
Balances at December 31, 2014 (Audited)	₱2,524,000,000	₱–	₱466,640,635	(₱3,938,275)	₱2,986,702,360
Net income for the period	–	–	344,302,957	–	344,302,957
Other comprehensive income	–	–	–	4,155,254	4,155,254
Total Comprehensive Income	–	–	344,302,957	4,155,254	348,458,211
Declaration of dividends (Note 13)	–		(650,000,000)	–	(650,000,000)
Balances at September 30, 2015 (Unaudited)	₱2,524,000,000	₱–	₱160,943,592	₱216,979	₱2,685,160,571

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.
(Formerly Valueshop Market Market, Inc.)

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

	Nine-Months Period Ended September 30	
	2016	2015
CAH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱387,081,117**	₱491,648,814
Adjustments for:		
Depreciation and amortization (Note 15)	**345,613,204**	286,253,048
Retirement benefits cost (Note 16)	**29,442,242**	29,287,764
Finance costs (Notes 11 and 12)	**15,127,234**	28,710,115
Interest income (Note 14)	**(47,632,047)**	(1,511,904)
Loss on retirement of property and equipment	**–**	116,841
Reversal of impairment loss (Note 5)	**–**	(1,444,547)
Operating income before working capital changes	**729,631,750**	833,060,131
Decrease (increase) in:		
Receivables	**166,099,677**	302,861,817
Merchandise inventories	**366,684,273**	(579,549,081)
Other current assets	**(103,099,200)**	11,035,318
Increase (decrease) in:		
Trade and other payables	**(782,453,817)**	(708,800,882)
Other noncurrent liabilities	**9,285,403**	1,997,792
Cash flows generated from (used in) operations	**386,148,085**	(139,394,905)
Interest received	**46,904,001**	1,511,904
Income tax paid	**(279,213,540)**	(142,804,915)
Interest paid	**(15,127,234)**	(28,710,115)
Net cash flows generated from (used in) operating activities	**138,711,312**	(309,398,031)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 8)	**(623,182,089)**	(439,123,075)
Decrease (increase) in:		
Short-term investments	**1,700,000,000**	–
Other noncurrent assets	**(73,860,795)**	(11,158,371)
Net cash flows generated from (used in) investing activities	**1,002,957,116**	(450,281,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from loans payable (Note 11)	**–**	350,000,000
Payment of dividend (Note 13)	**(154,321,876)**	(325,000,000)
Payment of loans payable (Note 11)	**(950,000,000)**	(500,000,000)
Net cash flows used in financing activities	**(1,104,321,876)**	(475,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**37,346,552**	(1,234,679,476)
CASH AT BEGINNING OF PERIOD	**2,351,037,390**	1,625,731,425
CASH AT END OF PERIOD	**₱2,388,383,942**	₱391,051,948

See accompanying Notes to Interim Condensed Financial Statements.

METRO RETAIL STORES GROUP, INC.
(Formerly Valueshop Market Market, Inc.)

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information and Approval of the Financial Statements

Corporate Information

Metro Retail Stores Group, Inc. (formerly Valueshop Market Market, Inc.) (MRSGI; the Company) was incorporated and registered with the Philippines Securities and Exchange Commission (the SEC) on August 28, 2003. The Company is 72.17%-owned by Vicsal Development Corporation (VDC), 0.72%-owned by Value Shop Stores, Inc., (VSSI) and the rest by the public. Its primary purpose is to buy, sell and trade goods, wares and merchandise of every kind and description and in general to carry on the businesses of a supermarket, hypermarket and department store operator. The Company began commercial operations on November 19, 2004.

On June 16, 2014, the BOD approved the Company's change in corporate name from Valueshop Market Market, Inc. to Metro Retail Stores Group, Inc. Pursuant to the BOD approval, the Company applied for SEC approval on June 27, 2014 and was subsequently approved on July 3, 2014.

The Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 24, 2015 (see Note 13).

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

Approval of the Unaudited Interim Condensed Financial Statements

The unaudited interim condensed financial statements of the Company as at September 30, 2016 and for the nine-months period ended September 30, 2016 and 2015 were approved and authorized by the Board of Directors (BOD) on November 11, 2016.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is the Company's functional currency. Amounts are rounded off to the nearest Philippine Peso, except where otherwise indicated.

The accompanying unaudited interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2015.

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of September 30, 2016 and for the nine-months period ended September 30, 2016 and 2015 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Changes in Accounting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the following amendments to existing PFRS that became effective beginning January 1, 2016 and which have no impact on the Company's financial statements.

Effective January 1, 2016

- PAS 1, *Presentation of Financial Statements – disclosure initiative* (Amendments)
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. This includes:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

3. **Cash and Cash Equivalents**

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand	**₱120,632,612**	₱107,071,368
Cash in banks	**492,751,330**	1,293,966,022
Cash equivalents	**1,775,000,000**	950,000,000
	₱2,388,383,942	₱2,351,037,390

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱20.30 million and ₱1.51 million for the nine-months period ended September 30, 2016 and 2015, respectively.

4. Short-term Investments

These pertain to money market placements with maturities of more than three months but less than one year and earn interest ranging from 2.0% to 2.5%.

Interest income earned from short-term investments amounted to ₱27.33 million and nil for the nine-months period ended September 30, 2016 and 2015, respectively.

As of September 30, 2016, the Company has ₱525.00 million short-term investments and as of December 31, 2015, amounted to ₱2,225.00 million.

5. Receivables

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade		
Third parties	**₱518,367,771**	₱721,647,508
Related parties (Note 18)	**96,997,746**	49,458,115
Rentals	**27,388,207**	34,210,536
Advances to employees and officers	**8,453,515**	9,169,062
Others	**31,980,504**	34,074,153
	683,187,743	848,559,374
Less allowance for impairment losses	**(9,488,256)**	(9,488,256)
	₱673,699,487	₱839,071,118

Trade receivables pertain to credit sales significantly from the Company's credit account holders and credit card companies. These are non-interest-bearing and are generally collectible within 30 to 60 days.

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

Advances to employees and officers pertain mainly to cash advances for expenses related to store operations such as purchases of supplies, payments for permits and other expenses.

Other receivables pertain to accrued interest receivable and other miscellaneous advances.

Movements in the allowance for impairment losses of trade receivables follow:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning of period	**₱9,488,256**	₱10,932,803
Provision for impairment losses	**–**	6,645,155
Write-off	**–**	(6,645,155)
Reversal	**–**	(1,444,547)
End of period	**₱9,488,256**	₱9,488,256

In 2015, the Company has written off receivables amounting to ₱6.65 million and subsequently collected receivables amounting to ₱1.44 million previously written off.

6. Merchandise Inventories – At Cost

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning inventory	**₱3,679,815,495**	₱3,168,232,389
Add purchases – net	**18,681,956,180**	26,232,330,298
Cost of goods available for sale	**22,361,771,675**	29,400,562,687
Less cost of sales	**(19,048,640,453)**	(25,720,747,192)
Ending inventory	**₱3,313,131,222**	₱3,679,815,495

No inventories have been pledged as security for the Company's obligations as at September 30, 2016 and December 31, 2015.

The Company does not have any purchase commitments as of September 30, 2016 and December 31, 2015.

7. Other Current Assets

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Prepayments	**₱246,137,160**	₱58,279,867
Advances to suppliers	**178,043,414**	342,136,202
Supplies	**80,751,439**	80,725,904
Input VAT – net	**40,716,107**	–
Others	**13,874,559**	472,915
	₱559,522,679	₱481,614,888

Prepayments consist of advance payments of insurance, rental, software, and subscriptions.

Advances to suppliers pertain to down payments for the Company's trade suppliers and non-trade suppliers for purchases of supplies, merchandise inventories and other services.

Supplies pertain to office and store supplies purchased by the Company for general and administrative purposes.

Input VAT - net is comprised of input VAT from purchases of goods and services net of output VAT and other tax credit.

Others mainly pertain to e-commerce payment partners, and other miscellaneous advances.

8. Property and Equipment

For the nine-months period ended September 30, 2016 and December 31, 2015, total additions to property and equipment amounted to ₱942.58 million and ₱683.19 million, respectively, while depreciation and amortization amounted to ₱345.61 million and ₱286.25 million for the nine-months period ended September 30, 2016 and 2015, respectively.

As of September 30, 2016 and December 31, 2015, the Company's remaining unpaid balance for the new additions to property and equipment amounted to ₱319.40 million and ₱47.58 million, respectively.

There are no items of property and equipment that are pledged as security to liabilities as at September 30, 2016 and December 31, 2015.

As of September 30, 2016 and December 31, 2015, the Company's net book value of property and equipment amounted to ₱2,243.88 million and ₱1,646.91 million, respectively.

Fully depreciated property and equipment
The cost of fully depreciated property and equipment still in use amounted to ₱555.33 million and ₱465.17 million as at September 30, 2016 and December 31, 2015, respectively.

9. Other Noncurrent Assets

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Deposits	**₱270,939,411**	₱229,183,601
Deferred input VAT	**114,328,526**	82,223,541
	₱385,267,937	₱311,407,142

Deposits are payments to lessors and utility companies for rental and meter deposits which will be applied against the Company's outstanding balance at the end of the contract term.

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

10. Trade and Other Payables

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade payables	**₱2,107,479,320**	₱2,465,801,362
Nontrade	**305,846,847**	383,354,666
Accrued expenses	**301,564,174**	201,740,299
Deferred revenue	**101,527,153**	162,561,171
Third party (Note 18)	**3,355,302**	**–**
Others	**91,416,132**	160,785,464
	₱2,911,188,928	₱3,374,242,962

Trade payables consist of payables to third parties that are non-interest-bearing and are normally settled in 30 days. This account represents payables arising mainly from purchases of merchandise inventories.

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

Accrued expenses as of September 30, 2016 consist of accruals for suppliers and contractors, benefits, utilities, marketing-related cost, professional fees, rentals and others amounting to ₱84.39 million, ₱104.45 million, ₱48.28 million, ₱24.98 million, ₱21.73 million, ₱2.65 million and ₱15.08 million, respectively; as of December 31, 2015, these amounted to ₱58.13 million, nil, ₱65.32 million, ₱24.87 million, ₱19.89 million, nil and ₱33.53 million, respectively.

Deferred revenue refers to redeemable credit and gift checks and accrual of transactions arising from the Company's customer loyalty program.

Others consist of amounts payable to government agencies for mandatory contributions and payments to the Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), withholding tax payables, excise tax payables and other sundry payables.

11. **Loans Payable**

On various dates in 2015, the Company availed from local banks additional short-term notes payable amounting to ₱350.00 million, bearing interest at prevailing market rates and has outstanding loans amounted to ₱950.00 million as of December 31, 2015. The interest payable from these notes range from 2.70% to 3.25%. The Company settled the outstanding loans amounting to ₱500.00 million in 2015, ₱750.00 million in February 2016 and ₱200.00 million in March 2016

The loans are payable within twelve months after the reporting date and were availed for additional working capital requirements. The Company has no collaterals, no negative covenants and no prepayment options for its loans payable outstanding as of December 31, 2015.

Finance cost pertaining to loans payable amounted to ₱4.90 million and ₱19.49 million for the nine-months ended September 30, 2016 and 2015, respectively.

As of September 30, 2016 and December 31, 2015, the Company has remaining available short-term credit facilities from various banks amounting to ₱12.0 billion and ₱9.55 billion, respectively.

12. **Other Noncurrent Liabilities**

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Credit cash bonds	**₱308,620,032**	₱301,471,304
Deposits	**55,436,435**	53,299,760
	₱364,056,467	₱354,771,064

Credit cash bonds pertain to cash bonds received by the Company as security for the unpaid balances of the receivables from credit account holders. This can also be applied against the account holder's remaining balance if the account holder no longer wants to avail of the Company's credit line. These bonds earn interest annually at a fixed rate based on accumulated cash bond and purchases volume.

Finance cost pertaining to the cash bonds amounted to ₱10.23 million and ₱9.22 million for the nine-months period ended September 30, 2016 and 2015, respectively. These were settled through deduction in the credit account holders' receivable balance.

13. **Equity**

Capital Stock

The Company's authorized, issued and outstanding shares as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016		December 31, 2015	
	No. of shares	**Amount**	No. of shares	Amount
	in thousands		in thousands	
Common stock – ₱1 par value				
Authorized	**10,000,000,000**	**₱10,000,000,000**	10,000,000,000	₱10,000,000,000
Issued and outstanding	**3,429,375,000**	**₱3,429,375,000**	3,429,375,000	₱3,429,375,000

On June 16, 2014, the BOD approved the increase in the Company's authorized capital stock from ₱100.00 million to ₱10,000.00 million and was approved on July 3, 2014 by the SEC. As of December 31, 2014, of the net increase in the authorized capital stock of ₱9,900.00 million, 25% or ₱2,480.00 million was subscribed and fully paid by VDC which resulted to the Company being 98% owned by VDC and 2% by VSSI.

Initial Public Offering

On October 14, 2015, the Board of Directors of the Philippine Stock Exchange, Inc. (PSE), in its regular meeting, approved, subject to the conditions set out in its Notice of Approval dated October 21, 2015, the application of the Company for the initial listing of up to 3,444,000,00 common shares, with a par value of ₱1.00 per share, under the Main Board of the PSE, to cover the Company's Initial Public Offering.

On November 6, 2015, the SEC through its Markets and Securities Regulation Department (MSRD) issued the Order of Registration (SEC-MSRD Order No. 75 Series of 2015) dated November 6, 2015, rendering effective the Company's Registration Statement and the

registration of up to 3,429,375,000 common shares of the Company at an offer price of ₱3.99 per share. On the same day, the SEC through the MSRD issued a Certificate of Permit to Sell or Offer for Sale Securities dated November 6, 2015, covering the securities of the Company consisting of 3,429,375,000 common shares covered by SEC-MSRD Order No. 75 Series of 2015.

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

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

Stock Option Plan
On July 27, 2015, the stockholders approved and authorized the Company to establish a Stock Option Plan to enable the Company to attract and maintain the best possible talents in its fold to help it enhance its values as a publicly listed company. The Company allots 103,320,000 common shares out of the unissued portion of its authorized capital stock for the Stock Option Plan. As of September 30, 2016 and December 31, 2015, no actual grant has been made.

Retained Earnings
On March 16, 2016, the BOD approved the declaration of cash dividends amounting to ₱154.32 million or ₱0.045 per share, out of the Company's retained earnings as of December 31, 2015, to stockholders of record as of April 4, 2016 and was paid on April 20, 2016.

On July 27, 2015, the BOD approved the declaration of cash dividends amounting to ₱650.00 million out of the Company's retained earnings as of June 30, 2015 to stockholders of record as of July 10, 2015 and was paid on September 18, 2015 and December 18, 2015 amounting ₱325.00 million, respectively.

14. Interest and Other Income

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Interest income (Notes 3 and 4)	**₱47,632,047**	₱1,511,904
Net foreign exchange gains	**11,586,906**	8,035,182
Others	**59,465,610**	34,291,111
	₱118,684,563	₱43,838,197

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

Others significantly pertain to income from various sources such as scrap sales, parking, management, handling and vendor portal fees.

15. **General and Administrative Expenses**

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Personnel cost (Note 16)	**₱1,589,420,702**	₱1,472,770,225
Rental (Note 23)	**1,060,570,269**	915,476,041
Light, water and communications	**565,605,406**	549,555,606
Depreciation and amortization (Note 8)	**345,613,204**	286,253,048
Contracted services and professional fees	**293,045,840**	253,114,384
Taxes and licenses	**215,030,554**	185,735,924
Supplies	**118,339,902**	109,426,889
Repairs and maintenance	**107,180,507**	78,548,769
Transportation and travel	**65,978,755**	57,223,133
Insurance	**22,765,183**	20,619,324
Subscriptions	**15,607,434**	27,092,330
Others	**19,107,127**	24,769,638
	₱4,418,264,883	₱3,980,585,311

Others pertain to representation, entertainment, subscription, donations and contributions.

16. **Personnel Cost**

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Salaries and wages	**₱1,326,562,550**	₱1,210,711,536
Retirement benefit cost	**29,442,242**	29,287,764
Other employee benefits	**233,415,910**	232,770,925
	₱1,589,420,702	₱1,472,770,225

Other employee benefits consist of the monetary amounts of unused vacation and sick leaves, the required employer contributions to SSS, PHIC and HDMF, 13th month pay and other incentives.

Retirement benefits cost pertains to accrual of Company's unfunded and noncontributory defined benefit retirement plan.

As of September 30, 2016, the Company's retirement benefit obligation and remeasurement losses on the defined benefit obligation amounted to ₱384.13 million and ₱14.94 million, respectively. As of December 31, 2015, these amounted to ₱354.69 million and ₱14.94 million, respectively.

17. Selling and Marketing Expenses

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Advertising	**₱125,200,792**	₱122,765,927
Commission	**67,928,952**	69,318,441
	₱193,129,744	₱192,084,368

Selling and marketing expenses consist of commission expenses related to Company's bankcard sales, advertising expenses for sponsorships, endorsements and media broadcasting, and other expenses for the Company's promotional events.

18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, non-interest-bearing. There have been no guarantees or collaterals provided or received for any related party receivables or payables. The significant related party transactions and outstanding balances as at September 30, 2016 and December 31, 2015 are as follows:

	Amount/Volume for the nine-months period ended September 30, 2016	**Outstanding Receivable (Payable) Balance as of September 30, 2016**	Amount/Volume for the year ended December 31, 2015	Outstanding Receivable (Payable) Balance as of December 31, 2015	Terms and Conditions
Parent Company (VDC)					
Rental expense	**(₱887,574,228)**	**(₱3,355,302)**	(₱715,241,550)	₱2,796,664	Non-interest-bearing; unsecured
Advances	**16,848,487**	**9,956,017**	(14,365,285)	–	Non-interest-bearing; unsecured
Entities Under Common Control					
Purchase and sale of goods and services and rent income	**(643,075,781)**	**87,041,729**	(1,300,113,934)	46,661,451	Non-interest-bearing; unsecured
Due from (to) related parties	**(₱1,513,801,522)**	**₱93,642,444**	(₱2,029,720,769)	₱49,458,115	

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

a. rent expense from leases for the Company's store spaces and warehouses;
b. short-term noninterest-bearing payables/receivables in the normal course of business pertaining to intercompany recovery of expenses and trade-related transactions;
c. purchases of goods, services and concession activities;
d. rent income from related party tenants that lease spaces in the Company's stores. These are noninterest-bearing and are collectible within 15 days.

19. Income Tax

Provision for income tax consists of the following:

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Current	**₱111,673,369**	₱142,804,915
Deferred	**757,432**	4,540,942
	₱112,430,801	₱147,345,857

The current provision for income tax pertains to final and regular corporate income tax for nine-months period ended September 30, 2016 and 2015.

As of September 30, 2016 and December 31, 2015, the Company's deferred tax assets amounted to ₱136.04 million and ₱136.80 million, respectively.

20. Earnings Per Share

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

	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Net income	**₱274,650,316**	₱344,302,957
Number of common shares	**3,429,375,000**	2,524,000,000
	₱0.08	₱0.14

EPS is calculated using the net income divided by the weighted average number of common shares.

The Company assessed that there were no potential dilutive common shares as of September 30, 2016 and 2015.

21. Segment Reporting

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

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

The Company conducts its operations through the following store formats

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

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

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

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

22. Financial Instruments

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

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

The Company seeks to manage its liquidity profile by maintaining cash at a certain level and ensuring the availability of ample unused revolving credit facilities from banks as back-up liquidity that will enable it to finance its general and administrative expenses and operations. The Company maintains a level of cash deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial liabilities of the Company as of September 30, 2016 and December 31, 2015 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

September 30, 2016

	On Demand	Within Six (6) Month	More than Six (6) Months	Total
Financial Liabilities				
Trade and other payables				
Trade payables	**₱–**	**₱2,107,479,320**	**₱–**	**₱2,107,479,320**
Nontrade	**–**	**305,846,847**	**–**	**305,846,847**
Accrued expenses	**–**	**301,564,174**	**–**	**301,564,174**
Third party	**–**	**3,355,302**	**–**	**3,355,302**
Others*	**–**	**71,602,129**	**–**	**71,602,129**
	₱–	**₱2,789,847,772**	**₱–**	**₱2,789,847,772**

** Others excludes payables to government*

December 31, 2015

	On Demand	Within Six (6) Month	More than Six (6) Months	Total
Financial Liabilities				
Trade and other payables				
Trade payables	₱–	₱2,465,801,362	₱–	₱2,465,801,362
Nontrade	–	383,354,666	–	383,354,666
Accrued expenses	–	201,740,299	–	201,740,299
Others*	–	53,707,100	–	53,707,100
Loans payable	–	950,000,000	–	950,000,000
	₱–	₱4,054,603,427	₱–	₱4,054,603,427

** Others excludes payables to government*

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's receivables are actively monitored by its Collection Department to avoid significant concentrations of credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policies setting out the assessment and determination of what constitutes credit risk for the Company. The Company's policies include: setting up of exposure limits by each counterparty or Company of counterparties; right of offset where counterparties are both debtors and creditors; reporting of credit risk exposures; monitoring of compliance with credit risk policy; and review of credit risk policy for pertinence and the changing environment.

The table below shows the maximum exposure of the Company to credit risk:

	September 30, 2016			
	Maximum Exposure to Credit Risk	**Fair Value of collaterals or credit enhancements**	**Net Exposure**	**Financial effect of collaterals or credit enhancements**
Receivables				
Trade				
Third parties	**₱518,367,771**	**₱308,620,032**	**₱209,747,739**	**₱308,620,032**
Related parties	**96,997,746**	**–**	**96,997,746**	**–**
Rentals	**27,388,207**	**55,436,435**	**–**	**27,388,207**
Others	**31,980,504**	**–**	**31,980,505**	**–**
	₱674,734,228	**₱364,056,467**	**₱338,725,990**	**₱344,214,590**

	December 31, 2015			
	Maximum Exposure to Credit Risk	Fair Value of collaterals or credit enhancements	Net Exposure	Financial effect of collaterals or credit enhancement
Receivables				
Trade				
Third parties	₱712,159,252	₱301,471,304	₱410,687,948	₱301,471,304
Related parties	49,458,115	–	49,458,115	–
Rentals	34,210,536	44,825,165	–	34,210,536
Others	34,074,151	–	34,074,151	–
	₱829,902,054	₱346,296,469	₱494,220,214	₱335,681,840

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

Credit quality per class of financial asset

The Company makes provisions, where necessary, for potential losses on credits extended. The credit quality per class of financial assets that were neither past due nor impaired is as follows:

September 30, 2016

	Neither Past Due Nor Impaired		**Past Due But Not Impaired**	**Impaired**	**Total**
	High Grade	**Standard Grade**			
Cash and cash equivalents*	**₱2,267,751,330**	**₱–**	**₱–**	**₱–**	**₱2,267,751,330**
Short-term investments	**525,000,000**	**–**	**–**	**–**	**525,000,000**
Receivables					
Trade					
Third parties	**434,441,628**		**74,437,887**	**9,488,256**	**518,367,771**
Related parties	**96,997,746**	**–**	**–**	**–**	**96,997,746**
Rentals	**27,388,207**	**–**	**–**	**–**	**27,388,207**
Others	**31,980,504**	**–**	**–**	**–**	**31,980,505**
	₱3,383,559,415	**₱–**	**₱74,437,887**	**₱9,488,256**	**₱3,467,485,559**

Cash and cash equivalents excludes cash on hand

December 31, 2015

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱2,243,966,022	₱–	₱–	₱–	₱2,243,966,022
Short-term investments	2,225,000,000	–	–	–	2,225,000,000
Receivables					
Trade					
Third parties	663,334,959	–	48,824,293	9,488,256	721,647,508
Related parties	49,458,115	–	–	–	49,458,115
Rentals	34,210,536	–	–	–	34,210,536
Others	34,074,151	–	–	–	34,074,151
	₱5,250,043,783	₱–	₱48,824,293	₱9,488,256	₱5,308,356,332

**Cash and cash equivalents excludes cash on hand*

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Company to follow them up. Past due receivables include those that are either past due but still collectible or determined to be individually impaired. The aging analysis of the Company's loans and receivables are as follows:

September 30, 2016

	Neither past due nor Impaired	**Past due but not impaired**			**Impaired**	**Total**
		Less than 30 days	**30 – 60 Days**	**More than 60 Days**		
Cash and cash equivalents*	**₱2,267,751,330**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,267,751,330**
Short-term investments	**525,000,000**	**–**	**–**	**–**	**–**	**525,000,000**
Receivables:						
Trade						
Third parties	**434,441,629**	**43,063,995**	**5,554,319**	**25,819,572**	**9,488,256**	**518,367,771**
Related parties	**96,997,746**	**–**	**–**	**–**	**–**	**96,997,746**
Rentals	**27,388,207**	**–**	**–**	**–**	**–**	**27,388,207**
Others	**31,980,504**	**–**	**–**	**–**	**–**	**31,980,504**
	₱3,383,559,416	**₱43,063,995**	**₱5,554,319**	**₱25,819,572**	**₱9,488,256**	**₱3,467,485,558**

****Cash and cash equivalents excludes cash on hand***

December 31, 2015

	Neither past due nor Impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	30 – 60 Days	More than 60 Days		
Cash and cash equivalents*	₱2,243,966,022	₱–	₱–	₱–	₱–	₱2,243,966,022
Short-term investments	2,225,000,000	–	–	–	–	2,225,000,000
Receivables:						
Trade						
Third parties	663,334,959	23,475,142	4,542,815	20,806,336	9,488,256	721,647,508
Related parties	49,458,115	–	–	–	–	49,458,115
Rentals	34,210,536	–	–	–	–	34,210,536
Others	34,074,151	–	–	–	–	34,074,151
	₱5,250,043,783	₱23,475,142	₱4,542,815	₱20,806,336	₱9,488,256	₱5,308,356,332

**Cash and cash equivalents excludes cash on hand*

Fair Value of Financial Instruments
The fair value of the Company's financial instruments approximates the carrying amount as of September 30, 2016 and December 31, 2015.

Financial Assets
Due to the short-term nature of the transaction, the fair values of "Cash" and "Receivables" (excluding "Advances to employees and officers" and "Others") approximate the carrying values at year-end.

Financial Liabilities
Due to the short-term nature of "Trade and other payables" (excluding "Deferred revenue and Payables to government") and "Loans payable", their carrying values approximate fair value.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of September 30, 2016 and December 31, 2015, the Company has no financial asset and liability valued at fair value. There were no transfers among Levels 1, 2 and 3 in 2016 and 2015.

23. **Lease Commitments**

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

Rent expense amounted to ₱1,060.57 million and ₱915.48 million for the nine months ended September 30, 2016 and 2015, respectively (see Note 15).

Minimum lease payments amounted to ₱624.45 million and ₱681.63 million in 2016 and 2015, respectively.

Contingent rent payments amounted to ₱436.25 million and ₱228.56 million in 2016 and 2015, respectively.

Operating leases - Company as lessor

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

Rent income amounted to ₱205.29 million and ₱123.14 for the nine-months period ended September 30, 2016 and 2015, respectively.

24. Seasonality of Operations

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

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

Results of Operations

The nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 results of operations are as follows:

Revenue

Net sales

The following table sets out certain key operating performance indicators relevant to net sales in the nine months ended September 30, 2016 and 2015, and the percentage change in these key operating performance indicators between the two periods.

	As of or for the nine months ended September 30,		Percentage Change
	2016	2015	
The Company			
Number of Stores	49	46	6.5%
Net Sales (₱ millions)	23,738.3	22,363.8	6.1%
Same store sales growth (%)	2.9	10.4	

Note: Same stores sales growth excludes sales that were renegotiated to fixed rent leases.

For the nine months ended September 30, 2016, our net sales were ₱23,738.3 million, an increase of 6.1% compared to ₱22,363.8 million for the same period last year. The increase in net sales was in part a result of opening 4 new stores during the last four quarters. Same store sales growth was 2.9%.

Rental Income

For the nine months ended September 30, 2016, our rental income was ₱205.3 million, an increase of 66.8% compared to ₱123.1 million for the same period last year. The increase in rental income was primarily due to the opening of three new stores, which led to an increase in net leasable space, increase in rental fees due to escalation clauses in our existing lease agreements and the renegotiation of certain concession sales from percentage of revenue to fixed rent leases.

Interest and other income

For the nine months ended September 30, 2016, our interest and other income was ₱118.7 million, an increase of 171.0% compared to ₱43.8 million for the same period last year. The increase in interest and other income was primarily due to the increase in cash balances of bank accounts maintained by the Company for our working capital requirements and interest income from short term investments and cash equivalents arising from the proceeds of the initial public offering which happened later part of 2015.

Cost of sales

For the nine months ended September 30, 2016, our cost of sales was ₱19,048.6 million, an increase of 6.8% which is generally in line with the 6.1% increase in net sales.

General and administrative expenses

For the nine months ended September 30, 2016, our general and administrative expenses were ₱4,418.3 million, an increase of 11.0% compared to ₱3,980.6 million for the same period last year. The increase was primarily due to an increase in salaries and wages, rent expenses, overhead expenses and depreciation expenses resulting from the opening of new stores.

Selling and marketing expenses

For the nine months ended September 30, 2016, our selling and marketing expenses were ₱193.1 million, a slight increase from last year's ₱192.1 million.

Finance costs

For the nine months ended September 30, 2016, our finance costs were ₱15.1 million, a decrease of 47.4% compared to ₱28.7 million for the same period last year after full payment of loans was made in March 2016.

Provision for income tax

For the nine months ended September 30, 2016, our provision for income tax was ₱112.4 million, a decrease of 23.7% compared to ₱147.3 million for the nine months ended September 30, 2015. The decrease in provision for income tax was primarily due to the decrease in income before tax and related adjustments of deferred tax assets.

Net income

As a result of the foregoing, for the nine months ended September 30, 2016, our net income was ₱274.6 million, a decrease of 20.2% compared to ₱344.3 million for the nine months ended September 30, 2015. Overall, the decrease in net income is due to operating losses sustained from the opening of new stores.

Financial Position

As of September 30, 2016 and December 31, 2015, our net current assets, or the difference between total current assets and total current liabilities, were ₱4,548.5 million and ₱5,059.6 million respectively, representing a positive net working capital position.

Current Assets
Our current assets consist of cash and cash equivalents, short-term investment, receivables, merchandise inventories and other current assets. Total current assets as of September 30, 2016 and December 31, 2015 were ₱7,459.7 million and ₱9,576.5 million, respectively. The decrease of 22.1% of current assets is significantly due to decrease of short-term investments, receivables and merchandise inventories. As of September 30, 2016, short term investment totaled ₱525.0 million, receivables totaled ₱673.7 million and merchandise inventories totaled ₱3,313.1 million. As of December 31, 2015, short-term investments totaled ₱2,225.0 million, receivables totaled ₱839.1 million and merchandise inventories totaled ₱3,679.8 million.

As of September 30, 2016, cash and cash equivalents amounted to ₱2,388.4 million, a increase of 1.6% from ₱2,351.0 million as of December 31, 2015. The increase were mainly attributable to the conversion of ₱1,700.0 million short-term investments to cash equivalent and ₱138.7 million generated from operating activities and were offset by the payment of ₱950.0 million of the outstanding loans payable, acquisition of ₱623.2 million property and equipment and dividend payment of ₱154.3 million.

Our trade and other receivables decreased from ₱839.1 million to ₱673.7 million attributable to the seasonality of our operations.

Current Liabilities
Total current liabilities as of September 30, 2016 and December 31, 2015 were ₱2,911.2 million and ₱4,517.0 million, respectively. As of September 30, 2016 and December 31, 2015, trade and other payables totaled ₱2,911.2 million and ₱3,374.2 million, respectively, and consisted primarily of trade payables to our suppliers for purchases of inventory. Loans payable outstanding amounted to nil and ₱950.0 million as of September 30, 2016 and December 31, 2015, respectively.

Cash Flows

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

	For the nine months ended September,	
	2016	**2015**
	(₱ million)	
Net cash flows used in operating activities	138.7	(309.4)
Net cash flows used in investing activities	1,003.0	(450.3)
Net cash flows used in financing activities	(1,104.3)	(475.0)
Net decrease in cash	37.4	1,234.7

Net cash flows used in operating activities
Our net cash flows generated from operating activities for the nine months ended September 30, 2016 was ₱138.7 million, which comprised operating income before working capital changes of ₱729.6 million, adjusted for changes in working capital and interest received, partially offset by income tax and interest paid. The changes in working capital were mainly attributable to decrease in receivables of ₱166.1 million and merchandise inventories of ₱366.7 million. The decrease in trade and other payables of ₱782.5 million arising from improved payment processing time also significantly contributed to the change in working capital requirements.

Net cash flows used in investing activities
For the nine months ended September 30, 2016, net cash flows generated from investing activities was ₱1,003.0 million, which resulted from maturity of ₱1,700.0 million short-term investments to cash equivalents and partially offset by the additions to property and equipment resulting from acquisition of assets as well as fit outs of new stores amounting to ₱623.2 million. Net cash flows used in investing activities were ₱450.3 million in 2015 which is significantly due to additions to property and equipment amounting to ₱439.1 million.

Net cash flows used in financing activities
Net cash flows used in financing activities was ₱1,104.3 million for the nine months ended September 30, 2016, primarily as a result of bank loan payments amounting to ₱950.0 million and payment of cash dividends amounting to ₱154.3 million declared on March 16, 2016. In 2015, the decrease in net cash flows from financing activities was ₱475.0 million, primarily due to bank loan payment of ₱500.0 million net of ₱350.0 million loan proceeds and payment of dividend amounting to ₱325.0 million.

Indebtedness
We have nil outstanding loans as of September 30, 2016 and ₱950.0 million as of December 31, 2015. The short-term loans payable were obtained to support working capital requirements.

PART II--OTHER INFORMATION

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

SIGNATURES

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

METRO RETAIL STORES GROUP, INC.
Issuer

By:

FRANK S. GAISANO
Chairman and Chief Executive Officer
November 11, 2016

ARTHUR EMMANUEL
President and Chief Operating Officer
November 11, 2016

JOSELITO G. ORENSE
Treasurer and Chief Financial Officer
November 11, 2016