COVER SHEET

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

COMPANY NAME

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

Principal Office (*No./Street/Barangay/City/Town/Province)*

43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@robinsonsretailholdings.com.ph	635-0751	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
36	Last Thursday of May	December 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
Mylene A. Kasiban	Mylene.Kasiban@robinsonsretail.ph	635-0751 local 214	0998 840 4227

CONTACT PERSON's ADDRESS

43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila

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 details of the new contact person designated.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended ....31 December 2018
2. SEC Identification Number A200201756
3. BIR Tax Identification No. 216-303-212-000
4. Exact name of issuer as specified in its charter ....

   ROBINSONS RETAIL HOLDINGS, INC.

5. **Pasig City, Philippines** ....
   Province, Country or other jurisdiction of incorporation or organization

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

7. 43rd Floor, Robinsons Equitable Tower,
   ADB Avenue corner Poveda Sts., Ortigas Center,
   Pasig City
   Metro Manila
   Address of principal office

   1605
   Postal Code

8. **(632) 635-07-51**...
   Issuer's telephone number, including area code

9. **Not Applicable**..
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	1,576,489,360

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

    Yes [/]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    PHILIPPINE STOCK EXCHANGE - COMMON SHARE

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]   No [ ]

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

Yes [/]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates as of December 31, 2018	**Market Value per Share as of March 31, 2019**	**Total Market Value**
1,576,489,360	79.00	124,542,659,440

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Business Development

Robinsons Retail Holdings, Inc. was incorporated on February 4, 2002. The primary purpose of the Company and its subsidiaries is to engage in the business of trading goods, commodities and merchandise of any kind. The Company was listed at the Philippine Stock Exchange on November 11, 2013.

Robinsons Retail Holdings, Inc. (RRHI) is one of the leading multi-format retail groups in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoys market leading positions across all of its business segments. Since the opening of its first Robinsons Department Store in Metro Manila in 1980, RRHI has successfully expanded into five business segments, entering into the supermarket business in 1985, the Do-It-Yourself (DIY) business in 1994, the convenience store and specialty store businesses in 2000, the drugstore business in 2012, and the coffee shop business in 2015. It also launched Robinsons Townville, a chain of community malls in 2015, which are located in residential areas to bring its products closer and its services more convenient to its customers.

RRHI operates one of the broadest ranges of retail formats of any retail group in the Philippines and, accordingly, is well-positioned to capture emerging consumer markets and take advantage of the continuing macroeconomic growth in the Philippines, particularly the increase in disposable income and consumption of the broad middle-income segment, its key target market.

RRHI operates its supermarkets, department stores, consumer electronics and appliances stores, big box hardware stores, and community malls under the Robinsons brand, namely Robinsons Supermarket, Robinsons Selections, Robinsons Easymart and Jaynith's Supermarket; Robinsons Department Store, Robinsons Appliances, Robinsons Builders, and Robinsons Townville.

The company's other store formats are under well-known international brands, namely Handyman Do it Best, True Value, Toys "R" Us, Ministop, Daiso Japan; Costa Coffee, Arcova, and Pet Lovers Centre. Managed by Robinsons Specialty Stores Inc.-Fashion and Beauty Division, the company also has reselling rights for UK-based fashion brands Topshop, Topman, Burton Menswear, Dorothy Perkins, Miss Selfridge and Warehouse, and Hong Kong's G2000; beauty brands Benefit, Shiseido, Elizabeth Arden, and Club Clio. RRHI also operates trusted domestic brands, such as Savers Appliances, South Star Drug, and The Generics Pharmacy.

RRHI acquired major interest in The Generics Pharmacy in 2016 through South Star Drug, Inc., adding the country's largest drugstore chain to its portfolio. As franchise-based company selling inexpensive generic medicine, TGP's target market range extends to lower income segments.

It also acquired De Oro Pacific Home Plus Depot in 2016, a standalone builders' hardware chain in Northern Mindanao, which is managed by Robinsons Builders. Chic Centre Corporation, a distributor of cosmetics, nail care, and healthy slush products, was likewise acquired during the year.

In 2017, the company included beauty brand Elizabeth Arden into its portfolio. In December of the same year, RRHI acquired 20% minority stake in Taste Central Curators, Inc., which owns and manages BeautyMNL, a market leader in pure beauty Filipino e-commerce.

In 2018, the company acquired 100% of Rustan Supercenters, Inc., the grocery retail operator of stores under Rustan's Supermarket, Marketplace, Shopwise, Shopwise Express, and Wellcome. It also added cosmetics brand Club Clio to its beauty portfolio. It also engaged in a franchise license agreement with Singapore-based Pet Lovers Centre in its foray into pet retail, along with Arcova, a mass merchandise Korean lifestyle brand. Adding to its investments in technology, the company, through a subsidiary, also invested in Growsari, an online platform that caters to small grocery resellers.

The Company has a loyalty program with the Robinsons Reward Card which was introduced in May 2013. The loyalty program, which allows holders to collect and redeem points across the Robinsons formats, is intended to enhance the Company's brand image and also increase customer loyalty. It also allows the Company to gather data on customer profiles in terms of their demographics, purchasing patterns, and product preferences. As of the end of 2017, Robinsons Rewards Cards was already accepted in most of the Company's formats except for Costa Coffee, Ministop, Savers Appliances South Star Drug, Savers Appliances and The Generics Pharmacy.

A number of the company's formats also engage in e-commerce through partnerships with major e-commerce players. Robinsons Appliances and Savers Appliances partnered with Lazada in 2015. Handyman Do it Best and True Value also began selling goods via Lazada in 2017. In the same year RSSI's fashion brands Topshop, Topman, Dorothy Perkins and Burton Menswear were also launched in Zalora, while Robinsons Supermarket partnered with Honestbee.

The Company has not been into any bankruptcy, receivership or similar proceedings since its incorporation.

Acquisitions by RRHI's subsidiaries
On November 23, 2018, RRHI acquired 100% stake in Rustan Supercenters, Inc., operator of food retail banners The Marketplace, Rustan's Supermarket, Shopwise (hypermarket), Shopwise Express, and Wellcome.

On November 16, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI has not yet started commercial operations. DAVI's principal activities include processing, managing and analyzing data.

On September 20, 2018, RRHI made an investment in G2M Solutions Philippines Pte. Ltd. amounting to ₱160.65 million through convertible note which will provide the Company 14.90% ownership interest upon conversion of the note.

On August 16, 2018, RSC made an investment in GrowSari, Inc. amounting to ₱105.00 million through convertible note which will provide the Company 28.60% ownership interest upon conversion of the note.

On February 27, 2018, RI and an NCI incorporated Super50, a company engaged in the business of retail and wholesale goods with paid-up capital amounting to ₱30.0 million. RI's ownership interest in Super50 is 51.0%.

On February 22, 2018, RHMI incorporated RLSI, with a paid-up capital amounting to ₱ 50.00 million. RLSI is primarily engaged in the business of trading goods, commodities and merchandise of any kind.

On December 2017, RRHI acquired 20% shares of Taste Central Curator's, Inc., operator of e-commerce site BeautyMNL.

In October 2016, Robinson's Incorporated (RI) acquired 100% ownership of Chic Centre Corporation.

On August 2016, RHI Builders and Contractors Depot Corp. acquired 75% ownership of Home Plus Trading Depot, Inc., which operates three Home Plus stores in Northern Mindanao.

On May 2016, South Star Drug, Inc. (SSDI) acquired 51% ownership of TGP Pharma Inc., which operates The Generics Pharmacy.

On September 2015, Robinsons Inc. (RI), wholly owned subsidiary of RRHI, acquired 90% ownership of Savers Electronic World, Inc.

In July 2014, Robinson's Handyman, Inc. (RHMI) acquired 67% interest in RHI Builders and Contractors Depot Corp., which operates A.M. Builders' Depot, a Visayas-based builders hardware chain.

In June 2014, South Star Drug, Inc. acquired 100% ownership of GNC Pharma Corporation, which operates Chavez Pharmacy, a chain composed seven drugstores in Batangas. Subsequently, in August 26, 2015, the Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of South Star Drug, Inc. and GNC Pharma Corporation wherein the former is the surviving corporation.

In January 2014, Robinsons Supermarket Corporation (RSC) acquired 100% ownership of JAS 8 Retailing Mngt. Corporation (JRMC), the operator of a three-store supermarket chain called Jaynith's Supermarket. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and JRMC wherein the former is the surviving corporation.

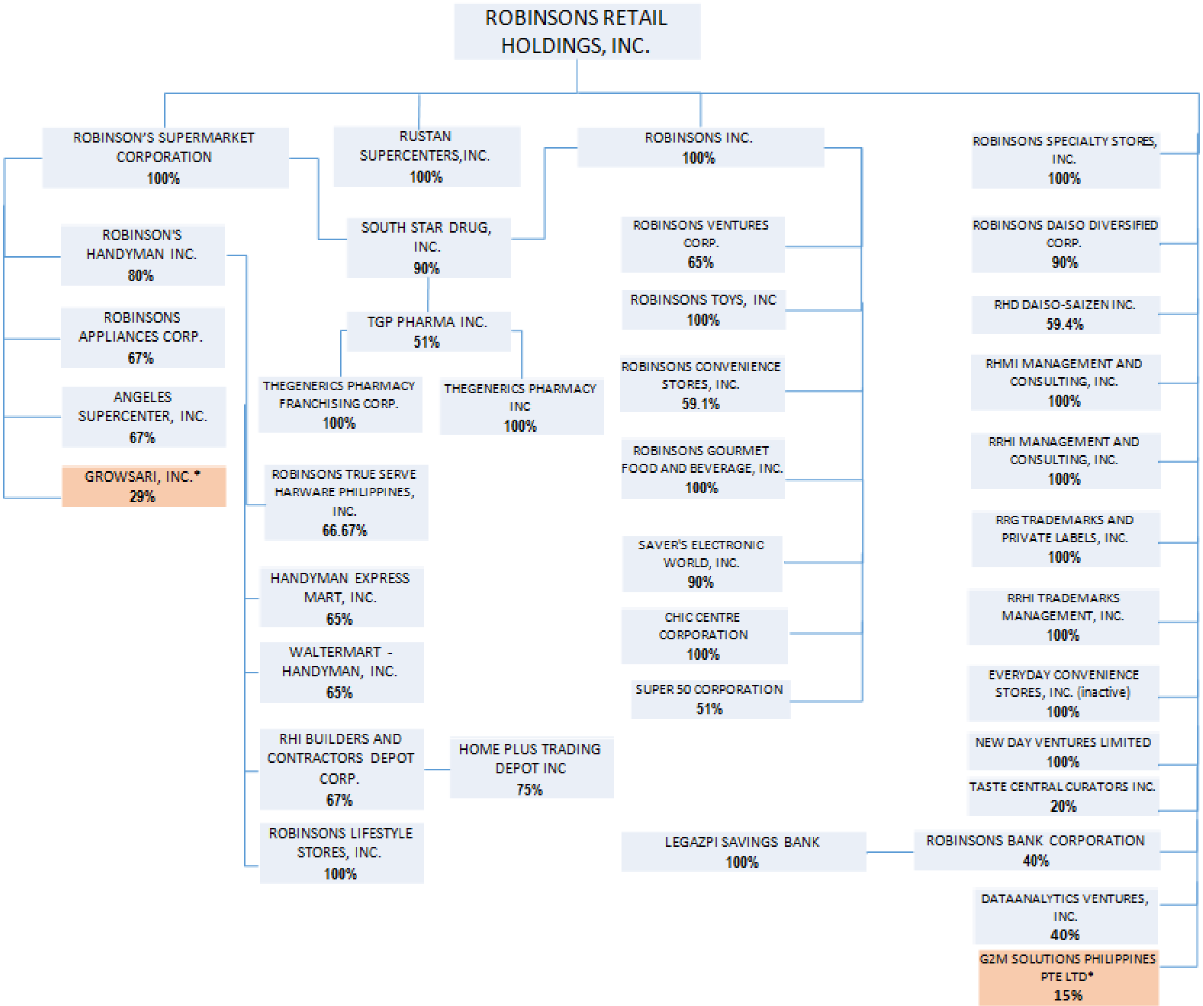
The percentage contribution to the Company's revenues for each of the three years ended December 2016, 2017, and 2018 by each of the Company's business segments after elimination are as follows:

	For the years ended December 31		
	2016	2017	2018
Supermarket	46.0%	45.4%	47.0%
Department store	15.0%	14.0%	13.4%
DIY	10.6%	10.7%	10.5%
Convenience store	5.4%	5.0%	4.7%
Drug store	11.3%	12.6%	11.9%
Specialty segment	11.7%	12.3%	12.5%

The Company ended 2018 with 1,910 stores with total gross floor area of 1,480,079 square meters.

(B) Business of Issuer

The industry segments where the Company and its subsidiaries and affiliates operate are summarized below:



**Represents convertible notes not yet equitized.*

(a) Description of the Registrant

(i) **Principal Products and Services.** The Company's core retail operations has six business segments — supermarkets, department stores, DIY stores, convenience stores, drug stores and specialty stores:

- *Supermarkets.* Targeting the broad middle income market, the supermarkets are operated under the Robinsons Supermarket brand name. Robinsons Supermarket Corporation (RSC) is the first major supermarket chain in the Philippines specifically positioned with a focus on health and wellness, which is the key point of differentiation from competitors. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to customers. RSC uses nutritional labels to highlight the nutritional values of such products, which are consistent with the standards of the Food and Nutrition Research Institute of the Philippines ("FNRI"). The FNRI evaluates and accredits the nutritional contents of all RSC's food products following the internationally-accepted CODEX Standards of Nutrition Classification. All healthy products are promoted in the stores and gondolas through the Green Shelf Tag labeling system. RSC's unique focus on providing health and wellness products will enable it to benefit from the trend towards healthier foods and lifestyles. Furthermore, it partners with the Best Fresh suppliers with proven expertise, resources and nationwide retail capability to ensure a consistent supply of high quality and nutritional fresh food products at affordable prices.

Robinsons Supermarket currently has five private label brands, namely Robinsons Supersavers, Breeder's Choice Dog Food, Nature's Pure, Healthy You, and Butcher's Choice which carry a range of products from both local and foreign manufacturers. Rustan Supercenters, Inc. (RSCI), on the other hand, has its primary banners Rustan's Supermarket and The Marketplace to serve the upscale grocery retail market, offering both imported and locally-sourced high quality products.

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including Beauty and Personal Care), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others.

- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines and the big box formats under Robinsons Builders (rebranded from A.M. Builders' Depot) and De Oro Pacific Home Plus, which were acquired in 2014 and 2016, respectively. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products; True Value positioned as an up market lifestyle home center; and A.M. Builders' Depot/Robinsons Builders/Home Plus focused on home builders. In 2018, around 61% of DIY store segment revenue was derived from sales of consigned merchandise.

- *Convenience Stores.* The Company is the exclusive Philippine master franchisee of Ministop Japan. Ministop began operations in the Philippines in 2000 and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. Revenue is primarily generated through selling of merchandise to franchisees.

- *Drug Stores.* In July 2012, RSC and Robinsons Inc. (RI), wholly-owned subsidiaries of RRHI, each acquired a 45% interest in South Star Drug, Inc.(SSDI). The acquisition represents a 90% interest on the shares of stock of SSDI. South Star Drug carries a wide range of prescription and over-the-counter pharmaceutical products together with a range of food, personal care and other products. On May 17, 2016, SSDI acquired 51.00% of TGP Pharma, Inc.

- *Specialty Stores.* Currently, the Company operates nine formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us, 2) consumer electronics and appliances stores operated under Robinsons Appliances and Saver's Appliance Depot, 3) international fashion retail stores which carry brands namely Topshop, Topman, Dorothy Perkins, Warehouse, G2000, and Burton Menswear London; 4) beauty brands Shiseido, Benefit, Elizabeth Arden and Club Clio; 5) one-price-point stores under Daiso Japan 6) coffee shops under Costa Coffee 7) Nail care, cosmetics and healthy slush under Chic Centre Corporation; 8) pet retail under Pet Lovers Centre; and 9) Korean Lifestyle mass merchandise store Arcova.

The Company, as of end of 2018 has 1,910 stores, consisting of 252 supermarkets, 52 department stores, 210 DIY stores, 499 convenience stores, 510 drug stores and 387 specialty stores. This excludes TGP franchised stores and distribution outlets of Chic Centre. Of the total stores, 785 of these stores are located in Metro Manila, another 803 located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

(ii) **Significant Subsidiaries.** As of December 31, 2018, Robinsons Retail Holdings, Inc. (RRHI) has thirteen wholly-owned subsidiaries and nineteen partly-owned subsidiaries in which RRHI's ownership allows it to exercise control, all of which are consolidated with the Group's financial statements.

Key details of each of RRHI's subsidiary companies are set forth below.

1. ***Robinson's Supermarket Corporation.*** Robinson's Supermarket Corporation (RSC) was incorporated in the Philippines and registered with the SEC on August 21, 1990. RSC is 100% owned by RRHI. RSC's principal business is to engage in the business of buying, selling, distributing and marketing at wholesale and retail.

2. ***Rustan Supercenters Inc.:*** Rustan Supercenters Inc. (RSCI) was incorporated in the Philippines and registered with the SEC on November 18, 1998. RSCI's principle business is to engage in the trading of goods, such as supermarket items, on a wholesale/retail basis.

3. ***Angeles Supercenter, Inc.*** Angeles Supercenter, Inc. (ASI) was incorporated in the Philippines and registered with the SEC on December 23, 2003. ASI is 67% owned by RSC. ASI's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.

4. ***Robinson's Handyman, Inc.*** Robinson's Handyman, Inc. (RHMI) was incorporated in the Philippines and registered with the SEC on June 15, 1994 primarily to engage in the business of trading goods, commodities and merchandise of any kind. RHMI is 80% owned by RSC.

5. ***Robinsons True Serve Hardware Philippines, Inc.*** Robinsons True Serve Hardware Philippines, Inc. (RTSHPI) was incorporated in the Philippines and registered with the SEC on February 19, 2007, primarily to engage in general hardware business, both retail and wholesale. The Company started commercial operations on March 1, 2007. RTSHPI is 66.67% owned by RHMI.

6. ***Waltermart-Handyman, Inc.*** Waltermart-Handyman, Inc. (WHI) was incorporated in the Philippines and registered with the SEC on July 15, 1996 primarily to engage in the business of trading goods, commodities and merchandise of any kind. WHI is 65% owned by RHMI.

7. ***Handyman Express Mart, Inc.*** Handyman Express Mart, Inc. (HEMI) was incorporated in the Philippines and registered with the SEC on April 13, 2000. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. HEMI is 65% owned by RHMI.

8. ***RHI Builders and Contractors Depot Corp.*** RHI Builders and Contractors Depot Corp. (RHIB) was incorporated in the Philippines and registered with the SEC on May 7, 2014. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. RHIB is 67% owned by RHMI.

9. ***Homeplus Trading Depot, Inc.*** was incorporated in the Philippines and registered with the SEC on May 4, 2016. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. HPTDI is 75% owned by RHIB.

10. ***Robinson's Incorporated.*** Robinsons Incorporated (RI), a wholly owned subsidiary of RRHI, is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the SEC on April 9, 1987.

11. ***Robinson's Ventures Corporation.*** Robinsons Ventures Corporation (RVC) is a stock corporation organized under the laws of the Philippines on July 22, 1996 to engage in the business of trading goods, commodities, wares and merchandise of any kind and description. The Company was registered with the SEC on August 5, 1996. The Company is 65% owned by RI.

12. ***Robinsons Toys, Inc.*** Robinsons Toys, Inc. (RTI) is a stock corporation organized under the laws of the Philippines primarily to engage in the business of selling general merchandise of all kinds, either at retail or wholesale. The Company was registered with the SEC on August 19, 2002. RTI is 100% owned by RI.

13. ***Robinsons Appliances Corp.*** Robinsons Appliances Corp. (RAC) was registered with the SEC on August 21, 2000. RAC's principal business is to engage in the business of trading goods such as appliances on wholesale or retail basis. RAC is 67% owned by RSC.

14. ***Robinsons Gourmet Food and Beverage, Inc.*** Robinsons Gourmet Food and Beverage, Inc. (RGFBI), is a stock corporation organized under the laws of the Philippines primarily to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. The Company was registered with the SEC on July 8, 2013. RGFBI is 100% owned by RI.

15. ***Robinsons Convenience Stores, Inc.*** Robinsons Convenience Stores, Inc. (RCSI) was registered with the SEC on March 15, 2000. Its primary purpose is to engage in the business of acquiring and granting licenses and/or rights to proprietary marks, trademarks, trade names, patents, copyrights, know-how, technology, processes, methods, techniques, devises, systems and the like. The Company is also engaged in the business of trading of goods, such as food and non-food, on a wholesale basis. RCSI is 59.05% owned by RI.

16. ***South Star Drug, Inc.*** South Star Drug, Inc (SSD) is a trading company incorporated and registered with the SEC on November 24, 2003. Its primary purpose is to carry on the business of pharmacy, selling all kinds of drugs, medicines, medical equipments, and all other items. SSDI is 45% owned by RI and 45% owned by RSC.

17. ***TGP Pharma, Inc. -*** TGP Pharma, Inc. (TGPI) was incorporated and registered with the SEC on September 15, 2010. TGPI is 51% owned by RRHI through its subsidiary South Star Drug, Inc. TGPI's principal business is to engage in the trading of goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.

18. ***The Generics Pharmacy Inc. –*** The generics Pharmacy Inc. (TPI) was incorporated and registered with the SEC on February 27, 2007. The Company is 100% owned by TGP Pharma Inc. TPI's principal business is to engage in the trading goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.

19. ***The Generics Pharmacy Franchising Corporation-*** The Generics Pharmacy Franchising Corporation (TGPFC) was incorporated and registered with the SEC on May 4, 2007. TGPFC is 100% owned by TGP Pharma Inc. TGPFC's principal business is to obtain, by licensing or otherwise, the right to sell, distribute, market, insofar as permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including without limitation, pharmaceutical products and services and the right to use trademarks, patents, business philosophies, business systems and other similar rights of every nature, character and kind.

20. ***Everyday Convenience Stores, Inc.*** Everyday Convenience Stores, Inc. (ECSI), wholly owned by RRHI and was incorporated in the Philippines and registered with the SEC on August 8, 2000. Its primary purpose is to engage in the business of trading goods, commodities and merchandise of any kind.

21. ***Robinsons Specialty Stores, Inc.*** Robinsons Specialty Stores, Inc.(RSSI) is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the SEC on March 8, 2004. The Company is wholl**y** owned by RRHI.

22. ***Robinsons Daiso Diversified Corp.*** Robinsons Daiso Diversified Corp. (RDDC) is a domestic corporation organized under the laws of the Philippines to engage in the business of retail and wholesale of goods. The Company was incorporated and registered with the SEC on July 16, 2008. The Company started commercial operations on April 29, 2009. RDDC is 90% owned by RRHI.

23. ***RHD Daiso-Saizen, Inc.*** RHD Daiso-Saizen, Inc. (RHDDS) was organized and registered with the SEC on November 29, 2011. The primary purpose of the Company is to engage in the business of trading of goods such as food and non-food on wholesale basis and acquiring and franchising licenses, and/or rights to propriety marks. RHDDS is 59.40% owned by RRHI.

24. ***RHMI Management and Consulting, Inc.*** RHMI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2018, the Company has not yet started commercial operations.

25. ***RRHI Management and Consulting, Inc.*** RRHI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except

management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2018, the Company has not yet started commercial operations.

26. ***RRG Trademarks and Private Labels, Inc.*** RRG Trademarks and Private Labels, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2018, the Company has not yet started commercial operations.

27. ***RRHI Trademarks Management, Inc.*** RRHI Trademarks Management, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI.

28. ***Savers Electronic World, Inc.*** Savers Electronic World, Inc. (SEWI), was incorporated and registered with the SEC on March 4, 2015. Its primary purpose is to engage in the business of trading goods such as appliances on wholesale or retail basis. Its primary competence is institutional sales. SEWI is 90% owned by RI.

29. ***Chic Centre Corporation.*** Chic Centre Corporation was registered with the SEC on August 1, 1977. Its primary purpose is to engage in manufacturing and trading goods. Chic Centre is 100% owned by RI.

30. ***New Day Ventures Limited.*** The Parent Company acquired New Day Ventures Limited to engage in business of investment holding.

31. ***Robinsons Lifestyle Stores, Inc.*** Robinsons Lifestyle Stores, Inc. (RLSI) was incorporated and registered with the SEC on February 22 ,2018. Its primary purpose is to engage in the business and wholesale of goods. RLSI is 100% owned by RHMI.

32. ***Super50 Corporation.*** Super50 Corporation was incorporated and registered with the SEC on March 23 ,2018. Its primary purpose is to engage in the business and wholesale of goods. RLSI is 51% owned by RI.

(iii) **Foreign Sales.** The Company has no record of foreign sales as it is not exporting any of its merchandise abroad.

(iv) **Distribution Methods.** The Company relies significantly on distributors, third-party service providers and the distribution networks of its multinational suppliers for transportation, warehousing and the delivery of products to its stores. The majority of its merchandise is delivered to the distribution centers by its suppliers and from the distribution centers to its stores by third-party service providers.

The Company manages a strong and efficient supply chain that features just-in-time delivery. Many of its distribution centers employ a cross-docking system, where all non-perishable goods received from suppliers are sorted, consolidated and dispatched to the stores in Metro Manila within one to five days, and within three to ten days of their receipt in Visayas and Mindanao, depending on the business segment. This reduces stocking requirements and permits the faster delivery of products.

Some of its business segments, such as the supermarket, DIY and specialty stores (particularly toys and juvenile products), also employ a stock operation system equipped to handle high turnover and bulk items. For example, the supermarket segment implements a stock operation system for all top-tier vendors. An average of two weeks inventory of goods is ordered to be stocked and stored in the warehouse.

Distribution planners make daily plans for replenishment and delivery of the goods to stores to ensure that stores do not run out of the key items supplied by the top-tier vendors. With the stock operation system, the distribution centers are able to supply the stores regularly with top-selling SKUs with expediency at low inventory carrying cost.

The Company engages third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from distribution centers to stores across the Philippines. Some suppliers also deliver products directly to the stores.

To operate its large-scale business efficiently and effectively, its operations are supported by advanced information technology systems. Its world-class management information systems include a merchandise management system from JDA Software Group Inc., and an advanced ARC merchandise analytics solutions system from Manthan Systems, Pvt. Ltd. These systems allow the Company to analyze and optimize merchandise performance, make proactive decisions on its day-to-day operations and provide the ability to quickly and efficiently respond to changes in customer trends.

The Company uses warehouse management systems to ensure on-time delivery and sufficient stock in stores, thus optimizing inventory levels across its distribution centers and store network. Further, the Company utilizes financial and asset management systems from SAP AG.

The Company also deploys a POS and Loyalty system from the National Cash Register Corporation (NCR), and has a sophisticated supplier portal system that allows them to collaborate with its suppliers. Through this system, suppliers may have access to its database providing them with the ability to manage their own inventory, ensure high service levels and facilitate more targeted marketing activities.

(v) **New Products and Services.** In May 2013, the Company introduced the Robinsons Rewards Card, a loyalty card that allows holders to redeem accrued points across its retail formats. As of end 2017, the Robinsons Rewards Card is accepted in most retail formats except for Ministop, South Star Drug, Savers Appliances, The Generics Pharmacy and Costa Coffee. The Robinsons Rewards loyalty program is a powerful tool to increase customer retention across all formats, and was launched as a mobile app platform in 2018.

In 2015, RRHI, through a subsidiary, entered the coffee shop business with the opening of Costa Coffee shops in several locations in Metro Manila.

In 2016, RRHI, through a subsidiary, acquired Chic Centre Corporation, a distributor of nail care products, cosmetics, and slush and juice products. It has around 2,000 outlets for its beauty products and around 1,000 slush operators in the country.

In 2018, RRHI signed franchise license agreement with Pet Lovers Centre Ltd for the retailing of pet products and services; and Arcova Ltd. for mass merchandise items.

(vi) **Competition.** The Company competes principally with national and international operators retail chains in the Philippines, such as SM Investments, Puregold Price Club Inc., Metro Retail Stores Group, Rustan's, Ace Hardware, Mercury Drug Corporation, 7-Eleven, Family Mart and Suyen Corporation, among others. Each of these competitors competes with the Company on the basis of product selection, product quality, acquisition or development of new brands, customer service, price, store location, presence in e-commerce space, or a combination of these factors.

- *Supermarkets.* The Philippine food retail market has become increasingly competitive in recent years. Robinsons Supermarket primarily competes with modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, store ambiance, presentation, price, supply chain and additional benefits such as loyalty programs. Main competitors as of 2018 are SM Retail, Puregold Price Club and Metro Retail Stores Group. Similar to Robinsons Supermarket, these retail chains have an established presence in the Philippines and continue to open supermarkets in the same cities, and often in the same neighborhoods where the Company has opened or intend to open its supermarkets. Combined with RSCI, RRHI's position as the third largest grocery retail player is enhanced and offers new prospects for synergies.

- *Department stores.* The Philippines' department stores industry is dominated by a few operators. RDS competes with major department store operators such as SM Retail, Metro Retail Stores Group, Landmark and Rustan's on the basis of location, brand recognition, store image, presentation, price, understanding of fashion trends and market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and has the same target market of middle and upper middle income consumer segments.

- *DIY stores.* The market for DIY and related products in the Philippines is highly competitive and fragmented. Retailers are largely classified into stand-alone big-box operators, mall-based DIY retailers and traditional hardware retailers.

  For the mall-based formats Handyman Do it Best and True Value, the Company believes that its direct competitor is Ace Hardware, which has comparable scale of operations. They compete with Ace Hardware primarily on the basis of product selection, price, promotions and customer service.

  For the big-box hardware format, Robinsons Builders and Home Plus have a strong presence in the Visayas and Cagayan de Oro and it is directly competing against Citi Hardware which has a strong foothold in Visayas and Mindanao. The Company believes that it competes well against Citi Hardware in terms of brand assortment of hardware and construction products, product sourcing, quality merchandise, price, store location, marketing promotions and after-sales services against Citi Hardware. Robinsons Builders and Home Plus also compete with Wilcon Depot. Wilcon's network is concentrated in Metro Manila and Luzon, but it has begun to expand farther south of the Philippines, with stores in Cebu, Negros, Iloilo, Agusan del Norte, and Davao.

Generally, the Company believes that competition in the DIY market is based broadly on pricing, delivery, brand recognition, quality, after sales services and availability of products. It also believes that it competes favorably with respect to most of these factors.

- *Convenience stores.* Ministop faces direct competition from other chains of convenience stores, supermarkets and other retail outlets. With respect to their ready-to-eat products, Ministop also competes with other providers of these products, such as fast-food restaurants. The Company's primary convenience store competitors are 7-Eleven, Family Mart, and Lawson. Philippine Seven Corp, the operator of the 7-Eleven chain, is the largest convenience store chain in the Philippines. Family Mart is a Japanese convenience store franchise chain that entered the Philippine market in early 2013. The Company competes for customers primarily on the basis of store location and product assortment and quality.

- *Drug stores.* The drug store industry in the Philippines is intensely competitive. South Star Drug primarily competes with other retail drug store chains, such as Mercury Drug, Watson's, and Rose Pharmacy. The Generics Pharmacy likewise competes with Generika Drugstore. Increasingly, as well, the Company faces competition from discount stores, convenience stores and supermarkets as they increase their offerings of non-pharmaceuticals items, such as food and personal care products.

- *Specialty stores.*
  Toys "R" Us. Toys "R" Us is the second largest toys retailer after Toy Kingdom. Toys "R" Us competes with Toy Kingdom on the basis of its strong brand name and store recognition. With its line of affordable but quality private labels and exclusive products, Toys "R" Us offers a complete and differentiated product offering to its shoppers.

  Robinsons Appliances and *Savers Appliances.* Robinsons Appliances competes with SM Appliances, Abenson and Anson's primarily on the basis of price. It provides credit card payment services to support its customers' purchasing needs offering them longer payment options at interest free installment terms.

  On the other hand, Savers Appliances' strength is in its institutional sales, competing with Imperial Appliances and other stand-alone appliance stores in Northern Luzon in servicing corporate appliance needs. It offers various industrial and building solution products such as system air-conditioning, refrigeration and ventilating equipment and security system supported by its delivery, installation and after sales services.

  Daiso Japan. Daiso Japan and Japan Home Center are currently the major players in the one-price discount stores operators in the Philippines. New competitors include Miniso and Mumuso. With the company's exclusive partnership with Daiso Industries Co. Ltd. of Japan, the stores are able to offer a broad range of authentic Daiso merchandise that boasts of product quality and aesthetic appeal at affordable prices starting at P88.

  International Fashion Specialty Retail. The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. H&M, Fast Retailing Philippines, Inc. (Uniqlo), Forever Agape and Glory, Inc. (Forever 21), Stores Specialists, Inc. (Zara, Gap, etc) and Suyen

Corporation (Cotton On, American Eagle Outfitters, etc) are the major competitors of the Company's high-street fashion retail business.

Beauty Division. The Beauty Market (cosmetics and skin care) in the Philippines is very dynamic, with each retailer racing against each other for variety and a strong commercial presence. Competition is likewise coming from large international beauty companies which are setting up stand-alone stores in major malls aside from locating inside department stores (for example, MAC, Clinique, Lancome, Dior).

Costa Coffee. Costa Coffee competes with a large number of established international and local coffee chains. The British coffee chain competes with Starbucks, The Coffee Bean & Tea Leaf, Seattle's Best and a growing number of artisanal coffee shops such as, Toby's Estate, Bo's Coffee, Craft Coffee Revolution and Kuppa Roastery & Café amongst others. It competes primarily on the entire store experience from the creation of quality coffee, to store ambiance and food offering.

Chic Centre Corporation. Chic Centre Corporation competes with a number of locally available cosmetic brands and suppliers of slush and juice ready mixes. For its nail care category, competing nail polish brands include Caronia, OMG and Klik while for make-up, it directly competes with Ever Bilena and Nichido brands. For its semi-frozen beverage line, the company potentially competes with local distributors of similar products, such as Family Mart's Slushy and KFC's Krushers brands. The company competes primarily on target markets based on product portfolio, placement and price range.

Pet Lovers Centre. Pet Lovers Centre may compete with other pet retailers, such as Pet Express, and Dogs and the City, in terms of services and assortment, primarily pet supplies.

Arcova. Arcova competes with similar mass merchandise formats with a thematic Asian Lifestyle branding, such as Mumuso and Miniso.

(vii) **Suppliers.** Revenue is derived substantially from direct sales and sales of consigned merchandise, and the success depends on the ability to retain and attract new suppliers and consignors on favorable terms. The sourcing of products is dependent, in part, on the relationships with the suppliers. The Company maintains long-standing working relationships with a broad range of national and multinational suppliers across all business segments.

Supermarkets. With over 2,000 regular suppliers as of 2018, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and Universal Robina Corporation (URC) and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 27.8%, 27.6% and 27.6% of the net sales in 2016, 2017 and 2018, respectively

Department Stores. For outright sales, Robinson Department Store sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of household merchandise, apparel and snack items which it has strengthened its sourcing, thus adding more offerings to customers. As of 2018, RBDM Trading (home), Much Prosperity Trading (home), Mondelez Phils. (snacks), JL&B Trading (apparel) and Chelson's Manufacturing (apparel) were some of RDS' largest outright sales suppliers.

DIY Stores. For outright sales, the Company sources the DIY and other products at favorable terms primarily from large-scale local suppliers and from over 500 foreign vendors accredited by Do it Best Corporation and True Value. For the big-box format, it also sources its tiles, sanitary wares, wood, among others, from foreign vendors based in the Asia-Pacific region. The Company does not believe that it relies on any single supplier or group of suppliers for any of its products.

Convenience Stores. To effectively satisfy customer preferences, the Company has established working relationships with over 200 regular suppliers as of 2018. The supplier base is diversified from large local suppliers such as Globe, URC and San Miguel Corp; smaller local suppliers for Ministop's ready-to-eat and private label products; to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop selects its suppliers using a number of criteria, including customer preferences, suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

Drug Stores. South Star Drug sources pharmaceutical products from over 390 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, GSK, Abbot Nutrition, Boehringer, Intermed Marketing and Sanofi. SSD's top five largest pharmaceutical suppliers accounted for 32.6% of the total purchases in 2018 and 30.8% in 2017 and 31.0% in 2016. The Company only accepts products which are FDA-certified in the Philippines and ensures that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 300 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

The Generics Pharmacy. TGP sources generic and branded medicines from established distributors and toll-manufacturers that produce private label generic medicines for the Company. TGP selects its partners using a number of criteria, including quality, affordability and capacity to serve the Company's demands. All products are FDA-certified in the Philippines to ensure that the medicines are compliant with the prescribed standards of the regulatory agency. As of 2018, Eurohealth Group of Companies, Sandoz Philippines, New Myrex and Lumar Lab Group of Companies and Zuellig Pharma were among TGP's largest suppliers.

Specialty stores.

Toys "R" Us. The Toys "R" Us private labels and exclusives, as well as importations (done through indentors/consolidators, which provide a differentiated offering), are directly sourced through the Toys "R" Us regional buying office where orders are consolidated to ensure that products are sourced at the lowest costs and margins are maximized. The Company also partners with local suppliers for locally developed merchandise both on outright or consignment.

Robinsons Appliances and *Savers Appliances.* Reliability and strong service network are some of the top requirements of customers in choosing consumer electronics and home appliances. Robinsons Appliances and Savers Appliances partner with reputable suppliers such as Samsung Electronics, LG Electronics, Sony Philippines and Sharp Philippines to provide the best home entertainment solutions. Aesthetically appealing, functional and user-friendly home appliances are offered in partnership with Concepcion-Carrier Airconditioning, G.E., Panasonic Corporation, Electrolux Philippines and Whirpool Home Appliances, among others.

Fashion and Beauty Division. As the country's exclusive franchisee of the international brands it carries, RRHI-Fashion and RRHI-Beauty stores source their physical merchandise from legitimate distributors of its labels, which include Topshop, Topman, Warehouse, Dorothy Perkins, G2000, Miss Selfridge, Burton's Menswear, and Benefit, Shiseido and Elizabeth Arden. The fashion division carries a broad portfolio on fashion under the categories urban lifestyle, young and mainstream fashion, and corporate apparel, while the beauty division offers a wide range of cosmetics, fragrances, and beauty products and services. The beauty division's services include facials from Shiseido and facial waxing from Benefit.

Daiso Japan. Daiso Japan's one price point merchandise is composed of various items that have been evaluated and manufactured with the Japanese standards of Daiso Industries Co., Ltd. The stores are supplied primarily by the principal company, as well as approved international and local partners/suppliers that carry the Daiso brand. This ensures quality and the authenticity of the store's diverse product range. Grounded on the pillars of variety, quality, and uniqueness, Daiso stores are home to practical and collectible home and kitchen products, utensils, office knick-knacks, snacks, and beauty essentials.

Costa Coffee. With sustainability and exquisite quality in mind, Costa Coffee exclusively sources its coffee beans from farms with certification from Rain Forest Alliance, an organization that advocates sustainable and socially inclusive industries. The seal of approval assures that products are produced with minimal environmental impact and with maximized social benefits to communities, particularly in the agricultural sector. Ingredients and food items, such as sandwiches, baked goods, and salads, come from various suppliers that adhere to basic food safety standards of the FDA, from its production to delivery and storage in the Costa Coffee shops.

Chic Centre. Chic Center is the market leader of nail care products in the Philippines with a commanding 75% of the market share. With over 2,000 outlets, the product range includes Bobbie, Chic, Colortrends, and Rain for Nails. The company's latest endeavor was the establishment of its Food Division in May 2015, which distributes innovative slush and juice products for Ministop, Petron, BPOs, schools, and Movieworld. It has over 1,000 outlets and conducts manpower training for slush operations and technical servicing.

Pet Lovers Centre: As the country's exclusive franchisee of the Singaporean brand, the store sources their physical merchandise from legitimate distributors of its labels.

Arcova: As the country's exclusive franchisee, the stores source their physical merchandise from legitimate distributors of its labels

(viii) **Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 13.1% of consolidated net sales in 2018, 13.0% in 2017, and 12.9% in 2016. The Company does not rely a single or few customers but to the buying public in general.

(ix) **Transactions with related parties.** In the ordinary course of business, the Company engages in a variety of transactions with related parties. The Company is controlled by the Gokongwei Family. Members of the Gokongwei Family also serve as directors and executive officers. Certain members of the Gokongwei Family are also major shareholders of JG Summit Holdings, Inc. The most significant transactions with the Gokongwei Family include leasing retail stores in the shopping malls owned by Robinsons Land Corporation (RLC), a company controlled by the Gokongwei Family. The Company policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2018.

(x) Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract.

Following are the marks of the subsidiaries of RRHI as of December 31, 2018:

Supermarket Trademarks

	Name of Trademark	Symbol of Trademark
1.	ROBINSONS SUPERMARKET	
2.	HEALTHY YOU	
3.	ROBINSONS SUPERMARKET FIT & FUN WELLNESS BUDDY RUN	
4.	NATURE`S PURE	
5.	BREEDER`S CHOICE DOG FOOD	
6.	ROBINSONS SUPERSAVERS	
7.	ROBINSONS EASYMART	
8.	ROBINSONS SELECTIONS	
9.	JAYNITH'S SUPERMART	
10.	ROBINSONS TOWNVILLE	

Department Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS DEPARTMENT STORE	Robinsons Department Store
2. EXECUTIVE BY ROBINSONS	EXECUTIVE
3. PLAYGROUND	Playground Playground
4. PORTSIDE	PORTSIDE
5. NITELITES	nitelites
6. BRIDGET`S CLOSET	bridget's closet
7. HOME ESSENTIALS	HOME ESSENTIALS
8. ESSENTIALS	Essentials
9. B+ACTIVE	B+active
10. ALL ABOUT KIDS	all about KiDs
11. RAFAEL	RAFAEL
12. GRAB A TEE	grab.a.tee
13. NEVER BEEN KISSED	Never Been Kissed
14. JUMPING BEANS	jumping beans
15. DAZED & CONFUSED	Dazed & Confused
16. SIMPLY ME	simply me
17. PUNKBERRY	PUNKBERRY
18. PRIVILEGED	PRIVILEGED
19. HIP ACTIVE WEAR	hip ActiveWear
20. FELICITY	Felicity
21. SUN KISSED	Sun Kissed
22. MARJOLAINE	marjolaine

23. LIBERTE
24. STELLA
25. TED MOSS
26. VANITY
27. ICANDY
28. PORTSIDE ACTIVE
29. MALEBOX
30. BELLA
31. BOTTOMS UP
32. WORKSHOP
33. JULIA

DIY Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS HANDYMAN	
2. THUNDER	
3. HIGH GEAR	
4. WISHY WASHY	
5. BOW WOW	
6. SUPER CHOW	
7. BATH BASICS	
8. ROBINSONS BUILDERS	
9. TRUE HOME	

10. BIANCA	Bianca
11. BLANCO	BLANCO
12. BON GIORNO	BON GIORNO
13. HOME PLUS TRADING DEPOT	HOME PLUS DE ORO PACIFIC HOME PLUS
14. A.M BUILDERS DEPOT	A.M. BUILDERS' DEPOT / A.M. BUILDERS' DEPOT
15. ICONO	icono
16. ICONO PREMIO	icono PREMIO
17. ICONO CLASSICO	icono CLASSICO
18. IMAGO	imago

Convenience Store Trademarks

Name of Trademark	Symbol of trademark
1. CHILLZ	CHILLZ
2. UNCLE JOHN'S FRIED CHICKEN	Uncle John's FRIED CHICKEN
3. MY SUNDAE	my SUNDAE
4. MY CHOICE	my choice
5. TOPPERS YUMMY RICE TOPPINGS ON THE GO	Toppers YUMMY RICE TOPPINGS ON THE GO!
6. KARIMAN	KaRiMan
7. HOTCHIX	HOTCHIX

Drug Store Trademarks

Name of Trademark	Symbol of trademark
1. SOUTH STAR DRUG	southstar drug
2. SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY	South Star Drug MAPAGKAKATIWALAANG TUNAY
3. MANSON DRUG TUNAY AT MURA ANG GAMOT	manson drug Tunay at mura ang gamot
4. TGP – THE GENERICS PHARMACY	TGP THE GENERICS PHARMACY
5. THE GENERICS PHARMACY	THE GENERICS PHARMACY
6. THE GENERICS PHARMACY MABISA NA MATIPID PA	THE GENERICS PHARMACY MABISA na, MATIPID pa!!
7. BASTA GENERICS, THE GENERICS PHARMACY	BASTA GENERICS, THE GENERICS PHARMACY
8. TGP THE GENERICS PHARMACY MABISA NA, MATIPID PA!	TGP THE GENERICS PHARMACY MABISA na, MATIPID pa! TGP THE GENERICS PHARMACY MABISA na, MATIPID pa! TGP THE GENERICS PHARMACY
9. TGP WITH LOGO	TGP
10. TGP+ THE GENERICS PHARMACY	TGP THE GENERICS PHARMACY

Specialty Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS APPLIANCES	Robinsons Appliances
2. ROBINSONS SPECIALTY STORES, INC.	Robinsons SPECIALTY STORES, INC.
3. SAIZEN	saizen サイゼン
4. SAVER’S APPLIANCES	SAVERS APPLIANCES

Others

Name of Trademark	Symbol of trademark
1. R	
2. R ROBINSONS RETAIL HOLDINGS, INC	
3. ROBINSONS REWARDS	
4. ROBINSONS SHOP CARD	
5. CHIC CENTRE CORPORATION	
6. NAILS BY CHIC CENTRE	
7. BOBBIE SHOP	
8. BOBBIE NAILS	
9. CHIC NAIL COLOR	
10. BOBBIE COSMETICS	
11. BE-YOU-TIFUL	
12. SMOOCH-CERTIFIED	
13. CHICA MUST-HAVE	
14. FOOT ACCENT BY CHIC	
15. POO-RIFIC!	
16. SIPPY	

(xi) **Government Approvals.** The Company and all its subsidiaries have obtained all permits, licenses and approvals from national and local government units and other government agencies necessary to lease store spaces and operate the same.

As a retailer, the Company and its subsidiaries are subject to the following laws and regulations: a) The Retail Trade Liberalization Act; b) The Food, Drug and Cosmetics Act; c) The Consumer Act; d) The Meat Inspection Code; e) The Price Act; f) The Philippine Food Fortification Act; g) The Comprehensive Dangerous Drugs Act; h) The Pharmacy Law; i) The Generics Act and j) The Philippine Labor Code.

(xii) **Effects of Existing or Probable Governmental Regulations on the Business.** The Group operates its businesses in a highly regulated environment. These businesses depend upon permits issued by the government authorities or agencies for their operations. The suspension or revocation of such permits could materially and adversely affect the operation of these businesses.

(xiii) **Research and Development**

None during the year.

(xiv) **Cost and Effects of Compliance with Environmental Laws.** Operators of retail stores with total store areas (including parking) of over 10,000 square meters (sqm) and/or operators of supermarkets with food stalls are required to obtain an Environment Compliance Certificate (ECC) for each store prior to commencement of business to certify that the operation will not pose an unacceptable environmental impact. Operators of supermarkets may also apply for and secure a Certificate of Non-Coverage (CNC) which exempts them from securing an ECC for their projects.

The Company must obtain a Philippine Department of Environment and Natural Resources (DENR) identification number from the regional office of the Philippine Environmental Management Bureau (EMB) to dispose of hazardous waste. In the absence of an identification number, the Company may be penalized with a fine ranging from ₱600 to ₱4,000.

(xv) **Employees.** As of December 31, 2018, the Group had 16,997 employees.

The Company anticipates that it will have approximately 19,989 employees within the next 12 months for the planned store openings in 2019. The Company’s management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

(xvi) **Risks**

1. The Company may experience difficulty in implementing its growth strategy brought about by unsuccessful future store openings, unsuccessful expansion through acquisition and failure of existing stores to benefit from the current favorable retail environment. In addition, new stores may place a greater burden on its existing resources and adversely affect its business as it faces the risk of market saturation brought about by increased competition from other retail companies in the Philippines.

2. The Company depends on RLC and other mall operators for the development of parts of its business and leases all of its premises, thus it may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms thereby exposing the Company to risks relating to the leasing and sub-leasing of any of its stores as well as portions of its supermarket space.

3. The Company's retail business depends on its ability to source and sell the appropriate mix of products to suit the changing consumer preferences and relies on services rendered by independent contractors that may not always meet its requirements for quality or be available or completed within its budget. Also the success of its business depends in part on its ability to develop and maintain good relationships with its current and future suppliers and consignors. Likewise, the success of its business depends in part on its ability to develop and maintain good relationships with its franchisors and/or licensors. Thus, a deterioration of the value of its brand names and trademarks may have a material adverse effect on its business.

4. The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines. Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration.

   The Company may face difficulty in hiring sufficient numbers of pharmacists to meet the demands of its drug store operations due to shortage of registered pharmacists in the Philippines thereby facing the risk of not being able to operate new drug store or be forced to close existing ones. Product liability claims in respect of defective goods sold in its stores and food safety and food-borne illness concerns could adversely affect its reputation and its financial prospects. Likewise, the sale of counterfeit products may affect its reputation and profitability. On the other hand, its senior citizen discounts for purchases of prescribed medicines and prime commodities may be subject to abuse or unchecked fraudulent practices by unqualified customers.

5. The Company is exposed to certain risks in connection with the substantial use of cash in its operations. Damage to or other potential losses involving, its assets may not be covered by insurance. Its business, financial performance and results of operations are subject to seasonality. The Company relies on dividends and distributions from its subsidiaries to fund its cash and financing requirements.

6. The Company is controlled by the Gokongwei Family and its interests may differ significantly from the interests of other shareholders as its business and operations are dependent upon key executives. The Company is party to a large number of related party transactions and its operating results and financial condition are affected by a significant minority shareholding in Robinsons Bank.

7. Its operations are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on its business operations. Any political instability in the Philippines may adversely affect its business operations. Continued terrorist activities and high-profile violent crime in the Philippines could destabilize the country, adversely affecting its business environment and the occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt its operations.

8. Future changes in the value of the Philippine Peso against the U.S. dollar and other currencies may adversely affect its results of operations

Item 2. Properties. Commercial spaces for all of retail establishments from various entities across the Philippines are leased by the Company. The lease rates and terms for these commercial spaces follow standard market rates and practices for similar businesses. The following table is illustrative of the rates paid per region.

Region	Rental Scheme	Lease Rate	Term
Metro Manila	Fixed	P185 to P893 per sqm	1-25 years
	% to sales	2.74% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P407 to P487 per sqm or 2.25% to 2.50% of sales	1-25 years
	Fixed plus % to Sales	P200 to P721 per sqm plus 1.50% to 7.50% of sales	1-5 years
Luzon (outside Metro Manila)	Fixed	P57 to P638 per sqm	1-20 years
	% to sales	1.00% to 7.20% of sales	1-20 years
	Fixed or % to sales, whichever is higher	P134 to P337 per sqm or 1.5% to 2.50% of sales	1-20 years
	Fixed plus % to sales	P244 to P662 per sqm plus 1.5% to 6.00% of sales	1-20 years
Visayas	Fixed	P182.33 to P387 per sqm	1-25 years
	% to sales	2.74% to 7.20% of sales	1-5 years
Mindanao	Fixed	P156 to P160 per sqm	1-25 years
	% to sales	2.74% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P625 or 1.50% of sales	1-10 years
	Fixed plus % to sales	P330 to P480 per sqm plus 5.00% to 5.50% of sales	1-5 years

Supermarket. The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2018.

	No. of stores	Gross Selling Area in sqm
Metro Manila	108	275,950
Luzon	91	239,806
Visayas	37	112,161
Mindanao	16	56,869
Total	**252**	**684,786**

Department stores. The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2018.

	No. of stores	Gross Selling Area in sqm
Metro Manila	14	134,951
Luzon	18	103,693
Visayas	11	80,580
Mindanao	9	60,458
Total	**52**	**379,682**

DIY Stores. The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2018, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	59	55,707
Luzon	88	61,056
Visayas	41	41,289
Mindanao	22	25,113
Total	**210**	**183,165**

Convenience Stores. The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2018, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	328	33,161
Luzon	149	15,254
Visayas	22	2,074
Mindanao	–	–
Total	**499**	**50,489**

Drug Stores. The following table sets out the number of South Star Drug stores by region as December 31, 2018, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	113	8,939
Luzon	323	33,955
Visayas	46	3,177
Mindanao	28	1,813
Total	**510**	**47,884**

Specialty Stores. The following table sets out the number of stores of *Robinsons Appliances and Savers Appliances* stores, *Toys "R" Us* stores (including the *Toy "R" Us Toybox* sections located in RDS stores), *Daiso Japan* stores, international fashion specialty retail and beauty brand formats, and Costa Coffee Stores as of December 31, 2018, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	163	54,113
Luzon	134	59,186
Visayas	58	21,321
Mindanao	32	11,701
Total	**387**	**146,321**

Item 3. Legal Proceedings. As of December 31, 2018, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

Item 4. Submission of Matters to a Vote of Security Holders. There were no matters submitted to a vote of security holders during the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(A) Principal Market or Markets Where the Registrant's Common Equity is Traded

The common stock of the Company is listed on the Philippine Stock Exchange.

STOCK PRICES

2019

	High	Low
January 2019	₱88.80	₱80.00
February 2019	90.65	85.00
March 2019	87.50	77.90

2018

	High	Low
First Quarter	₱101.80	₱83.80
Second Quarter	92.00	76.50
Third Quarter	89.00	77.50
Fourth Quarter	81.8	70

2017

	High	Low
First Quarter	₱83.95	₱72.70
Second Quarter	89.20	75.50
Third Quarter	105.00	82.60
Fourth Quarter	108.10	89.95

2016

	High	Low
First Quarter	₱74.65	₱56.00
Second Quarter	86.60	72.00
Third Quarter	89.00	75.00
Fourth Quarter	81.00	71.00

2015

	High	Low
First Quarter	₱90.10	₱74.50
Second Quarter	88.50	70.20
Third Quarter	80.00	63.80
Fourth Quarter	79.20	61.20

2014

	High	Low
First Quarter	₱69.95	₱57.05
Second Quarter	74.00	62.10
Third Quarter	72.85	61.50
Fourth Quarter	79.85	60.55

(B) Holders

The number of shareholders of record as of December 31, 2018 was 36. Common shares outstanding as of December 31, 2018 were 1,576,489,360.

List of Top 20 stockholders as of December 31, 2018

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	487,095,717	30.75%
2. PCD Nominee Corporation (Non-Filipino)	183,662,024	24.68%
3. PCD Nominee Corporation (Filipino)	269,005,712	25.81%
4. Mulgrave Corporation, B.V./GCH Investments Pte Ltd	315,308,689	12.15%
5. Lance Y. Gokongwei	107,538,351	4.46%
6. Robina Y. Gokongwei-Pe	89,906,846	1.59%
7. James L. Go	31,928,005	0.42%
8. Lisa Y. Gokongwei-Cheng	29,968,949	0.13%
8. Faith Y. Gokongwei-Lim	29,968,949	0.01%
8. Marcia Y. Gokongwei	29,968,949	0.01%
9. Wilfred T. Co	2,027,936	0.00%
10. Lucio W. Yan &/or Clara Y. Yan	100,000	0.00%
11. Pacifico B. Tacub	2,000	0.00%
11. Stephen T. Teo &/or Teresita R. Teo	2,000	0.00%
12. Vicente Piccio Mercado	1,000	0.00%
12. John T. Lao	1,000	0.00%
12. David L. Kho	1,000	0.00%
12. Miguel P. Guerrero or Alice T. Guerrero	1,000	0.00%
13. Maria Lourdes Medroso Mercado	600	0.00%
14. Julius Victor Emmanuel D. Sanvictores	100	0.00%
14. Hector A. Sanvictores	100	0.00%
14. Felicitas F. Tacub	100	0.00%
14. Joselito C. Herrera	100	0.00%
14. Gabrielle Claudia F. Herrera	100	0.00%
14. Nadezhda Ikra F. Herrera	100	0.00%
15. Dondi Ron R. Limgenco	11	0.00%
16. Ronald S. Bes	10	0.00%
17. Owen Nathaniel S. Au ITF: Li Marcus A	5	0.00%
18. John L. Gokongwei, Jr.	1	0.00%
18. Hope Y. Gokongwei-Tang	1	0.00%
18. Antonio L. Go	1	0.00%
18. Robert R. Romulo	1	0.00%
18. Joselito T. Bautista	1	0.00%
18. Ian James Winward McLeod	1	0.00%
18. Samuel Sanghyun Kim	1	0.00%
Total Outstanding	1,576,489,360	100.00%

(C) Dividends

On May 28, 2018, the Company's Board of Directors (BOD) approved the declaration of cash dividend in the amount of ₱0.72 per share from the unrestricted retained earnings of the Company as of December 31, 2017 to all stockholders of record as of June 18, 2018 and payable on July 12, 2018.

On June 27, 2017, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.70 per share from the unrestricted retained earnings of the Company as of December 31, 2016 to all stockholders of record as of July 17, 2017 and payable on August 10, 2017.

On June 9, 2016, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.63 per share from the unrestricted retained earnings of the Company as of December 31, 2015 to all stockholders of record as of June 29, 2016 and payable on July 25, 2016.

(D) Restriction that Limits the Payment of Dividends on Common Shares
None

(E) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.
None

Item 6. Management's Discussion and Analysis or Plan of Operation

December 31, 2018 vs December 31, 2017

<u>Consolidated Results of Operations</u>
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income at ₱5,825 million for the twelve months ended December 31, 2018, an increase of 4.0% as compared to ₱5,599 million for the twelve months ended December 31, 2017. The increase was largely due to increased income from operations. Net income attributable to parent amounted to ₱5,107 million for the twelve months ended December 31, 2018, an increase of 2.6% as compared to ₱4,978 million for the twelve months ended December 31, 2016.

Consolidated net sales increased by 15.1% from ₱115,238 million for the twelve months ended December 31, 2017 to ₱132,681 million for the twelve months ended December 31, 2018. The robust revenue growth was largely due to increase in sales volume from the 104 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2017 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱2,262 million to ₱2,422 million, a growth of 7.1%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2018 amounted to ₱29,835 million, 15.7% higher than ₱25,792 million for the twelve months ended December 31, 2017. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 17.9% from ₱21,749 million to ₱25,631 million for the twelve months ended December 31, 2018 due to higher expenses and accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 5.1% from ₱6,305 million to ₱6,626 million for the twelve months ended December 31, 2018. As a percentage of sales, EBIT is at 5.0% this year vs. 5.5% last year due to faster increase in operating expenses as a percentage of sales.

Other income and charges decreased by 2.6% from ₱997 million to ₱971 million for the twelve months ended December 31, 2018 primarily due to one-time corporate charges and write offs in 2018.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 7.7% from ₱8,378 million for the twelve months ended December 31, 2017 to ₱9,021 million for the twelve months ended December 31, 2018.

Segment Operations

(i) ***Supermarket***. The Supermarket segment continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2018. Supermarket generated net sales of ₱62,362 million for the twelve months ended December 31, 2018, including one-month consolidation of Rustan expanding by 19.1% from ₱52,363 million sales registered in 2017. The growth was driven by the store expansion this year with the addition of 10 new stores to 164 Robinsons supermarket stores and 88 Rustan stores acquired in 2018 and further boosted by sustained performance of existing stores and strong like-for-like sales of 7.6%.

Gross profit expanded to ₱12,189 million, 20.0% higher than last year's ₱10,154 million. As a percentage to sales, gross profit margin lift by 10 bps to 19.5% this year versus 19.4% last year as a result of the higher margin business of Rustan.

EBIT reached ₱2,868 million for the twelve months ended December 31, 2018, 1.5% growth from ₱2,825 in the same period last year. Likewise, EBITDA expanded by 6.1% to ₱3,883 million for the full year 2018 against ₱3,661 million in 2017. As a percentage to sales, EBITDA declined by 80 bps at 6.2% in 2018 compared to 7.0% in 2017.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) sales for the year ended December 31, 2018 grew 10.3% from last year's ₱16,116 million to this year's ₱17,781 million. The increase in net sales was mainly due to improved sales of existing stores and sales contribution of new stores.

RDS' cost of sales amounted to ₱13,012 million for the year ended December 31, 2018, an increase of 9.5% from ₱11,880 million for the same period last year. This resulted to a gross margin of ₱4,769 million for 2018 against ₱4,236 million for the same period last year. The increase in sales contributed to the improved margins for the year.

RDS generated EBITDA of ₱921 million for the year December 31, 2018, a decline of 5.6% against ₱976 million in the same period last year.

(iii) ***Convenience stores.*** The convenience stores segment registered a system-wide sales and merchandise sales of ₱9,065 million and ₱6,177 million, respectively for the period ended December 31, 2018, a 4.9% and 8.2% increase from ₱8,640 million and ₱5,710 million for the same period last year. The increase in sales is attributed to the acceleration of same store sales growth of 5.1% in 2018.

Other income which mainly consists of royalty fee is at ₱1,889 million this year. Royalty fee is computed as a percentage of system-wide gross profit and accounts for the bulk of the total other income. Gross margin and other income is 20bps lower from 39.8% last year to 39.6% this year.

Convenience stores recorded an EBIT of ₱101 million this year versus last year's ₱42 million. While EBITDA generated for 2018 is at ₱340 million an increase of 12.3% versus ₱303 million of the same period last year as a result of store rationalization.

(iv) ***Drug Stores***. The drug store segment registered net sales of ₱15,824 million as of December 31, 2018, representing a growth of 9.0% from last year's net sales of ₱14,518 million. The growth was mainly driven by the sales contribution of 26 net new stores that opened in 2018, as well as the strong same store sales performance of South Star Drug (SSD) at 3.3%. SSD accounted for 72.6% of the drugstore segment's total sales with the balance contributed by TGP Pharma, Inc.

The segment's cost of sales as of December 31, 2018 ₱12,747 million, representing an increase of 8.0% from last year. Consequently, gross profit expanded by 13.5% from ₱2,712 million in 2017 to ₱3,077 million this year.

EBIT as of December 31, 2018 reached ₱1,071 million, an increase of 8.2% from last year's ₱990 million. Likewise, EBITDA also grew by 8.8% from ₱1,095 million in 2017 to ₱1,192 million this year.

(v) ***DIY Stores.*** The DIY segment ended 2018 with solid growth in sales. Net sales grew by 12.8% from ₱12,323 million to ₱13,905 million for the year ended December 31, 2017 and December 31, 2018, respectively.

The growth was driven primarily by the strong performance of the existing stores coupled with the 17 new store additions for the period ended December 31, 2018.

DIY's cost of sales grew by 12.9% from ₱8,377 million for the year 2017 to ₱9,460 million for the year of 2018. Gross profit increased by 12.6% to ₱4,445 million for the year ended December 31, 2018 from ₱3,946 million in the same period last year. As a percentage to sales, gross profit was at 32% same as last year.

With operating expenses increasing at slower pace than the growth in gross profit, EBIT grew by 18.7% at ₱1,199 million for the year ended December 31, 2018 versus ₱1,010 million in same period last year. EBITDA improved by 18.5% to ₱1,428 million for the year 2018 against ₱1,205 million for the same period in 2017.

(vi) ***Specialty Stores Segment***. The net sales of the Specialty Stores segment increased by 17.0% from ₱15,550 million to ₱18,200 million for the twelve months ended December 31, 2017 and December 31, 2018, respectively. The higher net sales were attributed to sales contribution from the new stores and the healthy same store sales growth for the period of 6.9%. The Specialty segment added 45 net new stores after end of December 2017 bringing the store network to 387 by the end of December 2018.

The cost of merchandise sold by the Specialty Stores segment grew at a slightly faster rate than net sales at 18.1% from ₱11,350 million to ₱13,403 million for the twelve months ended December 31, 2017 and December 31, 2018, respectively. This resulted to a gross profit increase of 14.2% from ₱4,200 million to ₱4,797 million.

For the year ended December 31, 2018, the Specialty Stores segment generated an EBITDA of ₱1,283 million, an increase of 9.8% from last year's EBITDA of ₱1,169 million.

Financial Position

As of December 31, 2018, the Company's balance sheet showed consolidated assets of ₱107,777 million, which is 31.1% higher than the total consolidated assets of ₱82,181 million as of December 31, 2017.

Cash and cash equivalents increased from ₱14,565 million as of December 31, 2017, to ₱10,788 million as of December 31, 2018. Net cash generated from operating activities totaled ₱10,430 million. Net cash used in investing activities amounted to ₱6,374 million, ₱4,419 million of which was used to acquire properties and equipment and ₱847 million was used to acquire available-for-sale investments. Net cash spent from financing activities amounted to ₱2,492 million.

Trade and other receivables increased by 41.9% from ₱2,235 million to ₱3,172 million as of December 31, 2018.

Intangible assets increased from ₱5,271 million to ₱19,269 million as a result of the goodwill and trademarks arising from the acquisition of Rustan Supercenters, Inc. in 2018.

Trade and other payables increased from ₱17,774 million to ₱24,577 million as of December 31, 2018.

Current loans payable increased as a result of availments and payments during the year amounting to ₱7,558 million and ₱8,642 million, respectively.

Stockholder's equity grew from ₱55,266 million as of December 31, 2017, to ₱72,704 million as of December 31, 2018, due to additional 191,489,360 common share issuance for the acquisition of Rustan Supercenters, Inc. valued at ₱72.05 per share.

December 31, 2017 vs December 31, 2016

Consolidated Results of Operations
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income at ₱5,599 million for the twelve months ended December 31, 2017, an increase of 7.8% as compared to ₱5,196 million for the twelve months ended December 31, 2016. The increase was largely due to increased income from operations. Net income attributable to parent amounted to ₱4,978 million for the twelve months ended December 31, 2017, an increase of 3.1% as compared to ₱4,830 million for the twelve months ended December 31, 2016.

Consolidated revenues increased by 9.4% from ₱105,293 million for the twelve months ended December 31, 2016 to ₱115,238 million for the twelve months ended December 31, 2017. The robust revenue growth was largely due to increase in sales volume from the 140 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2016 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱2,118 million to ₱2,262 million, a growth of 6.8%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2017 amounted to ₱25,792 million, 12.0% higher than ₱23,026 million for the twelve months ended December 31, 2016. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 10.7% from ₱19,652 million to ₱21,749 million for the twelve months ended December 31, 2017 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 14.8% from ₱5,493 million to ₱6,305 million for the twelve months ended December 31, 2017. As a percentage of sales, EBIT is at 5.5% this year vs. 5.2% last year.

Other income and charges decreased by 15.1% from ₱1,174 million to ₱997 million for the twelve months ended December 31, 2017 primarily due to the decrease in foreign exchange gains during the year.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 11.3% from ₱7,531 million for the twelve months ended December 31, 2016 to ₱8,378 million for the twelve months ended December 31, 2017.

Segment Operations

(i) ***Supermarket***. Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2017. Supermarket generated net sales of ₱52,363 million for the twelve months ended December 31, 2017, expanding by 8.0% from ₱48,465 million sales registered in 2016. The growth was driven by the store expansion this year with the addition of 14 new stores to 154 stores boosted by sustained performance of existing stores and resilient like-for-like sales of 2.5%.

The Supermarket segment continued to benefit from increasing scale, sustained vendor discounts and offering of value-added services to trade partners. As a result, gross profit expanded to 10,154 million, 9.2% higher than last year's ₱9,295 million. As a percentage to sales, gross profit margin improved by 20 bps to 19.4% this year versus 19.2% last year.

Part of the gains in gross margins flowed through EBIT and EBITDA. EBIT reached ₱2,824 million for the twelve months ended December 31, 2017, 4.3% growth from ₱2,707 in the same period last year. Likewise, EBITDA expanded by 6.0% to ₱3,661 million for the full year 2017 against ₱3,453 million in 2016. As a percentage to sales, EBITDA stood at 7.0% in 2017 and 7.1% in 2016.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) generated total sales of ₱16,116 million for the year ended 2017 with a moderate climb of 1.8% over last year's sales of ₱15,828 million. The increase in total sales is mainly attributable to the additional sales contribution from new stores since same store sales growth has been challenged this year.

Cost of sales for the period amounted to ₱11,880 million, posting a growth of 1.4% from last year's ₱11,714 million. The resulting gross margins for the year amounted to P4,236 million while last year's was at ₱4,114 million. Gross margins improved by 1.3% YOY relative to the total sales growth.

Since sales productivity from existing stores has been challenged this year and there is also low sales density and high fixed expenses from new stores, the overall profitability of RDS was greatly affected. The resulting EBIT (earnings before interests and taxes) of RDS in 2017 is lower at ₱618 million compared to ₱844 million in 2016. Consequently, EBITDA also went down to P976 million this year compared to ₱1,143 million last year.

(iii) ***Convenience stores.*** The convenience store segment registered system-wide sales and merchandise sales at ₱8,640 million and ₱5,710 million for the twelve months ended December 31, 2017, a 1.5% and 0.80% growth from ₱8,541 million and ₱5,666 million, respectively, in the same period last year. The key driver for the increase was the higher number of operating stores in 2016 at 519 to 2017's 496. Other income, which mainly consists of Royalty Fees, was relatively flat at ₱1,725 million this year from ₱1,721 million. Royalty Fee is computed as a percentage of system-wide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by 1.4% to ₱5,165 million for the twelve months ended December 31, 2017 from ₱5,096 million in 2016, while gross margin decreased from 10.1% last year to 9.6% this year on increasing scale. The format recorded EBIT at ₱42.2 million this year versus last year's negative EBIT of ₱55 million.

EBITDA generated for the twelve months ended December 31, 2017 was at ₱303.2 million, 5.1% lower than the ₱319 million recorded in the same period last year.

(iv) ***Drug Stores***. The drug store segment registered net sales of ₱14,518 million as of December 31, 2017, representing a growth of 21.7% from last year's net sales of ₱11,934 million. The growth was mainly driven by the full year sales contribution of TGP Pharma Inc. in the amount of ₱4,195 million. South Star Drug acquired 51% share in TGP Pharma, Inc. in May 2016.

The segment's cost of sales as of December 31, 2016 grew by 19.7% from ₱9,866.3 million to ₱11,806.4 million. Consequently, gross profit expanded by 31.1% from ₱2,067.9 million in 2016 to ₱2,711.7 million this year. In terms of margins, gross profit expanded by 140 bps to 18.7% in 2017against 17.3% last year.

EBIT as of December 31, 2017 reached ₱990.1 million, more than doubling last year's ₱628.1million. Likewise, EBITDA also grew by 54.1% from ₱710.7 million in 2016 to ₱1,095.3 million this year.

(v) ***DIY Stores***. The DIY segment ended 2017 with solid growth in sales and gross profit. Net sales grew by 10.7% from ₱11,129 million to ₱12,323 million for the year ended December 31, 2016 and December 31, 2017, respectively.

The growth was driven primarily by the strong performance of the existing stores coupled with the 15 new store additions for the period ended December 31, 2017.

DIY's cost of sales grew by 9.9% from ₱7,625 million for the year 2016 to ₱8,379 million for the year of 2017. Gross profit increased by 12.6% to ₱3,944 million for the year ended December 31, 2017 from ₱3,503 million in the same period last year. As a percentage to sales, gross profit was at 32% against 31.5% last year.

As a result, EBIT grew by 19.6% at ₱1,007 million for the year ended December 31, 2017 versus ₱842 million in same period last year. EBITDA improved by 12.7% to ₱1,202 million for the year 2017 against ₱1,067 million for the same period in 2016.

(vi) ***Specialty Stores Segment***. The net sales of the Specialty Stores segment increased by 15.9% from ₱13,416 million to ₱15,550 million for the twelve months ended December 31, 2016 and December 31, 2017, respectively. The higher net sales were attributed to sales contribution from the new stores and the healthy same store sales growth for the period of 7.8%. The Specialty segment added 36 net new stores after end of December 2016 bringing the store network to 342 by the end of December 2017.

The cost of merchandise sold by the Specialty Stores segment grew at a slower clip than net sales at 14.2% from ₱9,940 million to ₱11,350 million for the twelve months ended December 31, 2016 and December 31, 2017, respectively. This resulted to a gross profit increase higher than net sales at 20.8% from ₱3,476 million to ₱4,200 million.

For the year ended December 31, 2017, the Specialty Stores segment generated an EBITDA of ₱1,169 million, an increase of 37.9% from last year's EBITDA of ₱848 million.

<u>Financial Position</u>

As of December 31, 2017, the Company's balance sheet showed consolidated assets of ₱82,181 million, which is 7.2% higher than the total consolidated assets of ₱76,695 million as of December 31, 2016.

Cash and cash equivalents increased from ₱12,718 million as of December 31, 2016, to ₱14,565 million as of December 31, 2017. Net cash generated from operating activities totaled ₱6,804 million. Net cash used in investing activities amounted to ₱3,512 million, ₱3,105 million of which was used to acquire properties and equipment and ₱409 million was used to acquire available-for-sale investments. Net cash spent from financing activities amounted to ₱1,459 million.

Trade and other receivables increased by 12.4% from ₱1,988 million to ₱2,235 million as of December 31, 2017.

Other noncurrent assets also increased from ₱1,431 million to ₱1,558 million due to additional security deposit for new stores.

Trade and other payables increased from ₱16,797 million to ₱17,774 million as of December 31, 2017.

Current loans payable decreased due to payment of loans during the period.

Stockholder's equity grew from ₱50,556 million as of December 31, 2016, to ₱55,266 million as of December 31, 2017, due to higher net income during the period.

December 31, 2016 vs December 31, 2015

<u>Consolidated Results of Operations</u>
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income of ₱5,196 million for the twelve months ended December 31, 2016, an increase of ₱13.5% as compared to ₱4,577 million for the twelve months ended December 31, 2015. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,830 million for the twelve months ended December 31, 2016, an increase of 11.2% as compared to ₱4,342 million for the twelve months ended December 31, 2015.

Consolidated revenues increased by 15.9% from ₱90,883 million for the twelve months ended December 31, 2015 to ₱105,293 million for the twelve months ended December 31, 2016. The robust revenue growth was largely due to increase in sales volume from the 72 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2015 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,863 million to ₱2,118 million, a growth of 13.7%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2016 amounted to ₱23,026 million, 16.6% higher than ₱19,749 million for the twelve months ended December 31, 2015. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 16.4% from ₱16,883 million to ₱19,652 million for the twelve months ended December 31, 2016 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 16.2% from ₱4,729 million to ₱5,493 million for the twelve months ended December 31, 2016. As a percentage of sales, EBIT is at 5.2% this year same as last year.

Other income and charges increased by 4.9% from ₱1,119 million to ₱1,174 million for the twelve months ended December 31, 2016 primarily due to the increase in equity in net earnings in associate and interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 18.1% from ₱6,376 million for the twelve months ended December 31, 2015 to ₱7,531 million for the twelve months ended December 31, 2016.

Segment Operations

(i) ***Supermarket***. Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2016. Supermarket hit net sales of ₱48,465 million for the twelve months ended December 31, 2016, expanding by 12.1% from ₱43,239 million sales registered in 2015. The growth was driven by the store expansion this year with net addition of 16 new stores to 140 stores boosted by sustained performance of existing stores and strong like-for-like sales of 6.2%.

Cost of sales grew by 11.8% from 35,036 million in 2015 to 39,170 million in 2016. As a result, gross profit expanded to 9,295 million, 13.3% higher than last year's 8,203 million. The Supermarket segment continued to benefit from increasing scale, sustained vendor discounts and offering of value-added services to trade partners. As a percentage to sales, gross margin improved by 20 bps to 19.2% this year versus 19.0% last year.

After keeping operating expenses steady at 14.1% of sales in 2016, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱ 2,707 million for the twelve months ended December 31, 2016, 13.7% growth from 2,380 in the same period last year. Likewise, EBITDA expanded by 14.7% to ₱3,453 million for the twelve months of 2016 against ₱3,009 million for the same period in 2015. As a percentage to sales, EBITDA stood at 7.1% in 2016 against 7.0% in 2015.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) ended 2016 with an over-all sales turn-over of ₱15,828 million, expanded by 6.2% from ₱14,906 million for the year 2015. The growth in sales is primarily a result of strong sales growth from existing stores at 5.1% and additional sales from new stores.

RDS' cost of sales amounted to ₱11,714 million for the twelve months ended December 31, 2016, relatively increasing with sales at 6.7% from ₱10,980 million for the same period last year. Gross margins as a result of this year's operations amounted to ₱4,114 million while last year was at ₱3,926 million. The 4.8% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Despite the strong sales growth from existing stores, the over-all profitability of RDS was greatly affected by the underperformance of the new stores in Cebu and Tagum. The resulting EBIT (earnings before interests and taxes) of RDS for 2016 is lower at

₱839 million as against ₱919 million for 2015. RDS' EBITDA also went down to ₱1,139 million this year as compared to ₱1,153 million last year.

(iii) ***Convenience stores.*** The convenience stores segment registered a systemwide sales and merchandise sales of ₱8,514 million and ₱5,666 million, respectively for the twelve months ended December 31, 2016, a 6.9% and 3.1% growth from ₱7,961 million and ₱5,493 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from ₱2,070 million last year to ₱2,291 million this year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱130 million or 2.6%, to P5,096 million for the twelve months ended December 31, 2015 from ₱4,966 million in 2015 due to higher sales volume. Gross margin increased from 9.6% last year to 10.1% this year on increasing scale. Convenience stores recorded a negative EBIT of ₱55 million this year versus last year's positive EBIT of ₱8 million.

EBITDA generated for the twelve months ended December 31, 2016 was ₱319 million, 17.7% higher than the ₱271 million recorded in the same period last year.

(iv) ***Drug Stores***. The drug store segment registered net sales of ₱11,934 million as of December 31, 2016, representing a growth of 47.9% from last year's net sales of ₱8,069.5 million. The growth was mainly driven by strong same store sales growth of 7.4%, as well as the sales contribution of TGP Pharma Inc. in the amount of ₱2,563.0 million. South Star Drug acquired 51% share in TGP Pharma, Inc. in May 2016.

The segment's cost of sales as of December 31, 2016 grew by 45.0% from ₱6,804.5 million to ₱9,866.3 million. Consequently, gross profit expanded by 63.5% from ₱1,265.0 million in 2015 to ₱2,067.9 million this year. In terms of margins, gross profit expanded by 160bps to 17.3% in 2016 against 15.7% last year.

EBIT as of December 31, 2016 reached ₱628.1 Million, more than doubling last year's ₱311.5 million. Likewise, EBITDA also grew by 90.6% from ₱372.9 million in 2015 to ₱710.7 million this year.

(v) ***DIY Stores***. The DIY segment ended the year of 2016 with healthy increases in sales and gross profit. Net sales lifted by 12.7% from ₱9,872 million to ₱11,129 million for the year ended December 31, 2015 and December 31, 2016, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the twelve new store additions for the period ended December 31, 2016.

DIY's cost of sales grew by 12.0% from ₱6,805 million for the year 2015 to ₱7,625 million for the year of 2016, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 14.2% to ₱3,503 million for the year ended December 31, 2016 from ₱3,067 million in the same period last year. As a percentage to sales, gross profit was at 31.5% against 31.1% last year. However, operating expenses as a percentage to sales was up 0.4 percentage points from 23.5% to 23.9% because the sales of the new stores are still ramping up.

As a result, EBIT jumped by 12.4% at ₱842 million for the year ended December 31, 2016 versus ₱747 million in same period last year. EBITDA improved by 12.8% to ₱1,067 million for the year 2016 against ₱945 million for the same period in 2015.

(vi) ***Specialty Stores Segment***. The net sales of the Specialty Stores segment increased by 29.5% from ₱10,359 million to ₱13,416 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. The higher net sales were attributed to sales contribution from the new stores and Savers Appliance Depot with 25 stores which were acquired last September 2015. The Specialty segment added 18 net new stores after end of December 2015 bringing the store network to 306 by the end of December 2016.

The cost of merchandise sold of Specialty Stores segment grew by 30.8% from ₱7,598 million to ₱9,940 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. This resulted in gross profit rising at slightly slower clip than net sales at 25.9% from ₱2,761 million to ₱3,476 million.

For the twelve months ended December 31, 2016, the Specialty Stores segment generated an EBITDA of ₱848 million, an increase of 33.5% from last year's EBITDA of ₱635 million.

Financial Position

As of December 31, 2016, the Company's balance sheet showed consolidated assets of ₱76,695 million, which is 17.7% higher than the total consolidated assets of ₱65,160 million as of December 31, 2015.

Cash and cash equivalents significantly increased from ₱9,757 million as of December 31, 2015, to ₱12,718 million as of December 31, 2016. Net cash generated from operating activities totaled ₱6,169 million. Net cash used in investing activities amounted to ₱5,924 million, ₱3,244 million of which were used to acquire properties and equipment and ₱531 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,709 million.

Trade and other receivables increased by 12.1% from ₱1,774 million to ₱1,988 million as of December 31, 2016.

Goodwill increased from ₱2,069 million to ₱3,381 million due to the acquisition of TGP Pharma, Inc.

Other noncurrent assets also increased from ₱1,328 million to ₱1,431 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,796 million to ₱16,797 million as of December 31, 2016.

Current loans payable increased due to availment of loans during the period.

Stockholder's equity grew from ₱45,505 million as of December 31, 2015, to ₱50,566 million as of December 31, 2016, due to higher net income during the period.

Material Changes in the 2018 Financial Statements
(Increase/decrease of 5% or more versus 2017)

Consolidated Statements of Comprehensive Income-Year Ended December 31, 2018 versus year ended December 31, 2017

15.1% Increase in Sales
The robust revenue growth was largely due to increase in sales volume from the 104 new stores that were added this year, the full year sales contribution of the stores that opened in 2017 as well as strong same stores sales growth and consolidation of one-month sales of Rustan Supercenters.

15.7% increase in Gross Profit
The increase in gross profit was on the back of higher sales and improvement in category mix

7.1% increase in royalty, rent and other income
Primarily due to higher royalty fee income of the convenience store segment.

17.9% increase in operating expenses
Primarily due to accelerated store network expansion.

24.9% increase in interest expense
Increase during the year is due to loan availments during the year.

12.1% decrease in equity in net earnings of an associate
Due to share in net loss of associates amounting to ₱16.67 million

4.0% increase in provision for income tax
Due to higher taxable income of the subsidiaries.

4.0% increase in net income
Largely due to increased income from operations as a result of new store openings and strong same store sales growth.

1248.4% decrease in other comprehensive income
Primarily due to marked-to-market movements in the fair value of debt and equity instrument financial assets.

Consolidated Statements of Financial Position - December 31, 2018 versus December 31, 2017

1.5% increase in cash and cash equivalents
Primarily from operations and loans availed during the year.

41.9% increase in trade and other receivables
Due to increase in trade receivables relative to the growth of sales and impact of Rustan acquisition.

25.5% increase in merchandise inventories
Due to increased volume of inventories relative to the expansion of store network and acquired inventory as a result of the business combination

30.4% increase in other current assets
Due to increase in input value added tax.

41.7% increase in property and equipment
Due to the Group's continuing store expansion and renovation of existing stores and acquired property and equipment as a result of the acquisition of Rustan Supercenters

16.4% increase in deferred tax asset-net
Primarily due to the benefit on tax from excess MCITs and allowance for expected credit loss.

65.8% increase in other noncurrent assets
Due to additional security deposit for new stores.

38.3% Trade and other payables
The increase pertains to purchases in relation to store expansions.

13.1% decrease in income tax payable
Decrease in income tax payable is a result of application of NOLCO and payments during the year.

57.1% decrease in net retirement obligation
Primarily due to contributions to plan assets during the year.

294.6% decrease in other comprehensive income
Decrease is due to movements in fair value of debt and equity instrument financial assets

2.1% increase in retained earnings
Movement is due to net income during the year, net of dividends declared.

12.1% increase in non-controlling interest in consolidated subsidiaries
Primarily due to non-controlling interest's share in net income and additional investment from NCI during the year.

Key Performance Indicators

A summary of RRHI's key performance indicators follows:

Key Performance Indicators	**2018**	**2017**	**2016**
	(in millions)		
Net sales	₱132,681	₱115,238	₱105,293
EBIT	6,626	6,305	5,493
EBITDA	9,021	8,378	7,531
Core Net Earnings	5,000	4,679	4,120
	Ratios		
Liquidity ratio:			
Current ratio	1.22	1.34	1.24
Profitability ratio:			
Gross profit margin	0.22	0.22	0.22
Debt to equity ratio	0.48	0.49	0.52
Asset to equity ratio	1.48	1.49	1.52
Interest rate coverage ratio	41.65	49.50	63.48

The manner in which the Company calculates the above key performance indicators is as follows:

Key Performance Indicators

Net sales	= Gross sales net of VAT, less sales returns and allowances and sales discounts
EBIT	= Operating income
EBITDA	= Operating income add depreciation and amortization expense.
Core Net Earnings	= Net income less equity in net earnings of an associate less interest income on bond investments less unrealized foreign currency exchange gain (loss)
Current ratio	= Total current assets over current liabilities
Operating margin	= Operating income over net sales
Debt to equity ratio	= Total liabilities over total equity
Asset to equity ratio	= Total assets over total equity
Interest coverage ratio	= EBIT over interest expense

The Company pursued its efforts in converting the proceeds from its IPO into acquisition of investments and network expansion. The current ratio decreased from 1.34 to 1.22 times in 2017 and 2018, respectively. The Company does not expect any liquidity problems that may arise in the near future.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues and income

a.) The Philippine retail industry has experienced strong growth in recent years, primarily due to robust domestic economic growth as well as the population's growing desire to upgrade their lifestyles. However, market concentration of the Philippines' store-based retailing industry remains relatively low, with only a few major retail chain operators having a sizeable presence. The leading incumbent domestic retailers have created high barriers to entry based on their nationwide network of stores, brand equity as well as deep understanding of the market. In addition, foreign retail presence is also relatively limited as foreign entry was highly regulated until 2000.

As one of the most underpenetrated markets in Asia, the Philippine store-based retail industry presents strong growth potential in the foreseeable future. Similarly, total retail space per capita in the Philippines is behind that of other emerging Asian economies such as China, Thailand, Malaysia and Vietnam.

Penetration level of the modern retail format is currently low in the Philippines, with only a few major retail chains. Small traditional sari-sari stores remain the dominant channel for the entire grocery retail market, especially in lower-tier cities where the level of economic activity does not yet justify significant development by the larger retail chains. Sari-sari, which means “variety”, indicates the wide array of grocery products sold by these small shops, which are prevalent, both in urban and rural areas. In provincial areas, the absence of supermarket chains and independent small grocers highlights the importance of sari-sari stores as the primary source of grocery products including packaged food, home care, and beauty and personal care, especially among the lower-income population.

With the rapid emergence of modern retail formats driven by increasing affluence in urban areas as well as the creation of a wider pool of higher-income consumers in provincial cities, the proportion of sales from traditional retail formats is expected to gradually decline and replaced by successful large-scale modern retailers.

b.) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Not Applicable

c.) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entries or other persons created during the reporting period.

Not Applicable

Item 7. Financial Statements

The Consolidated financial statements are filed as part of this report.

Item 8. Changes and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with the external auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

(A) External Audit Fees and Services

Audit and Audit - Related Fees

The following table sets out the aggregate fees billed to the Company and its subsidiaries for the last two years for professional services rendered by SyCip, Gorres Velayo & Co.,

	2018	2017	2016
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱7,209,524	₱6,721,068	₱6,359,160
Professional Fees related to the Initial Public Offering	None	None	None
Tax Fees	None	None	None
All Other Fees	336,700	317,625	288,750
Total	₱7,546,224	₱7,038,693	₱6,647,910

No other service was provided by external auditors to the Company for the calendar years 2018, 2017 and 2016.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(A) Board of Directors and Executive Officers of the Registrant

Currently, the Board consists of eleven members, of which two are independent directors and two are members of the Advisory Board. The table below sets forth certain information regarding the members of our Board.

DIRECTORS

Name	Age	Position	Citizenship
John L. Gokongwei, Jr.	92	Director	Filipino
James L. Go	79	Vice Chairman	Filipino
Lance Y. Gokongwei	52	Chairman	Filipino
Robina Y. Gokongwei-Pe	57	President and Chief Executive Officer	Filipino
Faith Y. Gokongwei-Lim	48	Director	Filipino
Ian James Winward McLeod	53	Director	British
Samuel Sanghyun Kim	55	Director	American
Antonio L. Go*	78	Independent Director	Filipino
Roberto R. Romulo	80	Independent Director	Filipino

ADVISORY BOARD

Name	Age	Position	Citizenship
Lisa Y. Gokongwei-Cheng	50	Director	Filipino
Hope Y. Gokongwei-Tang	48	Director	Filipino

* *He is not related to any of the other directors*

All of the above directors have served their respective offices since May 28, 2018, except for Messrs. Ian James Winward McLeod and Samuel Sanghyun Kim who were elected as directors November 23, 2018 and Mesdames Lisa Y. Gokongwei-Cheng and Hope Y. Gokongwei-Tang who were elected as members of the Advisory Board on November 23, 2018. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

Messrs. Antonio L. Go and Roberto R. Romulo are the independent directors of the Company.

The table below sets forth certain information regarding our executive officers.

Name	Age	Position	Citizenship
Bach Johann M. Sebastian	57	Senior Vice President, Chief Strategy Officer and Compliance Officer	Filipino
Mylene A. Kasiban	49	Chief Financial Officer	Filipino
Graciela A. Banatao	43	Treasurer	Filipino

Gina R. Dipaling	54	Investor Relations Officer	Filipino
Gabriel Tagala III	50	Vice President, Human Resources	Filipino
Rosalinda F. Rivera	48	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	45	Assistant Corporate Secretary and General Counsel	Filipino

A brief description of the directors and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

John L. Gokongwei, Jr. is a director of the Company and had been Chairman and Chief Executive Officer until his retirement in March 2016. He is also the founder and Chairman Emeritus of JG Summit Holdings, Inc., Universal Robina Corporation and Robinsons Land Corporation. He is currently the Chairman of Gokongwei Brothers Foundation and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company in March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

James L. Go,, is the Vice Chairman of the Company. He is the Chairman of JG Summit Holdings, Inc. and Cebu Air, Inc. He is also Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

Lance Y. Gokongwei is the Chairman of the Company. He is the Chairman of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc., Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., and Robinsons True Serve Hardware Philippines, Inc. He is the Chairman of Universal Robina Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Robinsons Land Corporation and Robinsons Bank Corporation. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation and United Industrial Corporation Limited. He is also a trustee and secretary if the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Antonio L. Go has been an independent director of the Company since July4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., JG Summit Holdings, Inc. and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Robert R. Romulo has been an independent director of the Company since July 4, 2013. He is the Chairman of AIG Philippines Insurance, Inc., Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Sinagpore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

Ian James Winward McLeod was elected as a director of the Company on November 23, 2018. He was named Group Chief Executive of The Dairy Farm Group in September 2017 (the pan-Asian multi-format retailer), having spent the previous two years as Chief Executive Officer of Southeastern Grocers, the fifth largest supermarket chain in the United States. With over 30 year's retail experience, Ian began his career with Asda (subsequently Wal-Mart) in 1981, where he spent 20 years working in the United Kingdom and Germany. Following this, he moved to Halfords (the UK's leading cycling and motoring retailer) where he became Chief Executive Officer in 2005. In 2008, he moved to Australia as Managing Director of Coles, overseeing 2,200 outlets and 100,000 employees. Whilst there he oversaw fundamental improvements in product quality and value as well as customer service. This resulted in Coles producing substantial increases in both turnover and profits, as well as significant market outperformance. Ian attended the Harvard Business School Advanced Management Program in 1999 and was awarded an Honorary Doctorate in his native Scotland in 2010 for services to Business and Retail.

Samuel Sanghyun Kim was elected as a director of the Company on November 23, 2018. He joined Dairy Farm Group as the Chief Executive Officer, South East Asia Division in April 2018. Prior to joining Dairy Farm, he was the Chief Executive Officer of Home plus (formerly Tesco) in South Korea. He spent 30 years at Procter & Gamble and became a Regional Head for Procter & Gamble ASEAN and Asia Development Markets from 2008 to 2015. He personally helped start up Procter & Gamble Korea in 1989, and later also served as the President of Procter & Gamble Korea from 2003 to 2008. He is also an advisor to the Asian Alumni Council of Phillips Academy, Andover, and a member of the Andover Development Board. He has dual degrees in Political Science and Management from Wharton School, University of Pennsylvania, where he also serves currently on the Board of Advisors for Penn's Huntsman Program.

Antonio L. Go, has been an independent director of the Company since July 4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Roberto R. Romulo, has been an independent director of the Company since July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc., PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

(i) Officers

John L. Gokongwei Jr., see "i. Directors".

James L. Go, see "i. Directors".

Robina Y. Gokongwei-Pe, see "i. Directors".

Bach Johann M. Sebastian, is Senior Vice President and Chief Strategy Officer of the Company. In addition, he is also Senior Vice President and Chief Strategy Officer of JG Summit Holdings Inc., Universal Robina Corporation, Robinsons Land Corporation and Cebu Air, Inc. Prior to joining JG Summit in 2002, he was Senior Vice President and Chief Corporate Strategist of RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received a Bachelor of Arts in Economics from the University of the Philippines in 1981, and a Master in Business Administration degree from the Asian Institute of Management in 1986.

Mylene A. Kasiban, is the Chief Financial Officer (CFO) of the Company since May 2016. She has more than 15 years of experience as a CFO in country and regional capacities for multinational companies such as Mondelez, The Hershey Company and Johnson and Johnson. Mylene is a Certified Public Accountant and graduated Cum Laude with a Bachelor of Science in Accounting and Economics from St. Scholastica's College. She has a Masters in Business Administration from the University of Bath, UK and a Post Graduate Diploma in Financial Strategy from the Said Business School, University of Oxford.

Graciela A. Banatao, is the Company Treasurer. She graduated Cum Laude with a Bachelors Degree in Accountancy from St. Paul University (Tuguegarao City) in 1996 and became a Certified Public Accountant in the same year. She started her career in Sycip, Gorres and Velayo (SGV) as account-in-charge in 1996 and has a total of 19 years experience in treasury and accounting from companies such as SGV, Questronix Corporation, Abbott Laboratories and Universal Robina Corporation. She joined the Robinsons Retail group in 2014.

Gina R. Dipaling is the Vice-President for Corporate Planning and Investor Relations Officer for the Company. She was an Investment Research Analyst and Director for two decades at various multi-national stock brokerage firms before joining the Gokongwei Group in 2010. She started as Corporate Planning Manager and IR Director at JG Summit and was promoted and transferred to Robinsons Retail in 2013. She is a graduate of BS Mathematics Cum Laude at Silliman University and a masters degree candidate on MS Statistics at the University of the Philippines Diliman.

Gabriel D. Tagala III is the Vice-President for Human Resources of the Company, joining the Company 2017. He was previously the Human Resources Director for Southeast Asia, Branded Consumer Foods Group, of Universal Robina Corporation. He received a Bachelor of Arts degree from San Sebastian College.

Rosalinda F. Rivera is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petro chemical Corporation, and JG Summit Olefins Corporation. Prior to joining the Company, she was a Senior Associate as Puno and Puno Law Offices. She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law.

Atty. Gilbert S. Millado Jr., is the General Counsel and Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

(B) Significant Employees

The Company does not believe that its business is dependent on the services of any particular employee.

(C) Family Relationships

a. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
b. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
c. Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.
d. Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.

(D) Involvement in certain Legal Proceedings of Directors and Executive Officers

As of December 31, 2018, and to the best of the Company’s knowledge and belief and after due inquiry, none of the Company’s directors, nominees for election as director, or executive officers, in the past five years up to the date of this report: (i) have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Key management personnel of the Group include the President and Chief Operating Officer.

(A) Summary Compensation Table

The following table sets out the Company's chief operating officer and four most highly compensated senior officers for the last three years and projected for the ensuing year (2019).

Name	Position
Robina Y. Gokongwei-Pe…………………..	President and Chief Executive Officer
Dahlia T. Dy………………………………..	Managing Director – Drugstore segment
Mylene A. Kasiban…………………………	Chief Financial Officer
Justiniano S. Gadia..	Managing Director –Supermarket segment
Stephen M. Yap……………………………..	Vice President – Chief Information Officer

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2019 are as follows:

ACTUAL

	Year	Salaries	Bonuses	Total
		(in ₱ million)		
President, managing director of SSDI, and general manager of Robinsons Supermarket and Chief Financial Officer and Chief Information Officer named above	2015	38.51	2.66	41.17
	2016	39.92	2.70	42.62
	2017	43.66	2.97	46.63
	2018	45.43	3.22	48.65
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2015	55.71	4.51	60.22
	2016	76.52	5.09	81.61
	2017	88.05	5.91	93.96
	2018	89.17	6.93	96.10

(B)

PROJECTED 2019 (in ₱ million)			
	Salaries	Bonuses	Total
President, managing director of SSDI, and general manager of Robinsons Supermarket and Chief Financial Officer and Chief Information Officer named above	47.65	3.40	51.05
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	86.60	7.34	113.74

(C) Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which the directors are compensated, directly or indirectly, for any services provided as a director.

(D) Other Arrangements

There are no other arrangements pursuant to which any of the directors is compensated, directly or indirectly, for any service provided as a director.

(E) Terms and Conditions of any Employment Contract or any Compensatory Plan or Arrangement between the Company and the Executive Officers

Not applicable.

(F) Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors.

Not applicable.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of December 31, 2018

As of December 31, 2018, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	487,095,717	30.90%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	269,005,412 (See note 3)	17.06%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	183,662,024	11.65%
Common	Mulgrave Corporation B.V./ GCH Investments Pte Ltd Atrium Building, Strawinskylaan 3007 1077 ZX Amsterdam, Netherlands/ 239 Alexandra Road, Singapore 159930 (stockholder)	Same as record owner (See note 4)	Dutch/ Singaporean	315,308,689	20.00%

Notes:

1. JE Holdings, Inc. is a company owned by members of the Gokongwei family. Under the By-Laws of JE Holdings, Inc., the President is authorized to represent the Corporation at all functions and proceedings. The incumbent President of JE Holdings, Inc. is Mr. John L. Gokongwei, Jr.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares though his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. Out of the PCD Nominee Corporation account, "Philippine Equity Partners, Inc.", "CLSA Philippines, Inc.", "The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct". and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of December 31, 2018:

	No. of shares	% to Outstanding
Philippine Equity Partners, Inc.	219,731,858	13.94%
CLSA Philippines, Inc.	123,886,687	7.86%
The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct	114,772,103	7.28%
Deutsche Bank Manila-Clients A/C	90,593,507	5.75%

Voting instructions may be provided by the beneficial owners of the shares.

4. Mulgrave Corporation B.V. and GCH Investments Pte Ltd. Are wholly owned members of Dairy Farm International Holdings Ltd. Group of companies.

(B) Security Ownership of Management as of December 31, 2018

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership Direct	Indirect	Citizenship	% to Total Outstanding
Named Executive Officers (Note 1)						
Common	1. Lance Y. Gokongwei	Director, Chairman	107,538,351	-	Filipino	6.82%
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Executive Officer	89,906,846	-	Filipino	5.70%
	Sub-Total		197,445,203	-		12.52%
Other Directors and Executive Officers						
Common	3. James L. Go	Director and Vice Chairman	31,928,005	-	Filipino	2.03%
Common	4. John L. Gokongwei, Jr.	Director	1	-	Filipino	*
Common	5. Faith Y. Gokongwei-Lim	Director	29,968,949	-	Filipino	1.90%
Common	6. Ian James Winward McLeod	Director	1	-	British	*
Common	7. Samuel Sanghyun Kim	Director	1	-	American	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President, Chief Strategy Officer and Compliance Officer	-	-	Filipino	-
-	10. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	11. Graciela A. Banatao	Treasurer	-	-	Filipino	-
Common	12. Gina R. Dipaling	Investor Relations Officer	1,500	-	Filipino	-
-	13. Gabriel Tagala III	Vice President, Human Resources	-	-	Filipino	-
-	13. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	14. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		61,898,959	-		3.93%
All directors and executive officers as a group unnamed			259,344,162	-		16.45%

Notes:

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2018.

(C) Voting Trust Holders of 5% or more - as of December 31, 2018

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

Changes in Control

As of December 31, 2018, there has been no change in the control of the Corporation since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

See Note 24 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

The Company and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Corporate Objectives

Robinsons Retail Holdings, Inc. aims to retain its position as the second-largest multi-format retailer in the Philippines catering to the broad middle market. It plans to expand its store network across its retail formats with focus on regions outside of Metro Manila where modern retail penetration is still low. Aside from organic expansion, part of its strategy is to participate in the market's consolidation by entering into mergers and acquisitions in existing and complementary retail formats. Robinsons Retail targets consistent sales growth while improving margins to ensure sustainability of operations.

Dividend Policy

On July 4, 2013, the Company's dividend policy was approved by its Board. The Company intends to maintain an annual cash dividend payout ratio of twenty percent (20%) of its audited consolidated net income for the preceding fiscal year subject to compliance with the requirements of applicable laws and regulations, the terms and conditions of its outstanding loan facilities and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances wherein the Company proposes to implement and undertake major projects and developments through its subsidiaries. There can be no guarantee that the Company will pay any dividends in the future.

In 2018, Robinsons Retail Holdings, Inc. (RRHI) confirmed its compliance with its Corporate Governance Manual which contains relevant provisions of the Code of Corporate Governance. RRHI submitted the following documents in compliance with Securities and Exchange Commission and the Philippine Stock Exchange mandate:

Document	Submitted to	Date of Submission
2013 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	May 30, 2014
2014 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 20, 2015 (uploaded in the Company website)
2014 Corporate Governance Guidelines Disclosure Survey	The Philippine Stock Exchange, Inc. (PSE)	March 27, 2015
Revised Corporate Governance Manual	Securities and Exchange Commission (SEC)	July 16, 2015
2015 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 31, 2016 (uploaded in the Company website)
2015 Corporate Governance Guidelines Disclosure Survey	The Philippine Stock Exchange, Inc. (PSE)	March 31, 2016
2016 Annual Corporate Governance Report (ACGR)	Securities and Exchange Commission (SEC)	January 10, 2017 (uploaded in the Company website)
2016 Corporate Governance Guidelines Disclosure Survey	The Philippine Stock Exchange, Inc. (PSE)	March 31, 2017
Revised Corporate Governance Manual	Securities and Exchange Commission (SEC)	May 31, 2017
2017 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE)	May 30,2018

In reference to SEC Memorandum Circular No. 15 Series of 2017, the Company shall submit the Integrated Annual Corporate Governance Report or the i-ACGR (formerly known as the Annual Corporate Governance Report or the ACGR) to SEC and PSE on or before May 30,2018. Beginning 2018, covering information from year 2017, the i-ACGR will be replacing the ACGR and the PSE CG Disclosure Survey.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

List of Corporate Disclosures / Replies to SEC letters
Under SEC Form 17-C
June 1, 2018 to December 31, 2018

Date of Disclosure	Description
August 6, 2018	Robinsons Retail Unaudited 2Q 2018 Earnings
August 17, 2018	PCC Approves the Acquisition of RRHI of shares in RSCI
August 31, 2018	Robinsons Retail Increases Stake in Ministop Philippines
October 30, 2018	Robinsons Retail's 9M 2018 Net Income up 9.8%
November 20 2018	Confirmation by the Securities and Exchange Commission of the valuation of the entire issued share capital of Rustan Supercenters, Inc. (RSCI) to be exchanged for the primary shares of RRHI.
November 23, 2018	Resignation of directors and election of new directors
November 23, 2018	Change in shareholdings of a director and principal officer – James L. Go
November 23, 2018	Change in shareholdings of a director and principal officer – Lance Y. Gokongwei

November 23, 2018	Change in shareholdings of a director and principal officer – Robina Y. Gokongwei- Pe
November 23, 2018	Change in shareholdings of a director and principal officer – Lisa Y. Gokongwei- Cheng
November 23, 2018	Change in shareholdings of a director and principal officer – FaithY. Gokongwei- Lim
November 23, 2018	Change in number of issued and outstanding shares
November 23, 2018	Robinsons Retail and Dairy Farm Partner to Build a Leading Food Retail Business : RRHI to Acquire 100% Stake in Rustan Supercenters, Inc. (RSCI) in Share for Share Swap Transaction

Item 15. Use of Proceeds from Initial Public Offering

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.07 billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to ₱26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional ₱0.23 billion from the exercised over-allotment of 3,880,550 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.

For the year ended December 31, 2018, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱2,017,115,071
Other corporate purposes	1,569,383,193
Renovation of existing stores	853,204,340
Repayment of bank loans	89,298,890
Total	₱4,529,001,494

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon on March 14, 2019.

By:

LANCE Y. GOKONGWEI
Chairman of the Board

ROBINA Y. GOKONGWEI-PE
President and Chief Executive Officer

MYLENE A. KASIBAN
Chief Financial Officer

for

ROSALINDA F. RIVERA
Corporate Secretary

GRACIELA A. BANATAO
Treasurer

SUBSCRIBED AND SWORN to before me this APR 11 2019 day of ____ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	Gov. ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P0870174A		
Robina Y. Gokongwei-Pe	03-7860984-5		
Mylene A. Kasiban	D04-97-108149		
Graciela A. Banatao	907-401-098		

Notary Public

ATTY. PATRICK ARNOLD P. TETANGCO
Notary Public for Pasig City
Commission No. 187 (2018-2019)
40th Flr., Robinsons Equitable Tower,
Ortigas Center, Pasig City
IBP No. 012638; Quezon City Chapter
Roll No. 63825; 05/08/2014
PTR No. 5858740; 01/31/2018; Q.C.
MCLE No. VI-0007708; 04/11/2018.

Doc. No. 444;
Page No. 90;
Book No. 8;
Series of 2019

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of December 31, 2018 and 2017

Consolidated Statements of Comprehensive Income for the periods December 31, 2018, 2017 and 2016

Consolidated Statements of Changes in Equity for the periods December 31, 2018, 2017 and 2016

Consolidated Statements of Cash flows for the periods December 31, 2018, 2017 and 2016

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

I. Supplementary schedules required by Annex 68-E

   A. Financial Assets (Other Short-term Cash Investments)
   B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   C. Amounts Receivable/Payable From/To Related Parties which are Eliminated during the Consolidation of Financial Statements
   D. Intangible Assets
   E. Short-term and Long-term Debt
   F. Indebtedness to Related Parties
   G. Guarantees of Securities of Other Issuers
   H. Capital Stock

II. Schedule of all of the effective standards and interpretations (Part 1, 4J)

III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

IV. Map of the relationships of the companies within the group (Part 1, 4H)

V. Schedule of Financial Soundness Indicators

VI. Use of Proceeds from Initial Public Offering

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2018, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors and appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Lance Y. Gokongwei
Chairman

Robina Y. Gokongwei-Pe
President & Chief Executive Officer

Mylene A. Kasiban
Chief Financial Officer

Graciela A. Banatao
Treasurer

Signed this 14th day of March 2019.

ROBINSONS RETAIL HOLDINGS, INC.
110 E. Rodriguez, Jr. Avenue, Libis, Quezon City 1110, Philippines
D +63 (2) 631 1252 T +63 (2) 635 0751 local 206 F +63 (2) 570 5553
E info@robinsonsretailholdings.com.ph
www.robinsonsretailholdings.com.ph

SUBSCRIBED AND SWORN to before me, a notary public in Pasig City, personally appeared:

Name	Competent Proof of Identity
Lance Y. Gokongwei	TIN No. 116-312-586
Robina Y. Gokongwei-Pe	TIN No. 139-634-860
Mylene A. Kasiban	TIN No. 127-019-194
Graciela A. Banatao	TIN No. 907-401-098

Who are personally known to me to be the same persons described in the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this APR 11 2019 day of ____________, 2019.

Doc. No. 445;
Page No. 90;
Book No. 8;
Series of 2019.

ATTY. PATRICK ARNOLD P. TETANGCO
Notary Public for Pasig City
Commission No. 187 (2018-2019)
40th Flr., Robinsons Equitable Tower,
Ortigas Center, Pasig City
IBP No. 012638; Quezon City Chapter
Roll No. 63825; 05/08/2014
PTR No. 5858740; 01/31/2018; Q.C.
MCLE No. VI-0007708; 04/11/2018.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

C O M P A N Y   N A M E

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

Principal Office (*No./Street/Barangay/City/Town/Province*)

43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@robinsonsretailholdings.com.ph	635-0751	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
36	Last Thursday of May	December 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
Mylene A. Kasiban	Mylene.Kasiban@robinsonsretail.ph	635-0751 local 214	0998 840 4227

CONTACT PERSON's ADDRESS

43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila

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*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Robinsons Retail Holdings, Inc.
43rd Floor, Robinsons Equitable Tower
ADB Avenue corner Poveda Sts., Ortigas Center
Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Acquisition of Rustan Supercenters, Inc.

On November 23, 2018, the Group completed the 100% acquisition of Rustan Supercenters, Inc. (RSCI) for a total consideration amounting to ₱13.80 billion. The acquisition was made through a share for share swap involving all shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. The Company accounted for this acquisition as a business combination. This transaction is significant to our audit as business combination transaction requires significant management judgment and estimates, which includes determining whether the transaction is an acquisition of a business or a group of assets, and allocating the purchase consideration to the identifiable assets acquired and liabilities assumed. The provisional goodwill arising from this business acquisition amounted to ₱9.11 billion.

The disclosures related to the acquisition are included in Note 19 to the consolidated financial statements

Audit Response

We read the purchase agreements and documents related to the acquisition. We evaluated management's judgment on whether the acquisition qualifies as a business or group of assets by reference to the existing inputs, processes and outputs of RSCI at the date of acquisition. We reviewed the identification of the underlying assets and liabilities of the investee based on our understanding of RSCI's business and existing customer, vendor and employee contracts. We reviewed the provisional purchase price allocation including the valuation of trademarks. We assessed the competence, capabilities, and objectivity of the Group's external specialist. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the trademarks. We assessed the methodology adopted by comparing common valuation models and compared the relevant information supporting the sales forecast, royalty rate and growth rate against historical and industry performance and relevant external information. We evaluated the discount rate used by assessing whether the underlying parameters used represent current market assumptions of risks specific to the asset being valued. We also reviewed the disclosures in the notes to the consolidated financial statements.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition policies, process, and procedures. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in the following areas: (1) assessment whether all promises in the franchise contracts meet the definition of distinct performance obligations; (2) determination of the stand-alone selling price of goods and loyalty points for the allocation of the transaction price; (3) assessment of the timing of revenue recognition; and (4) presentation of marketing support and other amounts arising from trading arrangements and conformes.

The disclosures related to the adoption of PFRS 15 are included in Notes 3 and 20 to the financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard, including revenue streams identification and scoping. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping and contract analysis.

In relation to initial franchise fees, we reviewed sample franchise contracts focusing on the identification of the performance obligations and the timing of revenue recognition. We reviewed management's assessment on whether the activities being performed prior to franchise store opening are distinct performance obligations. In relation to customer loyalty program, we reviewed the management's determination of the estimated stand-alone selling price of loyalty points by comparing the underlying assumptions (e.g., redemption rate of loyalty points) against available historical data, and the allocation of the transaction price between the sale of goods and loyalty points.

In relation to marketing support and other amounts arising from trading arrangements and conformes, we reviewed sample trading arrangements and conformes, and checked management's assessment on whether the promises within those documents meet the definition of distinct performance obligations. We also reviewed their presentation in the consolidated statements of comprehensive income.

We also reviewed the transition adjustment calculation of the management.

Existence and completeness of inventory

The Group's inventories comprise 17% of its total assets as of December 31, 2018, as disclosed in Note 9 of the consolidated financial statements. The Group has 1,910 company-owned stores and warehouses throughout the country as of December 31, 2018. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

Audit Response

We obtained an understanding of the inventory management process which includes inventory count procedures. We assessed and tested the relevant inventory controls, and observed the conduct of the inventory count procedures for selected stores and warehouses and performed test counts. We traced test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We reviewed the reconciliation of the valued physical inventory compilation with the general ledger account balances and evaluated the disposition of the reconciling items. We tested the roll forward procedures on inventory quantities from the date of inventory count to reporting date on a sample basis.

Impairment assessment of trademarks and goodwill

As of December 31, 2018, the Group's trademarks and goodwill arising from business combinations amounted to ₱3.20 billion and ₱3.38 billion, respectively, which are significant to the consolidated financial statements. Under PFRS, the Group is required to annually test the amount of trademarks with indefinite useful lives and goodwill for impairment. The recoverability of trademarks and goodwill is considered a key audit matter as the balances of these assets are considered material to the consolidated financial statements. In addition, the management's assessment process requires significant judgment and is based on assumptions, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple. The Group's disclosures about trademarks and goodwill are included in Note 14 of the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used and performed a recalculation of the value-in-use and EV/EBITDA multiples provided. For value-in-use, these assumptions include gross margins, revenue growth and discount rates. We compared the key assumptions used against the historical performance of the subsidiaries, industry or market outlook and other relevant external data. We tested the parameters used in determining the discount rate against market data. For EV/EBITDA, we assessed if the selected comparable entities obtained by the Group closely represent each cash generating unit to which the goodwill is allocated.

We also reviewed the Group's disclosures about the assumptions that have the most significant effect in determining the recoverable amounts of trademarks and goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332565, January 3, 2019, Makati City

March 14, 2019

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	**2017**
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱14,788,040,613**	₱14,565,037,906
Trade and other receivables (Notes 8, 24 and 27)	**3,171,595,504**	2,234,616,952
Merchandise inventories (Note 9)	**18,628,013,928**	14,846,561,020
Other current assets (Note 10)	**3,159,661,090**	2,423,694,783
Total Current Assets	**39,747,311,135**	34,069,910,661
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	**19,751,466,722**	20,667,367,094
Property and equipment (Note 12)	**19,269,212,908**	13,601,389,023
Investment in associates (Note 13)	**6,814,297,383**	5,271,532,196
Intangible assets (Notes 14 and 19)	**19,106,289,393**	6,657,229,873
Deferred tax assets - net (Note 25)	**413,459,629**	355,166,249
Retirement plan asset (Notes 22 and 23)	**91,253,643**	–
Other noncurrent assets (Notes 15 and 27)	**2,583,816,381**	1,558,131,736
Total Noncurrent Assets	**68,029,796,059**	48,110,816,171
	₱107,777,107,194	₱82,180,726,832
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱24,577,110,455**	₱17,774,234,982
Short-term loans payable (Notes 17 and 27)	**6,794,000,000**	6,377,954,863
Income tax payable	**837,681,888**	964,306,126
Other current liabilities (Note 27)	**279,844,005**	240,007,838
Total Current Liabilities	**32,488,636,348**	25,356,503,809
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 25)	**1,954,819,590**	1,011,395,772
Retirement obligation (Notes 22 and 23)	**325,461,329**	546,188,167
Other noncurrent liabilities (Note 27)	**304,021,928**	–
Total Noncurrent Liabilities	**2,584,302,847**	1,557,583,939
Total Liabilities	**35,072,939,195**	26,914,087,748
Equity (Note 18)		
Capital stock	**1,576,489,360**	1,385,000,000
Additional paid-in capital	**40,768,202,897**	27,227,385,090
Other comprehensive income (loss) (Notes 11, 13 and 23)	**(563,817,037)**	289,698,663
Equity reserve	**(970,435,361)**	(1,021,894,669)
Retained earnings		
Appropriated	**24,151,852,847**	15,212,852,847
Unappropriated	**3,558,435,683**	8,440,230,328
Total equity attributable to equity holders of the Parent Company	**68,520,728,389**	51,533,272,259
Non-controlling interest in consolidated subsidiaries	**4,183,439,610**	3,733,366,825
Total Equity	**72,704,167,999**	55,266,639,084
	₱107,777,107,194	₱82,180,726,832

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱132,680,466,776**	₱115,238,459,529	₱105,293,324,032
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**102,845,384,354**	89,446,079,938	82,267,043,806
GROSS PROFIT (Note 6)	**29,835,082,422**	25,792,379,591	23,026,280,226
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 20, 24 and 29)	**2,422,195,884**	2,262,158,547	2,118,478,594
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**32,257,278,306**	28,054,538,138	25,144,758,820
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(25,631,402,164)**	(21,749,155,955)	(19,651,873,741)
OTHER INCOME (CHARGES)			
Interest income (Notes 6, 7 and 11)	**981,862,604**	873,425,105	827,274,627
Foreign currency exchange gain - net (Note 6)	**200,867,038**	16,104,012	219,216,013
Dividend income (Notes 6 and 11)	**111,500,000**	111,500,000	111,500,000
Equity in net earnings in associates (Notes 6 and 13)	**108,739,236**	123,639,511	102,659,711
Interest expense (Notes 6 and 17)	**(159,071,734)**	(127,384,471)	(86,533,530)
Others (Notes 11 and 14)	**(272,614,314)**	–	–
	971,282,830	997,284,157	1,174,116,821
INCOME BEFORE INCOME TAX (Note 6)	**7,597,158,972**	7,302,666,340	6,667,001,900
PROVISION FOR INCOME TAX (Note 25)			
Current	**1,807,600,901**	1,785,241,581	1,540,728,580
Deferred	**(35,579,353)**	(81,928,619)	(69,454,983)
	1,772,021,548	1,703,312,962	1,471,273,597
NET INCOME	**5,825,137,424**	5,599,353,378	5,195,728,303
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt and equity financial assets (Note 11)	**(1,076,210,678)**	(18,823,208)	182,711,279
Share in change in fair value of debt and equity financial assets in associates (Note 13)	**(23,818,458)**	(65,350,499)	(103,174,500)
Share in change in translation adjustment in associates (Note 13)	**(6,962,641)**	3,690,356	(3,420,011)
Cumulative translation adjustment	**36,670,185**	(549,999)	–
Income tax effect	**9,234,330**	18,498,043	31,978,353
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in actuarial gains (loss) on retirement obligation in associates (Note 13)	**(1,243,379)**	6,640,844	2,544,130
Remeasurement gains (losses) on retirement obligation (Note 23)	**342,862,134**	(4,389,439)	(27,307,738)
Income tax effect	**(102,485,627)**	(675,421)	7,429,082
	(821,954,134)	(60,959,323)	90,760,595
TOTAL COMPREHENSIVE INCOME	**₱5,003,183,290**	₱5,538,394,055	₱5,286,488,898

(Forward)

	Years Ended December 31		
	2018	2017	2016
Net income attributable to:			
Equity holders of the Parent Company	**₱5,107,328,539**	₱4,978,039,066	₱4,830,140,965
Non-controlling interest in consolidated subsidiaries	**717,808,885**	621,314,312	365,587,338
	₱5,825,137,424	₱5,599,353,378	₱5,195,728,303
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱4,253,812,839**	₱4,915,344,317	₱4,930,705,239
Non-controlling interest in consolidated subsidiaries	**749,370,451**	623,049,738	355,783,659
	₱5,003,183,290	₱5,538,394,055	₱5,286,488,898
Basic/Diluted Earnings Per Share (Note 26)	**₱3.65**	₱3.59	₱3.49

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company								
	For the Year Ended December 31, 2018								
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13, and 23)	Equity Reserve (Note 18)	Retained Earnings: Appropriated (Note 18)	Retained Earnings: Unappropriated (Note 18)	Total	Non-controlling Interest in Consolidated Subsidiaries (Note 18)	Total
Balance at beginning of year, as previously stated	₱1,385,000,000	₱27,227,385,090	₱289,698,663	(₱1,021,894,669)	₱15,212,852,847	₱8,440,230,328	₱51,533,272,259	₱3,733,366,825	₱55,266,639,084
Effect of adoption of new standards (Note 3)	–	–	–	–	–	(52,923,184)	(52,923,184)	4,298,559	(48,624,625)
Balances at beginning of year, as restated	1,385,000,000	27,227,385,090	289,698,663	(1,021,894,669)	15,212,852,847	8,387,307,144	51,480,349,075	3,737,665,384	55,218,014,459
Net income	–	–	–	–	–	5,107,328,539	5,107,328,539	717,808,885	5,825,137,424
Other comprehensive loss	–	–	(853,515,700)	–	–	–	(853,515,700)	31,561,566	(821,954,134)
Total comprehensive income (loss)	–	–	(853,515,700)	–	–	5,107,328,539	4,253,812,839	749,370,451	5,003,183,290
Acquisition of a subsidiary- net of transaction cost	191,489,360	13,540,817,807	–	–	–	–	13,732,307,167	–	13,732,307,167
Additional investment in a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	14,700,000	14,700,000
Acquisition of non-controlling interest	–	–	–	51,459,308	–	–	51,459,308	(51,459,308)	–
Dividends (Note 18)	–	–	–	–	–	(997,200,000)	(997,200,000)	(266,836,917)	(1,264,036,917)
Appropriations	–	–	–	–	9,222,000,000	(9,222,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(283,000,000)	283,000,000	–	–	–
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱563,817,037)	(₱970,435,361)	₱24,151,852,847	₱3,558,435,683	₱68,520,728,389	₱4,183,439,610	₱72,704,167,999
	For the Year Ended December 31, 2017								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029
Net income	–	–	–	–	–	4,978,039,066	4,978,039,066	621,314,312	5,599,353,378
Other comprehensive income	–	–	(62,694,749)	–	–		(62,694,749)	1,735,426	(60,959,323)
Total comprehensive income (loss)	–	–	(62,694,749)	–	–	4,978,039,066	4,915,344,317	623,049,738	5,538,394,055
Additional investment in a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	490,000,000	490,000,000
Dividends (Note 18)	–	–	–	–	–	(969,500,000)	(969,500,000)	(357,800,000)	(1,327,300,000)
Reversal of appropriation	–	–	–	–	(50,000,000)	50,000,000	–	–	–
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱289,698,663	(₱1,021,894,669)	₱15,212,852,847	₱8,440,230,328	₱51,533,272,259	₱3,733,366,825	₱55,266,639,084
	For the Year Ended December 31, 2016								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	₱251,829,138	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱43,523,764,526	₱1,981,511,324	₱45,505,275,850
Net income	–	–	–	–	–	4,830,140,965	4,830,140,965	365,587,338	5,195,728,303
Other comprehensive income	–	–	100,564,274	–	–	–	100,564,274	(9,803,679)	90,760,595
Total comprehensive income	–	–	100,564,274	–	–	4,830,140,965	4,930,705,239	355,783,659	5,286,488,898
Acquisition of subsidiaries (Notes 2, 18 and 19)	–	–	–	5,508,177	–	–	5,508,177	951,665,437	957,173,614
Dividends (Note 18)	–	–	–	–	–	(872,550,000)	(872,550,000)	(310,843,333)	(1,183,393,333)
Appropriation	–	–	–	–	3,709,000,000	(3,709,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(1,443,598,606)	1,443,598,606	–	–	–
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱7,597,158,972**	₱7,302,666,340	₱6,667,001,900
Adjustments for:			
Depreciation and amortization (Notes 6, 12, 14 and 21)	**2,395,085,036**	2,073,037,176	2,038,230,133
Interest expense (Notes 6 and 17)	**159,071,734**	127,384,471	86,533,530
Retirement expense (Notes 22 and 23)	**155,999,283**	170,952,296	116,638,933
Loss on impairment of assets (Notes 14 and 15)	**117,234,205**	–	–
Provision for expected credit losses (Notes 8 and 11)	**59,878,944**	21,514,165	58,831,504
Loss on sale of debt instruments at FVOCI (Note 11)	**21,587,505**	–	–
Changes in fair value of debt instruments at FVTPL (Note 11)	**18,528,989**	–	–
Loss on sale of AFS financial assets (Note 11)	**–**	4,235,786	–
Equity in net earnings in associates (Note 13)	**(108,739,236)**	(123,639,511)	(102,659,711)
Dividend income (Notes 6 and 11)	**(111,500,000)**	(111,500,000)	(111,500,000)
Unrealized foreign currency exchange gain - net (Note 6)	**(200,867,038)**	(16,104,012)	(219,216,013)
Interest income (Notes 6, 7 and 11)	**(981,862,604)**	(873,425,105)	(827,274,627)
Operating income before working capital changes	**9,121,575,790**	8,575,121,606	7,706,585,649
Decrease (increase) in:			
Trade and other receivables	**(229,620,430)**	(251,303,489)	300,129,717
Merchandise inventories	**(707,718,702)**	(1,504,876,035)	(2,133,924,422)
Other current assets	**176,931,590**	(238,982,676)	(475,308,637)
Increase (decrease) in:			
Trade and other payables	**2,076,894,127**	1,285,521,931	1,138,625,087
Other current liabilities	**(20,759,045)**	(29,919,251)	72,343,599
Other noncurrent liabilities	**15,314,465**	–	–
Net cash flows generated from operations	**10,432,617,795**	7,835,562,086	6,608,450,993
Interest received	**997,459,296**	864,071,329	962,121,605
Retirement contributions and benefits paid (Note 23)	**(408,772,972)**	(238,682,816)	(8,942,936)
Income tax paid	**(1,934,225,139)**	(1,656,583,782)	(1,392,925,199)
Net cash flows provided by operating activities	**9,087,078,980**	6,804,366,817	6,168,704,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment in associates (Note 13)	**(1,466,050,429)**	(125,000,000)	–
Debt and equity instrument financial assets (Note 11)	**(847,021,924)**	(408,551,798)	(530,826,255)
Property and equipment (Note 12)	**(4,419,447,522)**	(3,104,719,693)	(3,243,894,010)
Franchise (Note 14)	**(7,583,430)**	–	(1,790,188)
Proceeds from transfers/disposals of:			
Debt and equity instrument financial assets (Note 11)	**734,662,184**	141,871,049	–
Short-term investments	**–**	–	7,059,000
Dividends received (Note 11)	**111,500,000**	111,500,000	111,500,000

(Forward)

	Years Ended December 31		
	2018	2017	2016
Acquisition through business combination - net of cash received (Note 19)	**₱38,661,161**	₱–	(₱2,179,553,090)
Increase in other noncurrent assets	**(518,493,215)**	(127,411,107)	(86,935,071)
Net cash flows used in investing activities	**(6,373,773,175)**	(3,512,311,549)	(5,924,439,614)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional investments from non-controlling interest (Notes 2 and 18)	**14,700,000**	490,000,000	–
Proceeds from loan availments (Note 17)	**7,508,045,137**	3,724,954,863	4,398,000,000
Dividends paid (Note 18)	**(1,266,370,255)**	(1,624,143,333)	(935,511,000)
Payment of loans (Note 17)	**(8,592,000,000)**	(3,922,698,733)	(667,173,825)
Interest paid (Note 17)	**(159,071,734)**	(127,384,471)	(86,533,530)
Net cash flows provided by (used in) financing activities	**(2,494,696,852)**	(1,459,271,674)	2,708,781,645
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**4,393,754**	14,254,085	7,601,917
NET INCREASE IN CASH AND CASH EQUIVALENTS	**223,002,707**	1,847,037,679	2,960,648,411
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,565,037,906**	12,718,000,227	9,757,351,816
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱14,788,040,613**	₱14,565,037,906	₱12,718,000,227

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Robinsons Retail Holdings, Inc., (herein referred to as either "RRHI" or the "Parent Company") is a stock corporation organized under the laws of the Philippines. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 2002. The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on November 11, 2013, the Parent Company's initial public offering (IPO).

The primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

As of December 31, 2017, the Parent Company is 35.0% owned by JE Holdings, Inc., 34.85% owned by PCD Nominee Corporation and the rest by the public. As of December 31, 2018, the Parent Company is 30.90% owned by JE Holdings, Inc., 34.40% owned by PCD Nominee Corporation, 18.25% by Mulgrave Corporation B.V. (MCBV) and the rest by the public.

In November 2018, the Parent Company completed the acquisition of MCBV's 100% stake in Rustan Supercenters, Inc. (RSCI) through a share for share swap involving 34,968,437 shares of RSCI in exchange for 191,489,360 primary common shares of the Parent Company or 12.15% interest. In addition, GCH Investments Pte. Ltd. (GCH) also acquired 96,219,950 shares or 6.10% interest in the enlarged share capital from the existing controlling shareholders of the Parent Company. MCBV and GCH are wholly-owned subsidiaries of Dairy Farm International Holdings, Ltd. (DF) Group of companies. After the transaction, DF through MCBV will have an 18.25% interest in the Parent Company (Notes 18 and 19).

The registered office address and principal place of business of the Parent Company is at 43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Sts., Ortigas Center, Pasig City, Metro Manila.

2. Basis of Preparation

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

<u>Basis of Consolidation</u>
The consolidated financial statements as of December 31, 2018 and 2017 and for each of the three (3) years in the period ended December 31, 2018 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

Investee Companies	Effective Percentages of Ownership 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect	2016 Direct	2016 Indirect
Robinson's, Incorporated (RI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	**100.00%**	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	**59.05%**	–	51.00%	–	51.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	–
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%	–	–
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%	–	–
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	**100.00%**	–	100.00%	–	100.00%
Savers Electronic World, Inc. (SEWI)	–	**90.00%**	–	90.00%	–	90.00%
Chic Centre Corporation (CCC)	–	**100.00%**	–	100.00%	–	–
Super50 Corporation (Super50)	–	**51.00%**	–	–	–	–
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Angeles Supercenter, Inc. (ASI)	–	**67.00%**	–	67.00%	–	67.00%
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%	–	67.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%	–	45.90%
Robinson's Handyman, Inc. (RHMI)	–	**80.00%**	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	**52.00%**	–	52.00%	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	**52.00%**	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**53.33%**	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	**53.60%**	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	**40.20%**	–	40.20%	–	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	–	**80.00%**	–	–	–	–
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	**59.40%**	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	**100.00%**	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	**100.00%**	–	100.00%	–	100.00%	–
Rustan Supercenters, Inc. (RSCI)	**100.00%**	–	–	–	–	–

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippine Peso (₱) except for NDV Limited which is incorporated in British Virgin Islands (BVI) and the functional currency is US Dollar ($).

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2018 and 2017. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full consolidation.

NCI represent the portion of profit or loss and net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Additional Investments and Acquisitions
On November 23, 2018, RRHI acquired 100.00% ownership in RSCI, a company engaged in the business of food retailing (Note 19).

On November 16, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI has not yet started commercial operations. DAVI's principal activities include processing, managing and analyzing data. Accordingly, the Group accounted the investment in DAVI under investment in associates (Note 13).

On September 20, 2018, RRHI made an investment in G2M Solutions Philippines Pte. Ltd. (G2M) amounting to ₱160.65 million through convertible note which will provide the RRHI 14.90% ownership interest upon conversion of the note. The terms of the agreement entitled the RRHI to one (1) out of three (3) board seats and participation to board key decisions. G2M is providing neighborhood sundry stores enablement platform and software in the Philippines. Accordingly, the Group accounted the investment in G2M under investment in associates (Note 13).

On August 28, 2018, Mitsubishi sold its entire ownership interest (12%) in RCSI to RI and Ministop; 161,052,632 shares to RI and 78,947,367 shares to Ministop. As a result of the transaction, RI's ownership interest to the RCSI increased from 51.0% to 59.05% while Ministop ownership increased from 36.9% to 40.9% (Note 18).

On August 16, 2018, RSC made an investment in GrowSari, Inc. (GrowSari) amounting to ₱105.00 million through convertible note which will provide the RSC 28.60% ownership interest upon conversion of the note. The terms of the agreement also provide technical information and entitled the RSC to two (2) out of seven (7) board seats and participation to board key decisions. GrowSari is engaged in selling wholesale goods to sari sari business owners. Accordingly, the Group accounted the investment in GrowSari under investment in associates (Note 13).

On July 12, 2018, RRHI made additional capital infusion to RBC amounting to ₱1.20 billion to meet the ₱15.0 billion minimum capital required by the Bangko Sentral ng Pilipinas for a bank to operate a network of over 100 branches (Note 13).

On February 27, 2018, RI and an NCI incorporated Super50, a company engaged in the business of retail and wholesale goods with paid-up capital amounting to ₱30.0 million. RI's ownership interest in Super50 is 51.0% (Note 18).

On February 22, 2018, RHMI incorporated RLSI, with a paid-up capital amounting to ₱50.00 million. RLSI is primarily engaged in the business of trading goods, commodities and merchandise of any kind.

On December 20, 2017, additional capital amounting ₱510.0 million to RCSI was made by RI. Corresponding additional investment coming from NCI of RCSI amounted to ₱490.0 million (Note 18).

On December 13, 2017, RRHI acquired 20% ownership in Taste Central Curators, Inc. (TCCI), operator of BeautyMNL, e-commerce site. Accordingly, the Group accounted the acquisition of TCCI using the equity method under investment in associates (Note 13).

On October 3, 2016, RI acquired 100% ownership of CCC, a company engaged in the business of manufacturing and distributing cosmetics products (Note 19). CCC is under common control. Accordingly, the Group accounted the business combination of CCC using the prospective pooling of interest method.

On August 1, 2016, RHIB acquired 75.0% ownership of HPTDI, a company engaged in the business of hardware retailing (Note 19). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱9.50 million.

On May 17, 2016, SSDI acquired 51.00% of ownership of TGPPI, a company engaged in the business of pharmaceutical (Note 19). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱942.17 million.

On February 11, 2016, RI made additional investments to RGFBI amounting to ₱100.0 million (Note 19).

On January 4, 2016, the Parent Company acquired 100% ownership of NDV Limited for the purpose of carrying on the business of investment holding (Note 19).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  These amendments do not have any impact on the Group's financial statements since the Group does not have share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9, *Financial Instruments* replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the financial statements.

  The nature of these adjustments are described below:

  a. *Classification and measurement*
     Under PFRS 9, debt instruments are subsequently measured at FVTPL, amortized cost, or FVOCI. The classification is based on two criteria: the Group's business model for

managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables and other noncurrent financial assets (i.e., deposits) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortized cost.

- Quoted debt instruments previously classified as AFS financial assets are now classified and measured as debt instruments at FVOCI. The Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's quoted debt instruments are corporate bonds that passed the SPPI test.

- Unsecured corporate notes previously classified as AFS financial assets are now classified and measured as FVTPL as these debt instruments have loss absorption feature, and did not pass the SPPI test.

- Listed equity investments previously classified as AFS financial assets are now classified and measured as equity instrument at FVOCI. The Group elected to classify irrevocably its listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

There are no changes in classification and measurement of the Group's financial liabilities.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications:

		PFRS 9 measurement category		
PAS 39 measurement category	Amount	FVTPL	Amortized cost	FVOCI
Loans and receivables				
Cash and cash equivalents	₱13,271,954,850	₱–	₱13,271,954,850	₱–
Trade receivables	1,552,222,590	–	1,552,222,590	–
Nontrade receivables	487,405,602	–	487,405,602	–
Due from franchisees	305,376,530	–	305,376,530	–
Other noncurrent assets:				
Security and other deposits	1,530,655,795	–	1,530,655,795	–
Construction bonds	27,475,941	–	27,475,941	–
AFS financial assets				
Equity investments	2,104,000,000	–	–	2,104,000,000
Debt instruments	18,563,367,094	1,683,700,000	–	16,879,667,094
	₱37,842,458,402	₱1,683,700,000	₱17,175,091,308	₱18,983,667,094

b. *Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at the approximation on the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The adoption of PFRS 9 did not have a significant impact on the Group's impairment allowances on its debt instruments as of January 1, 2018 because:

a. Cash and cash equivalents' credit grade, excluding cash on hand, is Grade A based on the Group's internal grading system which kept the probability of default at a minimum;
b. Receivables are all current;
c. Refundable deposits pertain to the amounts provided to lessors and utility service providers to be refunded upon termination of agreement. Effect of PFRS 9 impairment allowance is not material to the Group; and
d. Debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category by the Standard & Poor's (S&P) Global Rating and, therefore, are considered to be low credit risk investments.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related Interpretations.

The effect of adopting PFRS 15 as of January 1, 2018 follows:

		As of December 31, 2017	Adjustments	As of January 1, 2018
Assets				
Contract asset	*a, c*	₱–	₱18,063,653	₱18,063,653
Deferred tax asset	*a*	355,166,249	28,580,690	383,746,939
Liabilities				
Contract liability	*a*	–	95,268,968	95,268,968
Equity				
Retained earnings	*a, c*	23,653,083,175	(52,923,184)	23,600,159,991
NCI	*a, c*	3,733,366,825	4,298,559	3,737,665,384

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statement of comprehensive income and consolidated statement of financial position follows:

Consolidated statement of comprehensive income

	For the year ended December 31, 2018		
	As reported	Balances without adoption of PFRS 15	Effect of change Higher (Lower)
Sales	₱132,680,466,776	₱132,697,268,229	(₱16,801,453)
Less cost of merchandise sold	102,845,384,354	103,012,164,401	(166,780,047)
Gross profit	29,835,082,422	29,685,103,828	149,978,594
Other revenue	2,422,195,884	2,502,263,401	(80,067,517)
Gross profit including other revenue	32,257,278,306	32,187,367,229	69,911,077
Less operating expenses	25,631,402,164	25,622,938,504	8,463,660
Other income (charges)	971,282,830	971,282,830	–
Income before income tax	7,597,158,972	7,535,711,555	61,447,417
Less provision for income tax	1,772,021,548	1,748,546,887	23,474,661
Net income	₱5,825,137,424	₱5,787,164,668	₱37,972,756

Consolidated statement of financial position

	For the year ended December 31, 2018		
	As reported	Balances without adoption of PFRS 15	Effect of change Higher (Lower)
Deferred tax asset	₱413,459,629	₱408,353,600	₱5,106,029
Contract asset	1,262,200	–	1,262,200
Contract liability	197,899,218	180,879,120	17,020,098
Retained earnings	3,558,435,683	3,569,087,552	(10,651,869)

The change did not have a material impact on other comprehensive income and consolidated statement of cash flows for the period.

The nature of the adjustments as at January 1, 2018 pertains to the following:

a. *Franchise - non-refundable upfront fee*
   The Group's franchise agreement includes payment of non-refundable upfront fee. Before the adoption of PFRS 15, the Group recognized the revenue on the non-refundable upfront fee upon execution of the franchise agreement and performance of initial services required under the franchise agreement. Under PFRS 15, the non-refundable upfront fee is amortized over the franchise period since there is a reasonable expectation that the Group will undertake activities that will significantly affect the brand name to which the franchisee has rights, and the franchisee is directly exposed to any positive or negative effects of that brand and image throughout the franchise period.

b. *Considerations received from suppliers under normal trade arrangements (e.g. slotting fees)*
   Before the adoption of PFRS 15, the Group accounted for the slotting fees as separate obligation and recorded the considerations received as part of other revenues. Under PFRS 15, considerations received from the suppliers under normal trade agreements are treated as only one performance obligation and the considerations received are deducted to cost of merchandise sold. The adoption of PFRS 15 decreases the amount of cost of merchandise sold and other income but has no impact on retained earnings.

c. *Membership fee*
   Before the adoption of PFRS 15, the Company recognized as outright revenue the membership fee for the sale of Robinsons Reward Card (RCC). Under PFRS 15, the membership fee is amortized over the membership period of two (2) years since cardholders receive the benefit to be eligible to earn points and use/redeem those points in the process over such period.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which

(a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

The amendments do not have impact on the Group's financial position or performance.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  The amendments are not applicable to the Group since the Group does not have investment property.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

<u>Standards Issued But Not Yet Effective</u>
Pronouncements issued but not yet effective are listed on the next page. Unless otherwise indicated, the Group does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 9, *Prepayment Features with Negative Compensation* (Amendments)

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are the SPPI criterion and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the Group's financial statements.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- PAS 28, *Long-term Interests in Associates and Joint Ventures* (Amendments)

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting the amendments.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Group.

Effective Beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

  The core of PFRS 17 is the general model, supplemented by:

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The amendments will have no significant impact on the Group's financial position or performance.

Deferred Effectivity

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

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

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

  The amendments will have no significant impact on the Group's financial position or performance.

4. **Summary of Significant Accounting Policies**

Revenue Recognition Effective January 1, 2018

<u>Revenue from Contracts with Customers</u>
Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal in all its revenue arrangements. The Group recognized revenue from the following major sources:

- Sale of goods to retail customers, including the related loyalty programme and warranties granted under local legislation. Sale of goods include food, beverage, grocery items, fashion items (e.g. shoes, bags, clothing, cosmetics), household items, home improvement products, consumer electronics and appliances, toys, and prescription and over-the-counter pharmaceutical products;
- Sale of merchandise to franchisees;
- Franchise revenue under Ministop and TGP franchise agreements;
- Royalty fees

Sale of Goods - Retail Customers
The Group sells goods directly to customers both through its own retail outlets and through internet sales in partnership with major e-commerce players in the country.

For sale of goods through retail outlets revenue is recognized when the control of the goods has transferred to the customer, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

Under the Group's standard contract terms for sale to retail customers (from both retail outlet and internet sales), customers have a right of return within seven (7) days. The right of return entitles the customer to exchange the product bought for another product of the same type, quality, condition and price (for example, one color or size for another). The right of return is not a separate performance obligation.

Sale of Goods - Wholesale Market
The Group also sell goods in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The sale of goods to the wholesale market often includes volume discounts based on current purchases. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of Loyalty Points and Gift Checks
The Group operates a loyalty programme where retail customers accumulate points for purchases made at any participating retail outlets and partner establishments that can be redeemed against any future purchases at any participating retail outlets and partner establishments, subject to a minimum number of points obtained. The Group also sells gift checks which can be used to redeem goods.

The Group allocates a portion of the consideration received to loyalty points and gift checks. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points and gift checks are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. The amount allocated to the items is deferred and is recognized as revenue when redeemed or the likelihood of the customer redeeming becomes remote. The deferred revenue is included in contract liabilities.

Sale of Merchandise - Franchisees
For sale of merchandise to franchisees, revenue is recognized when control of the goods has transferred to the franchisees, being at the point the goods are delivered to the franchisees. Delivery occurs when the goods have been shipped to the franchisee's specific location.

Franchise Revenue
The Group's franchise agreement includes payment of non-refundable upfront fee. The revenue from non-refundable upfront fees is recognized on a straight-line basis over the period the franchisee has access to the license (the term of the franchise agreement). Continuing franchise fees in exchange for the franchise right granted over the term of the franchise agreement are recognized as revenue when the subsequent sale of merchandise by the franchisees occurs.

Contract Balances
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Revenue Recognition Prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Sales are recognized from retail customers at the point of sale in the stores. Sales returns and sales discounts are deducted from the sales to arrive at the net sales shown in the consolidated statement of comprehensive income.

Accounting Policies Effective from and prior to January 1, 2018

Royalty Fee
Royalty fee is recognized as a percentage of gross profit earned by the franchisee.

Rental Income
Rental income is accounted for on a straight line basis over the lease term.

Interest Income
Interest on cash in bank, cash equivalents, debt financial assets at FVOCI and FVTPL and AFS financial assets is recognized as the interest accrues using the effective interest rate (EIR) method.

Dividend Income
Dividend income is recognized when the Group's right to receive the payment is established.

Cost of Merchandise Sold
Cost of merchandise sold includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. Vendor returns, allowances and consideration received under normal trade arrangements are generally deducted from cost of merchandise sold.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has occurred and the decrease in economic benefits can be measured reliably.

Financial Instruments - Initial Recognition and Subsequent Measurement Effective January 1, 2018

Financial Assets
The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

As of December 31, 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables and refundable security deposits included under 'other noncurrent assets'.

FVOCI (Debt Instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI in the consolidated statement of comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss in the consolidated statement of comprehensive income.

As of December 31, 2018, the Group's debt instruments at FVOCI includes investments in quoted debt instruments.

Financial Assets Designated at FVOCI (Equity Instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation and Disclosure* are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss in the consolidated statement of comprehensive income.

As of December 31, 2018, the Group's financial assets at FVTPL includes investments in debt instruments which contain loss absorption feature.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk of the financial asset since origination (12-month ECL). Otherwise if a significant increase in credit risk is observed, then the ECL estimation is extended until the end of the life of the financial asset (Lifetime ECL). The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Financial instruments subject to the ECL methodology are categorized into three stages:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

A default is considered to have occurred when (a) there is a breach of financial covenants by the counterparty; or (b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

At each reporting date, the Group shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. Group's assessment of significant increase in credit risk involves looking at quantitative element and qualitative element. The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Group shall consider as relevant in assessing changes in credit risk.

The Group may also look at the number of notches downgrade of credit risk rating or certain thresholds for the probabilities of default being generated from statistical models to determine whether significant increase in credit risk has occurred subsequent to initial recognition date.

Credit exposures shall be transferred from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition date. Exposures shall be classified as Stage 2 if (a) the exposure have potential weaknesses, based on current and/or forward-looking information, that warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures; (b) If there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

Exposures shall be transferred from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to their transfer. Quantitative indicator is characterized by payments made within an observation period. Qualitative indicator pertains to the results of assessment of the borrower's financial capacity.

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been significant increase in credit risk since initial recognition. ECL calculations are based on the following components:

- Probability-of-default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.

- Loss-given-default (LGD) - an estimate of the loss arising in case where defaults occur at a given time. It is based on the difference between the contractual cash flow due and those that the Group would expect to receive, including from any collateral.

- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.

Forward-looking information shall be considered in estimating/determining the 12-month and lifetime PD, LGD and EAD depending on the credit exposure.

ECL measurement is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Experienced credit judgment is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios shall consider factors that may affect the general economic or market conditions in which the Group operates.

For trade receivables and contract assets, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted by forward-looking factors specific to the debtors and economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group's debt instruments at FVOCI comprise solely of quoted bonds that are graded in the top investment category by the S&P and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the S&P both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For other debt financial instruments e.g., cash and cash equivalents and security deposits ECLs the Company applies the general approach. Therefore, the Group track changes in credit risk at every reporting date.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018

Financial Assets
The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition
Financial instruments are recognized initially at the fair value of the consideration given. Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2017, the financial instruments of the Group are classified as AFS financial assets, loans and receivables, and other financial liabilities.

Subsequent Measurement
The subsequent measurement of financial assets and financial liabilities depend on their classification as follows:

AFS Financial Asset. AFS financial assets are those which are designated as such and are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. However, AFS financial assets in unquoted debt securities whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of translation on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets and the impact of translation on foreign currency-denominated AFS debt instruments are reported as part of OCI in the equity section of the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized is recognized in profit or loss in the other comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using effective interest rate (EIR). Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income. The losses arising from impairment of such investments are recognized in profit or loss in the consolidated statement of comprehensive income.

As of December 31, 2017, this accounting policy relates primarily to the Group's investments in equity and debt securities (Note 11).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

As of December 31, 2017, this accounting policy relates primarily to the Group's cash and cash equivalents, trade and other receivables, security deposits and construction bonds.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS Financial Assets. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is recorded under interest income in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is also reversed through profit or loss in the consolidated statement of comprehensive income.

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is removed from OCI and recognized in the profit or loss in the consolidated statement of comprehensive income.

Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly as part of other OCI in the consolidated statement of comprehensive income.

Loans and Receivables. For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as the borrower's payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to and After January 1, 2018

<u>Financial Liabilities</u>
Initial Recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVPL, includes transaction costs.

As of December 31, 2018 and 2017, the financial liabilities of the Group are classified as other financial liabilities.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through amortization process.

This accounting policy relates primarily to the Group's trade and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement obligation).

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Assets and Liabilities
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized where:

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is

based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventory to its present location and condition.

NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statement of comprehensive income.

Investment in Associates
Associates are entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The profit or loss reflects the share of the results of the operations of the associates reflected a "Equity in net earnings of associates" under "Other income (charges)" in the consolidated statement of comprehensive income. Goodwill relating to associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investees' post acquisition movements in the investees' equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when the investment associates is reduced to zero (0). Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates. When the associates subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the amount under "Other expenses" in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associates, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Business Combination and Goodwill
If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of comprehensive income any excess remaining after reassessment.

<u>Combination of Entities under Common Control</u>
Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations are accounted for using the acquisition

method except for business combinations under common control in which an accounting similar to pooling of interest method accounted for prospectively from the acquisition date as allowed under PIC Q&A 2012-01. Under the prospective pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets and liabilities, at the date of the combination. No new goodwill is recognized. The adjustments made, if any, are only to the extent to harmonize accounting policies within the Group. The difference between the book value of net asset acquired and the consideration paid or transferred is recognized in equity, under "Equity reserve". The profit and loss of the acquirees are consolidated from the acquisition date. Comparative periods are not restated.

Property and Equipment
Property and equipment, except land are carried at cost less accumulated depreciation and amortization and accumulated impairment in value, if any. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Construction in-progress (CIP) are transferred to the related "Property and equipment" account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service. CIP is not depreciated until such time when the relevant assets are completed and available for use. Depreciation and amortization is computed using the straight-line method over the estimated useful lives (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter.

The EUL of property and equipment in general are as follow:

	Years
Building and other equipment	20 - 25
Leasehold improvements	6 - 10
Store furniture and fixtures	5 - 10
Office furniture and fixtures	5 - 10
Transportation equipment	5 - 10
Computer equipment	3 - 10

The assets' useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed and adjusted, if appropriate, at each financial year-end.

Fully depreciated and amortized property and equipment are maintained in the accounts until these are no longer in use.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the EUL and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licenses
The Group acquired the license to use the brand and operate its stores. The license shall be amortized using the straight-line method over a period of ten (10) years. The amortization of the license is recorded in the consolidated statement of comprehensive income under “Operating expenses” account.

Trademarks
Trademarks, which were acquired through business combinations in 2012 (SSDI), 2015 (SEWI), 2016 (TGPPI) and 2018 (RSCI) were recognized at fair value at the date of acquisition and assessed to have indefinite useful lives. Following initial recognition, the trademarks are carried at cost and subject to annual impairment testing.

Franchise
The Group acquired the franchise to use the brand and operate its stores. The franchise shall be amortized using the straight-line method over a period of ten (10) years. The amortization of the franchise is recorded in the consolidated statements of comprehensive income under “Operating expenses” account.

Impairment of Nonfinancial Assets
This accounting policy primarily applies to the Group’s property and equipment, investment in associates and intangible assets.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell, and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Investment in Associates
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investment in associates and recognizes the difference in the consolidated statement of comprehensive income.

Impairment Testing of Goodwill and Trademarks
Goodwill and trademarks are reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The Group performed its annual impairment test for the years ended December 31, 2018 and 2017. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

The most recent detailed calculation made in a preceding period of the recoverable amount of the CGU may be used for the impairment testing for the current period provided that:

- The assets and liabilities making up the CGU have not changed significantly from the most recent calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a significant margin; and
- The likelihood that a current recoverable amount calculation would be less than the carrying amount of the CGU is remote based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation.

Impairment is determined for goodwill and trademarks by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill and trademarks relate. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill and trademarks have been allocated, an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment loss recognized for goodwill and trademarks shall not be reversed in future periods.

Retirement Cost

Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in the consolidated statement of comprehensive income subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Value-Added Taxes (VAT)
Input tax represents the VAT paid on purchases of goods and services that the Group can apply against any future liability for output VAT on sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Group upon approval of the BIR. Input VAT is stated at its estimated NRV. Output VAT pertains to the 12.0% tax due on the local sale of goods by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets".

Creditable Withholding Taxes (CWT)
CWT included under other current assets are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

Income Tax
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the consolidated statement of comprehensive income is recognized outside the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 18). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and combination or entities under common control.

Retained Earnings
Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for store expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend (Note 18).

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease, only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) and Philippine Dealing Exchange Corporation (PDEx) closing rate prevailing at the reporting date in 2018 and 2017, respectively. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Parent Company (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year applicable to common stock by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on EPS.

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2018, 2017 and 2016 (Note 26).

Provisions

Provisions are recognized only when the following conditions are met: (a) there exists a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss. Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the President. The nature of the operating segment is set out in Note 6.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating Lease Commitments - Group as Lessee
The Group, having the ability to terminate the lease term, has entered into cancellable lease agreements as a lessee. The Group evaluates whether a lease contract is cancellable or noncancelable by assessing penalties on pretermination of lease contract. Penalties considered by the Group are not limited to those that are imposed by the contract but also include possible payment to third parties and loss of future earnings. The amount and timing of recorded rent expenses would differ if the Group determines lease contracts as noncancelable. Also, the Group has determined that it has not retained all the significant risks and rewards of ownership of the leased property.

Right to Access - Performance Obligation Satisfied Over Time (Upon Adoption of PFRS 15)
The Group considered the following in assessing whether the non-refundable upfront franchise fee is a right to access the Ministop and TGP licenses: (a) the franchisee reasonably expects that the entity will undertake activities that will significantly affect the license to which the customer has rights (i.e. the characters); (b) the rights granted by the franchise agreement directly expose the franchisee to any positive or negative effects of the Group's activities because the franchise agreement requires the customer to use the latest characters; and (c) even though the franchisees may benefit from those activities through the rights granted by the franchise agreement, they do not transfer a good or service to the customer as those activities occur.

The Group concludes that non-refundable upfront franchise fee is a payment to provide the franchisees with access to the Ministop and TGP licenses as it exists throughout the franchise period. Consequently, the entity accounts for the upfront franchise fee as a performance obligation satisfied over time.

Determination if Consideration Received from Suppliers is Not Distinct
The Group in the ordinary course of business received consideration from suppliers for product placements (e.g. slotting fees) and other programs. The Group determines that the consideration received from the suppliers is not in exchange for a distinct good or service that transfers to the supplier because of the following considerations:

- the standalone selling price of the good or service for which the consideration is received cannot be reasonably estimated; and
- the supplier does not obtain control of the goods or service.

Accounting for Investment in GrowSari and G2M through Convertible Note
The Group has investments in GrowSari, Inc. and G2M Solutions Philippines Pte. Ltd. through convertible note which will provide the Group 28.60% and 14.90% ownership interest, respectively, upon conversion of the note. The Group assessed that it has significant influence as evidenced by provision of technical information, board seats and service agreement in the term sheet. Thus, the investments are accounted for as investments in associates.

Determination of Control
The Group determined that it has control over its investees by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Recognition of Insurance Recovery
The Group has recognized insurance recovery from its business interruption claim. For the amount recognized, the Group has determined that the likelihood of receiving insurance recovery is virtually certain and its recognition in the period is appropriate considering the following:

- There is a valid insurance policy for the incident;
- The advanced status of the Group's discussion with the adjuster and insurers regarding the claim; and
- The subsequent information that conform the status of the claim as of the reporting date.

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of Goodwill and Trademarks
In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives.

The Group performed its annual impairment test as at December 31, 2018 and 2017. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2018 and 2017, below are the business segments from which trademarks arise:

	Basis	Amount
SSDI	VIU	₱1,566,917,532
TGPPI	VIU	1,264,098,435
SEWI	VIU	364,914,493
		₱3,195,930,460

As of December 31, 2018 and 2017, below are the business segments from which goodwill arise:

	Basis	Amount
TGPPI	EV/EBITDA	₱1,281,428,830
SSDI	EV/EBITDA	745,887,131
SEWI	VIU	715,103,869
EC	EV/EBITDA	199,870,222
RHIB	VIU	145,655,320
RTSHPI	EV/EBITDA	85,161,468
Beauty Skinnovations Retail, Inc. (BSRI)	VIU	83,324,691
JRMC	EV/EBITDA	71,732,435
HPTDI	VIU	30,000,000
GPC	EV/EBITDA	23,250,000
		₱3,381,413,966

<u>Value In Use</u>
The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services.

The pre-tax discount rate applied to cash flow projections in 9.70% in 2018 (10.70% in 2017) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2018 growth rate (5.00% to 10.00% in 2017) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

The calculation of value in use of the CGUs is most sensitive to the following assumptions:

- Gross margins
- Discount rate
- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross Margins
Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 7.00% to 12.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 20.80% to 2.80% for 2018 and 11.50% to 5.00% for 2017 would result in impairment.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 2.40% to 20.20% and 8.00% to 12.00%, in 2018 and 2017, respectively, would result in impairment.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 3.00% to 5.00% in 2018 and 2017. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

Growth Rate Estimates
Rates are based on published industry research. A reduction to 3.00% in the long-term growth rate would result in impairment.

EV/EBITDA Multiple
The Group utilized the use of EV/EBITDA multiple in the impairment testing of its goodwill from the acquisitions of some of its subsidiaries wherein the Group obtained and selected comparable entities which closely represent each entity from which goodwill was acquired. The characteristics taken into account include, among others, the geographical area where the comparable resides, nature of business or operations of the comparable entities and economic environment from which the comparable entities operate.

As such, the Group has selected EV/EBITDA multiples limited to retail entities in the Philippines as the management of the Group believes that these entities reasonably represent each acquired entity after carefully taking into account the future viability of the assumptions used and ability of each entity to attain such position in the future as it relates to the overall growth in the industry and in the country.

In 2018 and 2017, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

If such EV/EBITDA multiple used falls lower than 4.45 multiple, goodwill will be impaired.

Provision for ECL of Trade and Other Receivables (Applicable Beginning January 1, 2018)
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Provision for expected credit losses in 2018 amounted to ₱46.75 million. As of December 31, 2018, allowance for expected credit losses on trade and other receivables amounted to ₱156.35 million.

As of December 31, 2018, the carrying value of the Group's trade and other receivables amounted to ₱3.17 billion (Note 8).

Allowance for Impairment Losses on Trade and Other Receivables (Applicable Prior to January 1, 2018)
The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the debtor, the debtor's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

Provision for impairment loss on receivables in 2017 and 2016 amounted to ₱21.51 million and ₱58.83 million, respectively. Allowance for impairment losses on trade and other receivables amounted to ₱110.39 million and ₱88.87 million in 2017 and 2016, respectively.

As of December 31, 2017, the carrying value of the Group's trade and other receivables amounted to ₱2.23 billion (Note 8).

Estimating NRV of Merchandise Inventories
The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels, losses or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date.

Provision for inventory obsolescence amounted to ₱59.50 million in 2018 and nil in 2017 and 2016.

Merchandise inventories amounted to ₱18.63 billion and ₱14.85 billion as of December 31, 2018 and 2017, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews property and equipment, investment in associates and intangible assets with definite lives for impairment of value.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment in associates and intangible assets.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2018 and 2017, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates. In 2018, the Group recognized impairment on assets amounting to ₱117.23 million (Notes 14 and 15). No impairment was recognized in 2017 and 2016.

As of December 31, 2018 and 2017, the carrying value of the Group's property and equipment amounted to ₱19,269.21 million and ₱13,601.39 million, respectively (Note 12), investment in associates amounted to ₱6,814.30 million and ₱5,271.53 million, respectively (Note 13), licenses amounted to nil and ₱60.61 million, respectively, and franchise amounted to ₱24.13 million and ₱19.28 million, respectively (Note 14).

Retirement and Other Benefits
The determination of the obligation and cost of retirement and other benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23, and include, among others, discount rate and salary rates increase.

As of December 31, 2018, the carrying value of the retirement plan amounted to ₱91.25 million asset and ₱325.46 million obligation. As of December 31, 2017 the carrying value of the retirement plan amounted to nil asset and ₱546.19 million obligation.

Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable income against which recognized deferred tax assets will be realized.

As of December 31, 2018, and 2017, the Group has deferred tax assets amounting ₱413.46 million and ₱355.17 million, respectively (Note 25). Unrecognized deferred tax assets amounted to ₱100.67 million and ₱47.94 million as of December 31, 2018 and 2017, respectively.

Determining Whether the Loyalty Points and Gift Checks Provide Material Rights to Customers (Upon Adoption of PFRS 15)
The Company has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Group's retail outlets and participating stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The Group also has gift checks which can be redeemed for future purchases at any of the Group's retail outlets.

As of December 31, 2018, contract liabilities arising from customer loyalty program and gift checks amounted to ₱197.90 million (Note 16).

Revenue Recognition - Points for Loyalty Programme (applicable prior to January 1, 2018)
The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As of December 31, 2017, the estimated liability for unredeemed points was approximately ₱133.64 million.

6. **Operating Segments**

Business Segment
The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on earnings before interest and taxes, and earnings before interest and taxes, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Cost and expenses exclude interest, taxes, depreciation and amortization.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statement of financial position which is in accordance with PFRSs.

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the

supermarkets and are made highly visible to consumers. In 2018, the Group acquired RSCI which also operates supermarket chains in the country.

- *Department Store Division*
  Robinsons Department Store (RDS) offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.

- *Do-It-Yourself (DIY) Division*
  The five (5) DIY brands Handyman Do it Best, True Value, True Home, Robinsons Builders and Home Plus have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

- *Convenience Store Division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd. - Japan (Ministop), one (1) of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug Store Division*
  The Drug Store segment primarily offers high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including The Generics Pharmacy house brands for the generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty Store Division*
  The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market, including some of the best loved international lifestyle brands in top entertainment systems, coffee shops, unparalleled selections of toys and games; and well-known global fast fashion brands, local and international cosmetics, a wide selection of nail care products, and innovative slush and fruit juice mixes.

2018

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱16,631,152,456	₱–	₱–	₱132,680,466,776
Intersegment net sales	–	–	–	–	–	1,568,651,424	–	(1,568,651,424)	–
Total net sales	62,362,494,774	17,780,879,313	13,905,046,303	6,176,910,080	15,823,983,850	18,199,803,880	–	(1,568,651,424)	132,680,466,776
Segment cost of merchandise sold	50,173,801,793	11,443,464,329	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	–	102,845,384,354
Intersegment cost of merchandise sold	–	1,568,651,424	–	–	–	–	–	(1,568,651,424)	–
Total cost of merchandise sold	50,173,801,793	13,012,115,753	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	(1,568,651,424)	102,845,384,354
Gross profit	12,188,692,981	4,768,763,560	4,444,727,299	558,699,912	3,076,933,511	4,797,265,159	–	–	29,835,082,422
Segment other income	162,751,481	198,958,936	–	1,889,319,320	164,641,071	6,525,076	–	–	2,422,195,884
Intersegment other income	144,495,404	44,841,440	–	–	–	–	–	(189,336,844)	–
Total other income	307,246,885	243,800,376	–	1,889,319,320	164,641,071	6,525,076	–	(189,336,844)	2,422,195,884
Gross profit including other income	12,495,939,866	5,012,563,936	4,444,727,299	2,448,019,232	3,241,574,582	4,803,790,235	–	(189,336,844)	32,257,278,306
Segment operating expenses	8,579,889,094	4,040,030,422	2,981,694,608	2,107,644,276	2,012,498,291	3,487,345,939	27,214,498	–	23,236,317,128
Intersegment operating expenses	32,609,266	51,205,816	35,245,707	–	36,905,778	33,370,277	–	(189,336,844)	–
Total operating expenses	8,612,498,360	4,091,236,238	3,016,940,315	2,107,644,276	2,049,404,069	3,520,716,216	27,214,498	(189,336,844)	23,236,317,128
Earnings before interest, taxes and depreciation and amortization	3,883,441,506	921,327,698	1,427,786,984	340,374,956	1,192,170,513	1,283,074,019	(27,214,498)	–	9,020,961,178
Depreciation and amortization	1,015,186,857	420,756,132	228,641,219	239,384,103	121,015,571	370,101,154	–	–	2,395,085,036
Earnings before interest and taxes	2,868,254,649	500,571,566	1,199,145,765	100,990,853	1,071,154,942	912,972,865	(27,214,498)	–	6,625,876,142
Interest expense	(7,527,908)	(30,348,756)	(3,250,945)	–	(89,640,324)	(41,799,314)	(17,398,472)	30,893,985	(159,071,734)
Interest income	37,536,597	22,019,745	51,216,724	20,774,167	21,398,014	19,549,062	840,262,280	(30,893,985)	981,862,604
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	200,867,038	–	200,867,038
Equity in net earnings of an associate	(4,031,405)	–	–	–	–	–	112,770,641	–	108,739,236
Others	(58,645,174)	(17,004,745)	(7,700,105)	(5,132,025)	(8,907,987)	(127,158,744)	(48,065,534)	–	(272,614,314)
Income before income tax	₱2,835,586,759	₱475,237,810	₱1,239,411,439	₱116,632,995	₱994,004,645	₱763,563,869	₱1,172,721,455	₱–	₱7,597,158,972
Assets and liabilities									
Segment assets	₱30,641,562,719	₱5,107,770,668	₱6,528,041,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱31,697,362,422	₱12,455,066,456	₱107,777,107,194
Investment in subsidiaries - at cost	2,790,607,224	3,878,258,269	62,500,000	–	–	–	21,632,839,151	(28,364,204,644)	–
Total segment assets	₱33,432,169,943	₱8,986,028,937	₱6,590,541,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱53,330,201,573	(₱15,909,138,188)	₱107,777,107,194
Total segment liabilities	₱15,061,073,844	₱3,937,639,289	₱2,097,554,693	₱1,381,766,940	₱5,178,010,004	₱5,788,948,538	₱1,594,271,333	₱33,674,554	₱35,072,939,195
Other segment information:									
Capital expenditures	₱2,300,718,232	₱598,770,330	₱447,306,797	₱211,404,175	₱133,088,174	₱728,159,814	₱–	₱–	₱4,419,447,522

2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱52,363,396,276	₱16,115,725,158	₱12,322,762,318	₱5,710,247,583	₱14,518,058,506	₱14,208,269,688	₱–	₱–	₱115,238,459,529
Intersegment net sales	–	–	–	–	–	1,341,616,164	–	(1,341,616,164)	–
Total net sales	52,363,396,276	16,115,725,158	12,322,762,318	5,710,247,583	14,518,058,506	15,549,885,852	–	(1,341,616,164)	115,238,459,529
Segment cost of merchandise sold	42,209,389,308	10,538,329,174	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	–	89,446,079,938
Intersegment cost of merchandise sold	–	1,341,616,164	–	–	–	–	–	(1,341,616,164)	–
Total cost of merchandise sold	42,209,389,308	11,879,945,338	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	(1,341,616,164)	89,446,079,938
Gross profit	10,154,006,968	4,235,779,820	3,946,020,651	545,390,750	2,711,690,994	4,199,490,408	–	–	25,792,379,591
Segment other income	120,868,029	138,074,608	–	1,725,718,541	270,727,657	6,769,712	–	–	2,262,158,547
Intersegment other income	133,949,774	39,483,612	–	–	–	–	–	(173,433,386)	–
Total other income	254,817,803	177,558,220	–	1,725,718,541	270,727,657	6,769,712	–	(173,433,386)	2,262,158,547
Gross profit including other income	10,408,824,771	4,413,338,040	3,946,020,651	2,271,109,291	2,982,418,651	4,206,260,120	–	(173,433,386)	28,054,538,138
Segment operating expenses	6,719,660,260	3,387,373,060	2,707,420,540	1,967,946,315	1,857,091,371	3,005,556,758	31,070,475	–	19,676,118,779
Intersegment operating expenses	27,646,477	49,936,472	33,717,792	–	29,989,079	32,143,566	–	(173,433,386)	–
Total operating expenses	6,747,306,737	3,437,309,532	2,741,138,332	1,967,946,315	1,887,080,450	3,037,700,324	31,070,475	(173,433,386)	19,676,118,779
Earnings before interest, taxes and depreciation and amortization	3,661,518,034	976,028,508	1,204,882,319	303,162,976	1,095,338,201	1,168,559,796	(31,070,475)	–	8,378,419,359
Depreciation and amortization	836,921,560	357,966,174	194,730,487	260,947,950	105,255,226	317,215,779	–	–	2,073,037,176
Earnings before interest and taxes	2,824,596,474	618,062,334	1,010,151,832	42,215,026	990,082,975	851,344,017	(31,070,475)	–	6,305,382,183
Interest expense	(3,102,201)	(30,916,715)	(2,329,834)	(1,620,135)	(76,451,034)	(43,340,288)	–	30,375,736	(127,384,471)
Interest income	22,249,950	10,478,717	26,726,722	8,284,275	8,777,648	15,735,288	811,548,241	(30,375,736)	873,425,105
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	16,104,012	–	16,104,012
Equity in net earnings of an associate	–	–	–	–	–	–	123,639,511	–	123,639,511
Income before income tax	₱2,843,744,223	₱597,624,336	₱1,034,548,720	₱48,879,166	₱922,409,589	₱823,739,017	₱1,031,721,289	₱–	₱7,302,666,340
Assets and liabilities									
Segment assets	₱19,576,200,337	₱4,668,650,988	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱29,968,508,062	₱2,443,690,652	₱82,180,726,832
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱22,366,307,561	₱8,446,251,362	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱35,254,538,825	(₱9,410,547,709)	₱82,180,226,832
Total segment liabilities	₱9,438,322,396	₱3,695,163,782	₱2,479,559,578	₱1,296,096,948	₱5,172,322,481	₱4,927,876,020	₱98,435,577	(₱193,689,034)	₱26,914,087,748
Other segment information:									
Capital expenditures	₱1,267,354,339	₱752,664,136	₱344,385,945	₱114,748,739	₱242,003,566	₱383,562,968	₱–	₱–	₱3,104,719,693

2016

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱48,465,116,481	₱15,827,461,781	₱11,128,587,163	₱5,665,537,500	₱11,934,225,572	₱12,272,395,535	₱–	₱–	₱105,293,324,032
Intersegment net sales	–	–	–	–	–	1,143,728,881	–	(1,143,728,881)	–
Total net sales	48,465,116,481	15,827,461,781	11,128,587,163	5,665,537,500	11,934,225,572	13,416,124,416	–	(1,143,728,881)	105,293,324,032
Segment cost of merchandise sold	39,170,260,834	10,569,752,771	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	–	82,267,043,806
Intersegment cost of merchandise sold	–	1,143,728,881	–	–	–	–	–	(1,143,728,881)	–
Total cost of merchandise sold	39,170,260,834	11,713,481,652	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	(1,143,728,881)	82,267,043,806
Gross profit	9,294,855,647	4,113,980,129	3,503,543,846	569,896,052	2,067,888,432	3,476,116,120	–	–	23,026,280,226
Segment other income	106,656,358	98,757,999	–	1,720,834,220	174,335,416	17,894,601	–	–	2,118,478,594
Intersegment other income	128,124,168	29,683,939	–	–	–	–	–	(157,808,107)	–
Total other income	234,780,526	128,441,938	–	1,720,834,220	174,335,416	17,894,601	–	(157,808,107)	2,118,478,594
Gross profit including other income	9,529,636,173	4,242,422,067	3,503,543,846	2,290,730,272	2,242,223,848	3,494,010,721	–	(157,808,107)	25,144,758,820
Segment operating expenses	6,054,208,278	3,050,249,733	2,405,685,246	1,971,334,998	1,502,734,344	2,620,352,265	9,078,744	–	17,613,643,608
Intersegment operating expenses	22,820,930	48,943,207	31,315,216	–	28,760,952	25,967,802	–	(157,808,107)	–
Total operating expenses	6,077,029,208	3,099,192,940	2,437,000,462	1,971,334,998	1,531,495,296	2,646,320,067	9,078,744	(157,808,107)	17,613,643,608
Earnings before interest, taxes and depreciation and amortization	3,452,606,965	1,143,229,127	1,066,543,384	319,395,274	710,728,552	847,690,654	(9,078,744)	–	7,531,115,212
Depreciation and amortization	745,747,598	299,129,254	224,579,663	374,183,611	82,617,606	311,972,401	–	–	2,038,230,133
Earnings before interest and taxes	2,706,859,367	844,099,873	841,963,721	(54,788,337)	628,110,946	535,718,253	(9,078,744)	–	5,492,885,079
Interest expense	(10,985,079)	(30,285,417)	–	(19,897,917)	(28,399,575)	(35,002,583)	–	38,037,041	(86,533,530)
Interest income	12,386,680	11,032,919	19,731,969	565,635	1,522,313	14,118,790	805,953,362	(38,037,041)	827,274,627
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	219,216,013	–	219,216,013
Equity in net earnings of an associate	–	–	–	–	–	–	102,659,711	–	102,659,711
Income before income tax	₱2,708,260,968	₱824,847,375	₱861,695,690	(₱74,120,619)	₱601,233,684	₱514,834,460	₱1,230,250,342	₱–	₱6,667,001,900
Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	–	–	–	–	5,286,030,763	(11,344,238,361)	–
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱–	₱–	₱3,436,420,104

The revenue of the Group consists mainly of sales to external customers through its retail and internet channels. Inter-segment revenue arising from purchase arrangements amounting ₱1.57 billion, ₱1.34 billion and ₱1.14 billion in 2018, 2017 and 2016, respectively, were eliminated on consolidation.

No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment arising from current acquisitions and those acquired through business combinations plus any adjustments made in the fair values of the acquired property and equipment.

The Group has no significant customer which contributed to 10.00% or more to the revenue of the Group.

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱14.79 billion and ₱14.57 billion as of December 31, 2018, and 2017, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.90% to 5.52%, 0.09% to 3.50% and 0.88% to 2.50% in 2018, 2017 and 2016, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱193.64 million, ₱107.55 million and ₱73.04 million in 2018, 2017 and 2016, respectively.

8. Trade and Other Receivables

This account consists of:

	2018	2017
Trade (Notes 24 and 27)	**₱2,108,620,270**	₱1,552,222,590
Nontrade (Notes 24 and 27)	**734,264,185**	487,405,602
Due from franchisees (Notes 27 and 29)	**485,057,897**	305,376,530
	3,327,942,352	2,345,004,722
Less allowance for impairment losses (Notes 27 and 29)	**156,346,848**	110,387,770
	₱3,171,595,504	₱2,234,616,952

Trade receivables are noninterest-bearing and are generally on a one (1) to thirty (30) days' term.

Nontrade receivables include receivable from insurance companies amounting to ₱145.97 million and ₱82.12 million as of December 31, 2018, and 2017, respectively. The remaining balance consists of operational advances and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	2018	2017
Balance at beginning of year	**₱110,387,770**	₱88,873,605
Provision for impairment losses (Note 21)	**46,748,194**	21,514,165
Less write off	**789,116**	–
Balance at end of year	**₱156,346,848**	₱110,387,770

9. **Merchandise Inventories**

The rollforward analysis of this account follows:

	2018	2017
Balance at beginning of year	**₱14,846,561,020**	₱13,341,684,985
Acquisition through business combination	**3,073,734,206**	–
Add purchases - net of purchase discounts and allowances	**103,596,280,274**	90,950,955,973
Cost of goods available for sale	**121,516,575,500**	104,292,640,958
Less cost of merchandise sold	**102,845,384,354**	89,446,079,938
Allowance for inventory obsolescence	**43,177,218**	–
Balance at end of year	**₱18,628,013,928**	₱14,846,561,020

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱102.85 billion, ₱89.45 billion and ₱82.27 billion in 2018, 2017 and 2016, respectively.

Movements in the allowance for shrinkage, obsolescence and other losses for the year ended December 31, 2018 follows:

Provisions during the year (Note 21)	₱59,503,049
Less write off	16,325,831
Balance at end of year	₱43,177,218

There are no merchandise inventories pledged as security for liabilities as of December 31, 2018 and 2017.

10. **Other Current Assets**

This account consists of:

	2018	2017
Input VAT - net	**₱2,246,748,776**	₱1,995,567,759
Prepayments	**490,482,729**	123,428,852
Creditable withholding tax	**410,508,668**	304,021,431
Others	**11,920,917**	676,741
	₱3,159,661,090	₱2,423,694,783

Input VAT will be applied against output VAT in the succeeding periods.

Prepayments consist of advance payments for rental, taxes and utilities.

CWT will be applied against income tax payable in future periods.

Others consist mainly of excess payments of income taxes.

11. **Debt and Equity Instrument Financial Assets**

The Group's debt and equity instrument financial assets classified as FVOCI and FVTPL which are carried at fair value as of December 31, 2018 follows:

Debt securities		
FVOCI with recycling	(a)	₱16,135,895,711
FVTPL	(b)	1,665,171,011
		17,801,066,722
Equity securities at FVOCI without recycling		1,950,400,000
		₱19,751,466,722

The Group's debt and equity instruments classified as AFS financial assets which are carried at fair value as of December 31, 2017 follows:

Debt securities	(a, b)	₱18,563,367,094
Equity securities		2,104,000,000
		₱20,667,367,094

Debt Securities

a. The Group's debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

Rollforward analysis of debt securities as of December 31, 2018 and 2017 follows:

	2018	2017
	Financial Assets at FVOCI with Recycling	AFS Financial Assets
Amortized cost:		
At beginning of year	**₱16,593,843,811**	₱16,329,074,285
Additions	**847,021,924**	408,551,798
Disposals	**(756,249,689)**	(145,401,710)
Foreign exchange gain	**133,169,275**	1,619,438
At end of year	**16,817,785,321**	16,593,843,811
Amortization of premium on debt securities	**(75,423,505)**	(43,452,040)
Change in fair value of financial assets:		
At beginning of year	**329,275,323**	332,803,656
Changes in fair value recognized in OCI	**(965,569,116)**	(2,823,208)
Transfer to profit or loss	**42,958,438**	(705,125)
Allowance for expected credit losses	**(13,130,750)**	–
At end of year	**(606,466,105)**	329,275,323
	₱16,135,895,711	₱16,879,667,094

b. The Group's debt securities pertain to Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.38% and 5.19%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

	2018	2017
	Financial Assets at FVTPL	AFS Financial Assets
At beginning of year	**₱1,683,700,000**	₱1,683,700,000
Changes in fair value recognized in profit or loss	**(18,528,989)**	–
	₱1,665,171,011	₱1,683,700,000

In 2018, 2017 and 2016, the Group recognized loss on disposal of debt instrument financial assets amounting to ₱21.59 million, ₱4.24 million and nil, respectively.

Interest income arising from debt instrument financial assets amounted to ₱788.22 million, ₱765.88 million and ₱754.23 million in 2018, 2017 and 2016, respectively.

Accretion of interest pertains to the amortization of interest income resulting from the difference of the carrying value and face value of debt instrument financial assets.

Equity Securities

Quoted equity securities pertain to investment in stock listed in the PSE. The Group elected to classify irrevocably its listed equity investments under FVOCI in 2018 as it intends to hold these investments for the foreseeable future.

Rollforward analysis of equity securities for the years ended December 31, 2018 and 2017 follows:

	2018	2017
	Financial Assets at FVOCI without Recycling	AFS Financial Assets
Cost	**₱2,000,000,000**	₱2,000,000,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**104,000,000**	120,000,000
Changes in fair value	**(153,600,000)**	(16,000,000)
At end of year	**(49,600,000)**	104,000,000
	₱1,950,400,000	₱2,104,000,000

Dividend income earned by the Group amounted to ₱111.50 million in 2018, 2017 and 2016.

Fair value changes on debt and equity instrument financial assets attributable to the equity holders of the Parent Company follow:

	2018	2017
Balances at the beginning of year	**₱433,980,448**	₱452,803,656
Change in fair value during the year - OCI	**(1,119,169,116)**	(18,118,083)
Transfers to profit or loss	**42,958,438**	(705,125)
Balances at the end of year	**(₱642,230,230)**	₱433,980,448

12. Property and Equipment

2018

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost									
At beginning of year	**₱42,560,000**	**₱1,736,445,913**	**₱13,336,313,960**	**₱8,985,785,664**	**₱2,200,258,093**	**₱205,687,524**	**₱2,559,053,303**	**₱–**	**₱29,066,104,457**
Additions through business combination (Note 19)	**–**	**1,055,410,907**	**1,504,200,176**	**1,140,406,897**	**19,878,814**	**4,568,813**	**173,259,404**	**–**	**3,897,725,011**
Additions	**566,822,477**	**20,600,492**	**1,832,715,018**	**945,195,127**	**531,144,741**	**6,630,665**	**516,339,002**	**–**	**4,419,447,522**
Disposals and derecognition	**–**	**(6,109,961)**	**(488,381,707)**	**(128,025,709)**	**(2,220,260)**	**(2,246,250)**	**(44,442,451)**	**–**	**(671,426,338)**
At end of year	**609,382,477**	**2,806,347,351**	**16,184,847,447**	**10,943,361,979**	**2,749,061,388**	**214,640,752**	**3,204,209,258**	**–**	**36,711,850,652**
Accumulated depreciation and amortization									
At beginning of year	**–**	**762,915,308**	**6,846,916,373**	**5,430,000,011**	**658,242,847**	**128,288,976**	**1,562,551,987**	**–**	**15,388,915,502**
Depreciation and amortization (Note 21)	**–**	**68,191,243**	**1,117,732,580**	**665,203,140**	**252,073,518**	**16,436,667**	**257,422,724**	**–**	**2,377,059,872**
Disposals and derecognition	**–**	**(3,313,762)**	**(244,281,490)**	**(104,241,143)**	**(2,027,447)**	**(1,134,933)**	**(44,138,787)**	**–**	**(399,137,562)**
At end of year	**–**	**827,792,789**	**7,720,367,463**	**5,990,962,008**	**908,288,918**	**143,590,710**	**1,775,835,924**	**–**	**17,366,837,812**
Allowance for impairment losses									
At beginning and end of year	**–**	**–**	**49,567,673**	**25,882,986**	**–**	**–**	**349,273**	**–**	**75,799,932**
	₱609,382,477	**₱1,978,554,562**	**₱8,414,912,311**	**₱4,926,516,985**	**₱1,840,772,470**	**₱71,050,042**	**₱1,428,024,061**	**₱–**	**₱19,269,212,908**

2017

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost									
At beginning of year	₱42,560,000	₱1,702,152,553	₱ 11,878,194,884	₱8,420,080,407	₱1,608,399,579	₱187,203,438	₱2,246,842,007	₱2,681,895	₱26,088,114,763
Additions	–	33,595,861	1,552,902,866	569,482,284	592,202,817	21,571,480	312,907,293	22,057,092	3,104,719,693
Transfers	–	697,499	23,662,485	557,999	(253,804)	–	74,808	(24,738,987)	–
Disposals and derecognition	–	–	(118,446,275)	(4,335,026)	(90,499)	(3,087,394)	(770,805)	–	(126,729,999)
At end of year	42,560,000	1,736,445,913	13,336,313,960	8,985,785,664	2,200,258,093	205,687,524	2,559,053,303	–	29,066,104,457
Accumulated depreciation and amortization									
At beginning of year	–	703,482,472	6,012,335,160	4,886,039,083	386,206,802	112,085,066	1,350,004,881	–	13,450,153,464
Depreciation and amortization (Note 21)	–	59,432,836	948,737,678	546,961,032	272,036,045	17,893,431	213,307,598	–	2,058,368,620
Disposals and derecognition	–	–	(114,156,465)	(3,000,104)	–	(1,689,521)	(760,492)	–	(119,606,582)
At end of year	–	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Allowance for impairment losses									
At beginning and end of year	–	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱42,560,000	₱973,530,605	₱6,439,829,914	₱3,529,902,667	₱1,542,015,246	₱77,398,548	₱996,152,043	₱–	₱13,601,389,023

Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱7.64 billion and ₱7.10 billion as of December 31, 2018 and 2017, respectively.

13. Investment in Associates

This account consists of investments in shares of stocks as follow:

	2018	2017
RBC	**₱6,440,203,060**	₱5,146,804,931
G2M	**160,650,429**	–
TCCI	**112,075,299**	124,727,265
GrowSari	**100,968,595**	–
DAVI	**400,000**	–
	₱6,814,297,383	₱5,271,532,196

The details of the investment in common stock of RBC follow:

	2018	2017
Shares of stock - at equity:		
At beginning and end of year	**₱4,750,238,902**	₱4,750,238,902
Additional investment (Note 2)	**1,200,000,000**	–
Balance at end of year	**5,950,238,902**	4,750,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**834,958,356**	711,046,110
Equity in net earnings	**125,422,607**	123,912,246
Balance at end of year	**960,380,963**	834,958,356
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	**(393,204,586)**	(327,854,087)
Share in fair value changes of financial assets at FVOCI	**(23,818,458)**	–
Share in fair value changes of AFS financial assets	**–**	(65,350,499)
Balance at end of year	**(417,023,044)**	(393,204,586)
Share in translation loss adjustments:		
Balance at beginning of year	**(41,044,297)**	(44,734,653)
Share in translation adjustments	**(6,962,641)**	3,690,356
Balance at end of year	**(48,006,938)**	(41,044,297)
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	**(4,143,444)**	(10,784,288)
Share in remeasurement gain (loss) on retirement obligation	**(1,243,379)**	6,640,844
Balance at end of year	**(5,386,823)**	(4,143,444)
	₱6,440,203,060	₱5,146,804,931

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

Summarized financial information of RBC follows:

	2018	2017
Total assets	**₱121,356,956,413**	₱104,976,687,753
Total liabilities	**109,157,896,832**	92,834,221,380
Net income	**313,556,517**	309,780,615
Other comprehensive loss	**(59,546,145)**	(163,376,248)

The consolidated statements of comprehensive income follow:

	2018	2017	2016
Total operating income	**₱4,125,255,244**	₱3,484,195,685	₱2,900,613,609
Total operating expenses and tax	**3,811,698,727**	3,174,415,070	2,643,964,331
Net income	**313,556,517**	309,780,615	256,649,278
Other comprehensive loss	**(59,546,145)**	(163,376,248)	(260,125,953)
Total comprehensive income	**₱254,010,372**	₱146,404,367	(₱3,476,675)
Group's share of profit for the year	**₱125,422,607**	₱123,912,246	₱102,659,711

The reconciliation of the net assets of RBC to the carrying amounts of the interest in RBC recognized in the consolidated financial statements follows:

	2018	2017
Net assets of RBC	**₱15,378,433,085**	₱12,144,937,763
Proportionate ownership in the associate	**40%**	40%
Total share in net assets	**6,151,373,234**	4,857,975,105
Carrying amount of the investment	**6,440,203,060**	5,146,804,931
Difference	**₱288,829,826**	₱288,829,826

The difference is attributable to the commercial banking license and goodwill.

Fair value changes on financial assets and remeasurement losses on retirement obligation of associates attributable to the equity holders of the Parent Company follows:

	2018	2017
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱373,495,977)**	(₱328,915,680)
Change in fair value during the year	**(53,108,335)**	(44,580,297)
Balances at end of year	**(426,604,312)**	(373,495,977)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(7,056,276)**	(11,889,684)
Remeasurement gain (loss) during the year	**(1,243,379)**	4,833,408
Balances at end of year	**(8,299,655)**	(7,056,276)
	(₱434,903,967)	(₱380,552,253)

G2M
On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines.

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of December 31, 2018 and 2017 amounted to ₱112.08 million and ₱124.73 million, respectively. Details follow:

	2018	2017
Shares of stock - at equity:		
At beginning and end of year	**₱125,000,000**	₱125,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(272,735)**	–
Equity in net loss	**(12,651,966)**	(272,735)
Balance at end of year	**(12,924,701)**	(272,735)
	₱112,075,299	₱124,727,265

GrowSari
On August 16, 2018, RSC made an investment in GrowSari amounting to ₱105.00 million through convertible note which will provide the Company 28.60% ownership interest upon conversion of the note. The terms of the agreement also provide technical information and entitled the Company to two (2) out of seven (7) board seats. GrowSari is engaged in selling wholesale goods to sari sari business owners.

DAVI
On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which ₱0.40 million was paid in 2018. As of December 31, 2018, DAVI has not yet started commercial operations. DAVI's principal activities include processing, managing and analyzing data.

14. **Intangible Assets**

This account consists of:

	2018	2017
Goodwill (Note 19)	**₱12,490,800,027**	₱3,381,413,966
Trademarks (Note 19)	**6,591,363,481**	3,195,930,460
Licenses	**–**	60,606,062
Franchise	**24,125,885**	19,279,385
	₱19,106,289,393	₱6,657,229,873

Goodwill
The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries. Details follow (Note 19):

	2018	2017
TGPPI	**₱1,281,428,830**	₱1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	3,381,413,966	3,381,413,966
RSCI (Note 19)	**9,109,386,061**	–
	₱12,490,800,027	₱3,381,413,966

Trademarks
The trademarks were acquired through business combinations and were recognized at fair value at the date of acquisition. Details follow (Note 19):

	2018	2017
SSDI	**₱1,566,917,532**	₱1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	3,195,930,460	3,195,930,460
RSCI (Note 19)	**3,395,433,021**	–
	₱6,591,363,481	₱3,195,930,460

In 2018, amortization related to trademarks acquired through acquisition of RSCI amounted to ₱3.17 million.

Licenses
Acquisition of trademark by RSSI to secure a franchise/license
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million in 2018, 2017 and 2016 (Note 21). In 2018, RSSI impaired the remaining value of the license amounting to ₱48.48 million due to debranding.

The rollforward analysis of this account follows:

	2018	2017
Beginning balance	**₱60,606,062**	₱72,727,274
Less amortization and impairment (Note 21)	**60,606,062**	12,121,212
	₱–	₱60,606,062

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of December 31, 2018 and 2017, the Group has franchise amounting to ₱16.73 million and ₱19.28 million, respectively.

On January 10, 2018, Pet Lovers Centre International Pte. Ltd, granted the Group the right to develop its business including its trademarks, system, manuals and image in the Philippines for ₱7.58 million. The Group started Pet Lovers Centre operations in October 2018. The franchise shall be amortized using straight-line method over a period of ten (10) years.

The rollforward analysis of the franchise follows:

	2018	2017
Beginning balance	**₱19,279,385**	₱21,826,729
Addition	**7,583,430**	–
Amortization (Note 21)	**(2,736,930)**	(2,547,344)
	₱24,125,885	₱19,279,385

15. **Other Noncurrent Assets**

This account consists of:

	2018	2017
Security and other deposits	**₱2,550,724,180**	₱1,530,655,795
Construction bonds	**33,092,201**	27,475,941
	₱2,583,816,381	₱1,558,131,736

Security and other deposits mainly consist of advances for the lease of stores which are refundable at the end of the lease term.

In 2018, the Group impaired other noncurrent assets amounting to ₱68.75 million.

16. **Trade and Other Payables**

This account consists of:

	2018	2017
Trade	**₱17,130,764,045**	₱12,732,104,629
Nontrade (Note 24)	**6,537,222,971**	4,613,052,013
Others	**909,123,439**	429,078,340
	₱24,577,110,455	₱17,774,234,982

Trade payables are noninterest-bearing and are normally settled on forty-five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others mainly consist of taxes and licenses payable.

Contract Liabilities

The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under trade payables, as contract liabilities as of December 31, 2018. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Gift check outstanding	₱140,165,250
Accrued customer loyalty reward	40,713,870
Deferred revenue	17,020,098
	₱197,899,218

Below is the rollforward of contract liabilities from the date of initial application of the adoption of PFRS 15 in 2018:

At January 1	₱–
Reclassification from deferred revenue upon adoption of PFRS 15	275,042,623
Deferred during the year	848,807,808
Recognized as revenue during the year	(925,951,213)
At December 31	₱197,899,218

The comparative information has not been presented as it continues to be reported under the accounting standards in effect for those periods.

17. Short-term Loans Payable

Details of short-term loans follow:

	2018	2017
Balance at beginning of year	**₱6,377,954,863**	₱6,575,698,733
Additions through business combination (Note 19)	**1,500,000,000**	–
Availments	**7,508,045,137**	3,724,954,863
Payments	**(8,592,000,000)**	(3,922,698,733)
	₱6,794,000,000	₱6,377,954,863

The balances of short-term loans of the subsidiaries are as follows:

	2018	2017
SSDI	**₱2,182,000,000**	₱2,217,000,000
RSCI	**1,750,000,000**	–
RI	**1,352,000,000**	1,420,000,000
RRHI	**1,050,000,000**	–
RHDDS	**220,000,000**	230,000,000

(Forward)

	2018	2017
RGFBI	**₱190,000,000**	₱86,954,863
HPTD	**50,000,000**	58,000,000
RSC	−	2,206,000,000
RAC	−	100,000,000
RHIB	−	60,000,000
	₱6,794,000,000	₱6,377,954,863

a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 5.10%-5.50% per annum. In 2018 and 2017, SSDI availed short-term loans amounting to ₱100.00 million and ₱325.0 million, respectively. In addition, SSDI paid ₱135.0 million and ₱427.70 million of the outstanding loan balance in 2018 and 2017, respectively. The short-term loans payable of SSDI as of December 31, 2018 and 2017 amounted to ₱2.18 billion and ₱2.22 billion, respectively.

b.) In 2018, RSCI's short-term loans payable consist of loans availed from a local commercial bank at interest rates 5.50%-5.95% per annum. The loans were obtained to finance RSCI's working capital requirements. Short-term loans payable acquired through acquisition amounting to ₱1.50 billion and availed ₱0.25 billion during the year.

c.) RI's short-term loans payable consist of loans availed from a local commercial bank at an interest rates of 5.50%-5.55% per annum. These loans are renewable before the end of each lease term at the option of RI. In 2018 and 2017, RI availed short-term loan amounting to ₱3.34 billion and ₱0.79.0 billion, respectively. In addition, RI paid ₱3.41 billion and ₱1.23 billion on the outstanding loan balance in 2018 and 2017, respectively. The loans were obtained to support the working capital requirements of RI. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱1.35 billion and ₱1.42 billion, respectively.

d.) In 2018, RRHI's short-term loans payable consist of a loan availed from a local commercial bank amounting to ₱1.05 billion at an interest rates of 4.35%-5.55% per annum. The loans were obtained to support the working capital requirements of RRHI.

e.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 5.50%-6.50% per annum. In 2018 and 2017, RHDDS availed short-term loan amounting ₱145.0 million and ₱100.0 million, respectively. In addition, RHDDS paid ₱155.0 million and ₱170.0 million on the outstanding loan balance in 2018 and 2017. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱220.0 million and ₱230.0 million, respectively.

f.) RGFBI's short-term loans payable consists of loans availed from a local commercial bank at an interest rates of 5.75%-6.50% per annum. In 2018 and 2017, RGFBI availed short-term loans amounting to ₱420.05 million and ₱86.95 million, respectively. In 2018 and 2017, RGFBI paid ₱317.0 million and nil, respectively. The short-term loans payable of RGFBI as of December 31, 2018 and 2017 amounted to ₱190.0 million and ₱86.95 million, respectively.

g.) HPTD paid outstanding short-term loan amounting to ₱8.0 million during the year. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱50.0 million and ₱58.0 million, respectively.

h.) RSC's short-term loans payable consists of loans availed from local commercial banks at an interest rate of 5.30% per annum which are renewable every three (3) months. In 2018 and

2017, RSC availed short-term loans amounting to ₱2.20 billion and ₱2.21 billion, respectively. In addition, RSC paid ₱4.41 billion and ₱1.03 billion in 2018 and 2017, respectively. The short-term loans payable of RSC as of December 31, 2018 and 2017 amounted to nil and ₱2.21 billion, respectively.

i.) RAC's short-term loans payable consists of a loan availed from a local commercial bank at an interest rates of 3.15%-3.28% per annum. In 2018 and 2017, RAC availed short-term loan amounting to nil and ₱100.00 million, respectively. In 2018 and 2017, RAC paid ₱100.0 million and ₱290.0 million of the outstanding loan balance. The loans payable as of December 31, 2018 and 2017 amounted to nil and ₱100.0 million, respectively.

j.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.10%-4.00% per annum. In 2017, RHIB availed short-term loan amounting to ₱60.0 million. The short-term loan was fully settled in 2018.

Total interest expense charged to operations amounted to ₱159.07 million, ₱127.38 million and ₱86.53 million in 2018, 2017 and 2016, respectively.

The above loans are not subject to any loan covenants.

18. **Equity**

Capital Stock
The details of this account follow:

	2018		2017		2016	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	**1,576,489,360**	**1,576,489,360**	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000

Registration Track Record
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1,094.57 million. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

On December 9, 2014, the Parent Company sold its treasury shares at ₱69.00 per share or ₱1,309.06 million, incurring transaction costs amounting to ₱8.22 million.

On November 23, 2018, the Parent Company issued 191,489,360 new common shares for the acquisition of RSCI (Notes 1 and 19). The market value of the share amounted to ₱72.05 per share on November 23, 2018. Transaction cost related to the issuance of new shares amounted to ₱64.50 million.

Equity Reserve

Details of equity reserve follow:

	2018	2017	2016
Acquisition of additional shares from non-controlling interest			
Beginning	**(₱1,027,402,846)**	(₱1,027,402,846)	(₱1,027,402,846)
Additions	**51,459,308**	–	–
	(975,943,538)	(1,027,402,846)	1,027,402,846
Acquisition of subsidiary under common control	**5,508,177**	5,508,177	5,508,177
	(₱970,435,361)	(₱1,021,894,669)	(₱1,021,894,669)

Acquisition of a Subsidiary under Common Control

On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million. As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve".

Acquisition of Additional Shares from a Non-Controlling Shareholder

On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for ₱85.36 million. As a result of the acquisition, RI then holds 59.05% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱51.46 million included in "Equity reserve" representing the excess of carrying amount of the non-controlling interest acquired over consideration paid.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion included in "Equity reserve" in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. The remaining balance was fully settled in cash in 2015.

Retained Earnings

The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱27.71 billion and ₱23.65 billion as of December 31, 2018 and 2017, respectively, while the accumulated equity in net income of the associates amounted to ₱943.42 million and ₱834.96 million as of December 31, 2018 and 2017, respectively (Note 13).

Dividend Declaration

Details of the Parent Company's dividend declarations follow:

	2018	2017	2016
Date of declaration	**May 28, 2018**	June 27, 2017	June 9, 2016
Dividend per share	**₱0.72**	₱0.70	₱0.63
Total dividends	**₱997,200,000**	₱969,500,000	₱872,550,000
Date of record	**June 18, 2018**	July 17, 2017	June 29, 2016
Date of payment	**July 12, 2018**	August 10, 2017	July 25, 2016

Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2018	2017	2016
Balance at beginning of year	**₱15,212,852,847**	₱15,262,852,847	₱12,997,451,453
Appropriation	**9,222,000,000**	–	3,709,000,000
Reversal of appropriation	**(283,000,000)**	(50,000,000)	(1,443,598,606)
Balance at end of year	**₱24,151,852,847**	₱15,212,852,847	₱15,262,852,847

In 2018, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion. Details are as follow:

	Appropriations				
Entity	February 20	March 7	March 8	December 20	Total
RRHI	₱2,800,000,000	₱–	₱–	₱–	₱2,800,000,000
RSC	–	1,250,000,000	–	1,100,000,000	2,350,000,000
RHMI	–	553,000,000	–	617,000,000	1,170,000,000
SSDI	–	300,000,000	–	500,000,000	800,000,000
RI	–	400,000,000	–	250,000,000	650,000,000
RAC	–	260,000,000	–	–	260,000,000
RTSHPI	–	93,000,000	–	105,000,000	198,000,000
SEWI	–	–	180,000,000	15,000,000	195,000,000
RHDDS	–	114,000,000	–	65,000,000	179,000,000
RTI	–	150,000,000	–	220,000,000	370,000,000
WHMI	–	50,000,000	–	97,000,000	147,000,000
CC	–	–	–	40,000,000	40,000,000
RDDC	–	–	–	33,000,000	33,000,000
ASI	–	–	–	15,000,000	15,000,000
HEMI	–	7,000,000	–	8,000,000	15,000,000
	₱2,800,000,000	₱3,177,000,000	₱180,000,000	₱3,065,000,000	₱9,222,000,000

In 2018, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings. Details are as follow:

Entity	Date of reversal	Amount
RTSHPI	December 12	₱3,000,000
RTI	July 6	150,000,000
RHMI	June 16	100,000,000
SEWI	March 22	30,000,000
Total		₱283,000,000

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.0 million.

On December 12, 2016, the Group's BOD approved the appropriation of ₱3.71 billion. The appropriated retained earnings shall be used to augment new stores within two (2) years in line with the Group's nationwide expansion. Details as follow:

Entity	Amount
RSC	₱1,390,000,000
RHMI	735,000,000
RI	600,000,000
SSDI	300,000,000
RRHI	230,000,000
RAC	145,000,000
RTSHPI	108,000,000
WHMI	92,000,000
RHDDS	50,000,000
RSSI	40,000,000
ASI	14,000,000
HEMI	5,000,000
	₱3,709,000,000

In 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.44 billion. Details are as follow:

Entity	Date	Amount
RRHI-TMI	March 14	₱440,200,000
WHMI	December 12	359,459,585
RTI	December 12	228,000,000
RHMI	December 12	200,000,000
RTSHPI	December 12	100,000,000
RVC	December 12	68,939,021
HEMI	December 12	27,000,000
ASI	December 12	20,000,000
		₱1,443,598,606

Declaration of Dividends of the Subsidiaries

In 2018, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
SEWI	May 30	₱30,000,000
ASI	June 4	15,000,000
TGP	May 3	200,000,000
	December 14	220,000,000
RHMI	June 14	100,000,000
RTI	July 6	150,000,000
RRHI - TMI	December 2	700,000,000
RTSHPI	December 12	35,000,000
Total		₱1,450,000,000

In 2017, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	December 12	₱1,050,000,000
	May 10	1,028,400,000
TGP	February 1	300,000,000
	October 1	300,000,000
RTI	February 1	130,000,000
WHMI	March 12	40,000,000
RTSHPI	December 12	30,000,000
Chic Centre Corporation	February 1	20,000,000
Total		₱2,898,400,000

In 2016, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	March 14	₱1,350,000,000
WHMI	December 12	360,000,000
RHMI	December 12	200,000,000
RTI	December 12	270,000,000
RTSHPI	December 12	100,000,000
RVC	December 12	85,000,000
HEMI	December 12	27,000,000
ASI	December 12	20,000,000
SSDI	December 12	20,000,000
Total		₱2,432,000,000

In 2016, the Group paid ₱207.0 million dividends declared in 2015.

NCI

Acquisitions of NCI from Business Combinations

In May 2016, the Group has acquired NCI through business combination on the acquisition of TGPPI amounting to ₱942.17 million.

In 2016 and 2015, the Group has acquired NCI through business combinations on the acquisition of HPTDI and SEWI amounting ₱9.50 million and ₱30.54 million, respectively.

Investment from NCI

On February 27, 2018, an NCI made an investment which represents 49% ownership in Super50 Corporation amounting to ₱14.70 million.

On December 20, 2017, the BOD of RCSI authorized the increase of capital stock from ₱1.0 billion to ₱2.0 billion of which to ₱490.0 million was subscribed and paid in full by Ministop.

In 2016, no additional investment was recognized from NCI.

Dividends to NCI

In 2018, 2017 and 2016, dividends declared attributable to NCI amounted to ₱266.84 million, ₱357.80 million and ₱310.84 million, respectively.

Capital Management
The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and 2017.

The Group considers the following as its main source of capital:

	2018	2017
Capital stock	**₱1,576,489,360**	₱1,385,000,000
Additional paid-in capital	**40,768,202,897**	27,227,385,090
Other comprehensive income (loss)	**(563,817,037)**	289,698,663
Equity reserve	**(970,435,361)**	(1,021,894,669)
Retained earnings		
Appropriated	**24,151,852,847**	15,212,852,847
Unappropriated	**3,558,435,683**	8,440,230,328
Total equity attributable to equity holders of the Parent Company	**68,520,728,389**	51,533,272,259
Non-controlling interest in consolidated subsidiaries	**4,183,439,610**	3,733,366,825
Total Equity	**₱72,704,167,999**	₱55,266,639,084

19. **Business Combinations**

Business Combination and Goodwill
On March 23, 2018, the Board of Directors of RRHI and MCBV approved the acquisition by RRHI of MCBV's 100% stake in RSCI through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. RSCI operates food retail brands "Marketplace by Rustan's", "Rustan's Supermarket", "Shopwise Hypermarket", "Shopwise Express" and "Wellcome".

RRHI agreed to pay MCBV at an agreed price which was settled by the issuance of 191.49 million new RRHI common shares as consideration for the value of the net assets of RSCI. RRHI engaged an independent financial advisor to review the transaction and render a fairness opinion on the transaction and the consideration payable by RRHI. The independent financial advisor completed its review and concluded that the acquisition of the net assets is fair and reasonable and in the interest of RRHI shareholders as a whole.

The completion of the acquisition was subjected to the procurement of certain regulatory and other approvals including:

i. Approval by the shareholders of RRHI of the issuance of primary shares;
ii. Approval of the transaction by the Philippine Competition Commission; and
iii. Confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI.

The acquisition was completed on November 23, 2018 as agreed in the Shareholders Agreement which is seven days after the confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI on November 16, 2018. Approvals (i) and (ii) were obtained on May 28, 2018 and August 16, 2018, respectively. On November 23, 2018, the market value of RRHI shares amounted to ₱72.05 per share. Transaction costs related to the issuance of new shares amounted to ₱64.50 million was charged to 'Additional paid-in capital'.

The purchase price consideration has been allocated to the assets and liabilities on the basis of provisional values at the date of acquisition as follows:

	Provisional fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment (Note 12)	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	12,454,975,787
Liabilities	
Trade and other payables	(4,633,625,787)
Loans payable	(1,500,000,000)
Income tax payable	(39,346,173)
Other current liabilities	(60,595,212)
Retirement obligation	(283,655,342)
Deferred tax liability	(961,623,483)
Other noncurrent liabilities	(288,707,463)
	(7,767,553,460)
Net assets acquired	4,687,422,327
Provisional goodwill from the acquisition (Note 14)	9,109,386,061
Purchase consideration transferred	₱13,796,808,388

The net assets recognized at the date of acquisition were based on provisional fair values of the assets owned by RSCI, which will be determined through an independent valuation. The result of this valuation had not been finalized as at March 14, 2019.

Total consolidated revenue would have increased by ₱24,420.0 million, while consolidated net income would have decreased by ₱1,050.0 million for the year ended December 31, 2018 had the acquisition of RSCI takes place at the beginning of the year. Total revenues and net loss of RSCI included in the consolidated statement of comprehensive income amounted to ₱3,010.0 million and to ₱100.95 million, respectively, from November 23, 2018 to December 31, 2018.

As a result of the transaction, provisional goodwill amounting to ₱9.11 billion, representing the difference between the total consideration of ₱13.80 billion and the provisional value of net assets acquired of ₱4.69 billion, was recognized (Note 14). The provisional goodwill of ₱9.11 billion comprises the expected synergies arising from acquisition. The provisional goodwill and trademarks were not tested for impairment since the acquisition occurred in the fourth quarter of 2018 and there was no material change in RSCI's business since obtaining the fairness opinion from an independent financial advisor.

Acquisition of TGPPI
On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion. In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.

	Fair values recognized on acquisition
Assets	
Current assets	₱1,231,511,879
Trademarks (Note 14)	1,264,098,435
Property and equipment	102,639,683
Other non-current assets	15,682,708
Assets	2,613,932,705
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 14)	1,281,428,830
Acquisition cost	₱2,262,050,000

From the date of acquisition, TGPPI contributed ₱2,600.0 million revenue and ₱284.42 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax in 2016 would have been higher by ₱1,340.0 million and ₱165.47 million, respectively. TGPPI is incorporated on September 15, 2010.

The goodwill of ₱1.28 billion comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Acquisition of HPTDI
On August 1, 2016, RHIB acquired 75% ownership of HPTDI for a total consideration of ₱58.50 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.0 million.

	Fair values recognized on acquisition
Assets	
Property and equipment	₱33,928,571
Input VAT	4,071,429
Net assets before non-controlling interest	38,000,000
Non-controlling interest measured at share of net assets (25%)	9,500,000
Net assets (75%)	28,500,000
Goodwill arising on acquisition (Note 14)	30,000,000
Acquisition cost	₱58,500,000

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016. The goodwill of ₱30.0 million comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Material Partly-Owned Subsidiary
In 2018 and 2017, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱580.69 million, ₱408.86 million and ₱624.99 million in 2018, 2017 and 2016, respectively. Profit allocated to material non-controlling interest amounted to ₱238.68 million, ₱237.23 million and ₱155.08 million in 2018, 2017 and 2016, respectively. Total assets of TGPPI as of December 31, 2018 and 2017 amounted to ₱1,818.38 million and ₱1,716.11 million, respectively, while total liabilities as of December 31, 2018 and 2017 amounted to ₱679.77 million and ₱625.49 million, respectively. Total sales in 2018, 2017 and 2016 amounted to ₱4,335.08 million, ₱4,193.39 million and ₱3,893.20 million, respectively. Net income in 2018, 2017 and 2016 amounted to ₱464.73 million, ₱464.85 million and ₱305.34 million, respectively.

Combination of Entities under Common Control
On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Chic Center Corporation is an entity under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

The carrying amounts of total assets and liabilities of Chic Centre Corporation at the date of acquisition were:

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment	55,957,840
Deferred tax assets	2,748,968
	340,713,072
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

The assets, liabilities and equity of Chic Centre Corporation are included in the consolidated financial statements at their carrying amounts. The profit and loss of the acquirees are consolidated from the date of acquisition. The difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “Equity reserve” (Note 18). Comparative periods are not restated.

On January 4, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

20. Sales Revenue

Sales are recognized from customers at the point of sale in the stores and upon delivery.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱4.55 billion, ₱3.77 billion and ₱2.74 billion in 2018, 2017 and 2016, respectively.

Disaggregated revenue information
Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the year ended December 31, 2018						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱–	₱15,823,983,850	₱18,199,803,880	₱128,072,208,120
Sale of merchandise to franchisees	–	–	–	6,176,910,080	–	–	6,176,910,080
Franchise revenue	–	–	–	7,221,915	42,472,718	–	49,694,633
Royalty fee	–	–	–	1,882,097,405	59,926,262	–	1,942,023,667
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500
Timing of revenue recognition							
Goods transferred at point in time	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱18,199,803,880	₱134,249,118,200
Services transferred over time	–	–	–	1,889,319,320	102,398,980	–	1,991,718,300
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500

Intersegment eliminating adjustments related to sale of goods amounted to ₱1.57 billion (Note 6).

21. Operating Expenses

This account consists of:

	2018	2017	2016
Rental and utilities (Notes 24 and 28)	**₱10,508,824,120**	₱8,959,404,658	₱8,381,892,384
Personnel costs and contracted services (Notes 22 and 23)	**7,585,433,667**	6,431,793,533	5,563,169,739
Depreciation and amortization (Notes 12 and 14)	**2,395,085,036**	2,073,037,176	2,038,230,133
Transportation and travel	**1,241,660,822**	1,083,492,425	1,005,549,080
Supplies	**806,241,418**	760,801,644	622,054,994
Advertising	**705,204,990**	723,145,718	573,330,970
Bank and credit charges	**663,624,324**	547,994,430	488,281,599
Repairs and maintenance	**587,624,491**	438,011,103	347,870,477
Royalty expense (Note 29)	**189,196,515**	169,747,191	159,815,306
Others	**948,506,781**	561,728,077	471,679,059
	₱25,631,402,164	₱21,749,155,955	₱19,651,873,741

Others consist mainly of taxes and licenses, insurance and professional fees and allowance for impairment losses on trade and other receivables (Note 8).

Depreciation and amortization pertains to:

	2018	2017	2016
Property and equipment (Note 12)	**₱2,377,059,872**	₱2,058,368,620	₱2,023,633,040
Franchise and license fees (Note 14)	**18,025,164**	14,668,556	14,597,093
	₱2,395,085,036	₱2,073,037,176	₱2,038,230,133

22. Personnel Costs and Contracted Services

This account consists of:

	2018	2017	2016
Salaries, allowances and benefits (Note 21)	**₱4,162,098,867**	₱3,418,503,809	₱2,660,727,005
Contracted services (Note 21)	**3,423,334,800**	3,013,289,724	2,902,442,734
	₱7,585,433,667	₱6,431,793,533	₱5,563,169,739

Details of salaries, allowances and benefits:

	2018	2017	2016
Salaries, wages and allowances	**₱4,006,099,584**	₱3,247,551,513	₱2,544,088,072
Retirement expense (Note 23)	**155,999,283**	170,952,296	116,638,933
	₱4,162,098,867	₱3,418,503,809	₱2,660,727,005

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan, South Star Drug Retirement Plan and Rustan Supercenters Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary.

The Group is a member of the Plan which is administered separately by the Trustee, RBC, Metrobank Corporation and Bank of the Philippine Islands, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follow:

	2018	2017	2016
Current service cost	**₱135,673,669**	₱142,074,946	₱93,186,487
Net interest cost	**20,325,614**	28,877,350	23,452,446
Retirement expense	**₱155,999,283**	₱170,952,296	₱116,638,933

Net retirement obligation as of December 31, 2018 and 2017 recognized in the consolidated statements of financial position follow:

	2018	2017
Present value of defined benefit obligation	**₱1,052,484,292**	₱967,786,781
Fair value of plan assets	**(818,276,606)**	(421,598,614)
Net retirement obligation	**₱234,207,686**	₱546,188,167

The movements in net retirement obligation recognized in the consolidated statements of financial position follow:

	2018	2017
Balance at beginning of year	**₱546,188,167**	₱609,529,248
Additions arising from business combination (Note 19)	**283,655,342**	–
Retirement expense	**155,999,283**	170,952,296
Remeasurement (gain) loss	**(342,862,134)**	4,389,439
Actual contribution	**(387,521,455)**	(234,909,126)
Benefits paid from direct payments	**(21,251,517)**	(3,773,690)
Balance at end of year	**₱234,207,686**	₱546,188,167

Remeasurement effects recognized in OCI:

	2018	2017
Remeasurement gains (losses) on:		
Retirement obligation	**₱406,864,233**	₱28,326,843
Retirement plan assets	**(64,002,099)**	(32,716,282)
	₱342,862,134	(₱4,389,439)

Movements of cumulative remeasurement effect recognized in OCI:

	2018	2017
Balance at beginning of year	**(₱182,643,820)**	(₱256,530,304)
Actuarial gain	**406,864,233**	28,326,843
Return on assets excluding amount included in net interest cost	**(64,002,099)**	(32,716,282)
Total remeasurement	**160,218,314**	(260,919,743)
Income tax effect	**(48,065,494)**	78,275,923
	₱112,152,820	(₱182,643,820)

Movements in the fair value of plan assets follow:

	2018	2017
Balance at beginning of year	**₱421,598,614**	₱212,260,323
Additions arising from business combination (Note 19)	**40,897,816**	–
Actual contribution	**387,521,455**	234,909,126
Benefits paid	**(1,145,647)**	(9,931,597)
Interest income included in net interest cost	**33,406,467**	17,077,044
Remeasurement loss	**(64,002,099)**	(32,716,282)
Balance at end of year	**₱818,276,606**	₱421,598,614

Changes in the present value of defined benefit obligation follow:

	2018	2017
Balance at beginning of year	**₱967,786,781**	₱821,789,571
Additions arising from business combination (Note 19)	**324,553,158**	–
Current service cost	**135,673,669**	142,074,946
Interest cost	**53,732,081**	45,954,394
Remeasurement gain arising from:		
Changes in financial assumptions	**(307,538,498)**	(27,133,646)
Experience adjustments	**(82,362,765)**	(574,429)
Changes in demographic assumptions	**(16,962,970)**	(618,768)
Benefits paid	**(22,397,164)**	(13,705,287)
Balance at end of year	**₱1,052,484,292**	₱967,786,781

The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	2018	2017
Cash and cash equivalents		
Savings deposit	**₱1,688,422**	₱388,792
Investments in government securities		
Fixed rate treasury notes	**16,439,885**	16,877,654
Investments in UITF	**800,037,660**	404,202,880
Other receivables	**133,151**	153,595
Accrued trust fee payable	**(22,512)**	(24,307)
	₱818,276,606	₱421,598,614

The principal assumptions used in determining pensions for the Group's plan are shown below:

	2018	2017
Discount rates	**7.19% - 7.46%**	4.90% - 5.60%
Salary increase rates	**3.00% - 7.70%**	5.70% - 7.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return (loss) on plan assets amounted to (₱30.60 million), (₱15.64 million) and ₱22.67 million in 2018, 2017 and 2016, respectively.

The Group expects to contribute ₱299.18 million to the defined benefit plan in 2019.

Remeasurement effects attributable to the equity holders of the Parent Company follows:

	2018	2017
Balances at the beginning of year	**₱236,820,467**	₱240,395,120
Remeasurement gains (losses) during the year	**240,376,507**	(3,574,653)
Balances at end of year	**₱477,196,974**	₱236,820,467

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant.

		Increase (Decrease)	Effect in Defined Benefit Obligation
2018	**Salary increase**	**+1.00%**	**₱96,724,955**
		-1.00%	**(82,990,856)**
	Discount rates	**+1.00%**	**(77,198,339)**
		-1.00%	**66,855,480**
2017	Salary increase	+1.00%	₱290,936,127
		-1.00%	(161,085,306)
	Discount rates	+1.00%	(133,966,262)
		-1.00%	328,900,041

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

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

	2018	2017
Less than 1 year	**₱93,327,604**	₱47,864,692
More than 1 year but less than 5 years	**255,986,130**	148,976,023
More than 5 years but less than 10 years	**517,995,321**	416,750,644
More than 10 years but less than 15 years	**767,895,040**	562,283,554
More than 15 years but less than 20 years	**1,134,757,501**	808,632,826
More than 20 years	**5,596,509,099**	6,213,573,653

24. Related Party Disclosures

Parties are 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 and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Significant Related Party Transactions

The Group, in the regular conduct of business, has receivables from/payables to related parties arising from the normal course of operations.

1. The following are the Group's transactions with its related parties:

	Amount			Due from (Due to)	
	2018	2017	2016	**2018**	2017
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱3,214,288,927**	₱2,804,711,625	₱3,002,659,968	**₱325,303,347**	₱146,826,951
Royalty income	**1,443,589,170**	1,261,104,503	1,250,377,301	**–**	–
b. Trade and other payable					
Purchases - net	**(2,896,390,334)**	(2,832,232,330)	(2,731,155,634)	**–**	–
Rent and utilities	**(4,462,345,647)**	(3,949,827,999)	(3,571,891,299)	**(541,174,032)**	(543,615,340)

Below are the Group's transactions with its related parties:

a. As of December 31, 2018 and 2017, the Group has outstanding balances from its other affiliates amounting to ₱325.30 million and ₱146.83 million, respectively, arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

   In 2018, 2017 and 2016, sales of merchandise inventories to related parties amounted to ₱3.21 billion, ₱2.80 billion and ₱3.00 billion, respectively, and royalty income amounted to ₱1.44 billion, ₱1.26 billion and ₱1.25 billion, respectively (Note 29).

b. As of December 31, 2018 and 2017, the Group has outstanding payable to its other affiliates amounting to ₱541.17 million and ₱543.62 million, respectively, arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year and renewable every year.

   In 2018, 2017 and 2016, purchases of merchandise inventories for resale to customers amounted ₱2.90 billion, ₱2.83 billion and ₱2.73 billion, respectively while expenses for rent and utilities amounted to ₱4.46 billion, ₱3.95 billion and ₱3.57 billion, respectively.

c. The Group maintains savings and current accounts and money market placements with RBC. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

Affiliates are related parties by the Group by virtue of common ownership and representations to management where significant influence is apparent.

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

   The details of compensation and benefits of key management personnel for 2018, 2017 and 2016 follow:

	2018	2017	2016
Short-term employee benefits	**₱144,741,622**	₱140,592,485	₱135,091,073
Post-employment benefits	**25,737,872**	37,004,324	30,916,815
	₱170,479,494	₱177,596,809	₱166,007,888

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the years ended December 31, 2018, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. **Income Tax**

Provision for income tax for the years ended December 31 follows:

	2018	2017	2016
Current	**₱1,807,600,901**	₱1,785,241,581	₱1,540,728,580
Deferred	**(35,579,353)**	(81,928,619)	(69,454,983)
	₱1,772,021,548	₱1,703,312,962	₱1,471,273,597

The components of the net deferred tax assets of the Group as of December 31, 2018 and 2017 pertain to the deferred tax effects of the following:

	2018	2017
Tax effects of:		
Items recognized in profit or loss:		
MCIT	**₱123,082,937**	28,014,595
NOLCO	**77,184,991**	110,705,790
Unamortized past service cost	**66,962,036**	28,200,002
Accrued rent	**61,078,099**	–
Allowance for expected credit losses	**40,894,445**	14,119,300
Deferred revenue	**16,971,298**	–
Retirement expense	**10,535,727**	86,479,433
Allowance for inventory write-down	**23,384,581**	10,270,178
Unrealized foreign exchange - net	**4,549,743**	(66)
	424,643,857	277,789,232
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**(11,184,228)**	77,377,017
	₱413,459,629	₱355,166,249

Deferred tax assets acquired in the acquisition of RSCI in 2018 amounted to as follow:

Items recognized in profit or loss	₱91,398,505
Items recognized in other comprehensive income	14,185,789
	₱105,584,294

In 2017, the Parent Company recognized deferred tax assets pertaining to MCIT amounting to ₱3.92 million which was unrecognized in prior years.

The components of the net deferred tax liabilities of the Group as of December 31, 2018 and 2017 represent deferred tax effects of the following:

	2018	2017
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱1,921,295,422**	₱959,671,939
Asset revaluation	**47,669,901**	57,471,721
Unrealized forex gains	**1,318,126**	220,229
	1,970,283,449	1,017,363,889
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**(15,463,859)**	(5,968,117)
	₱1,954,819,590	₱1,011,395,772

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2018	2017
Tax effects of:		
Allowance for impairment losses	**₱22,739,980**	₱22,739,980
NOLCO	**55,174,650**	6,049,390
Allowance for doubtful accounts	**22,751,697**	19,151,697
	₱100,666,327	₱47,941,067

Details of the Group's NOLCO related to RCSI, RGFBI, RHIB, RSSI, RLSI and Super50 follow:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Ending Balance	Expiry Year
2018	₱–	₱–	₱166,466,045	₱166,466,045	2021
2017	170,325,860	–	–	170,325,860	2020
2016	113,954,603	9,547,704	–	104,406,899	2019
2015	104,903,471	104,903,471	–	–	2018
Total	₱389,183,934	₱114,451,175	₱166,466,045	₱441,198,804	

Details of the Group's MCIT related to RI, RVC, RCSI, RHIB, RSSI and RDDC follow:

Inception Year	Beginning Balance	Applied/ Expired	Additions	Ending Balance	Expiry Year
2018	₱–	₱–	₱100,297,401	₱100,297,401	2021
2017	16,911,569	–	–	16,911,569	2020
2016	5,873,967	–	–	5,873,967	2019
2015	5,229,059	5,229,059	–	–	2018
Total	₱28,014,595	₱5,229,059	₱100,297,401	₱123,082,937	

The reconciliation of statutory income tax rate to the effective income tax rate follows:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	**–**	1.74	0.32
Investment income	**–**	–	(0.46)
Nondeductible expense	**0.17**	–	–
Change in unrecognized deferred tax assets	**(0.15)**	(0.77)	(0.03)
Effect of PFRS 9 and 15 adoption	**(0.24)**	–	–
Dividend income	**(0.44)**	(0.46)	(0.50)
Effect of OSD	**(0.50)**	(3.67)	(3.38)
Nontaxable income subject to final tax	**(0.82)**	–	–
Derecognized DTA for NOLCO	**(0.82)**	–	–
Interest income subject to final tax	**(3.88)**	(3.59)	(3.88)
Effective income tax rate	**23.32%**	23.25%	22.07%

On December 19, 2017, the RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changed existing tax law and includes several provisions that generally affected businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the reporting date.

On November 26, 2008, the BIR issued Revenue Regulation No. 16-2008 which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD). This regulation allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect standard deduction in an amount equivalent to 40% of the gross income, as provided by law, in lieu of the itemized allowable deductions. In 2018, 2017 and 2016 certain subsidiaries elected OSD in the computation of its taxable income.

26. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company	**₱5,107,328,539**	₱4,978,039,066	₱4,830,140,965
Weighted average number of common shares	**1,400,957,447**	1,385,000,000	1,385,000,000
Basic and Diluted EPS	**₱3.65**	₱3.59	₱3.49

	2018	2017	2016
No. of shares at the beginning of year	**1,385,000,000**	1,385,000,000	1,385,000,000
Weighted average number of shares issued during the year	**15,957,447**	–	–
Weighted average number of common shares	**1,400,957,447**	1,385,000,000	1,385,000,000

The Parent Company has no dilutive potential common shares in 2018, 2017 and 2016.

27. **Risk Management and Financial Instruments**

Governance Framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

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

Market Risk
Market risk is the risk of loss to future earnings, to fair value of cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates equity prices and other market factors.

Interest Rate Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

Price Interest Rate Risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVTPL, FVOCI and AFS financial assets.

The table below shows the impact on income before tax of the estimated future yield of the related market indices of the Group's financial assets at FVTPL, FVOCI and AFS financial assets using a sensitivity approach.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**2018**	2017
+100 basis points (bps)	**₱9,198,181**	₱9,363,465
-100 bps	**(9,198,181)**	(9,363,465)

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arises mainly from foreign currency-denominated cash and cash equivalents, interest receivable, financial assets at FVOCI, and AFS financial assets which are denominated in currency other than the Group's functional currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	2018	2017	**2018**	2017
USD	**+1.13%**	+0.85%	**₱48,071,706**	₱38,147,107
	-1.13%	-0.85%	**(48,071,706)**	(38,147,107)

The Group used foreign exchange rate of ₱52.58:USD1 and ₱49.93: USD1 as of December 31, 2018, and 2017, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.13% and 0.85% in 2018 and 2017 respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2018 and 2017 are as follows:

	2018		2017	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$1,447,926**	**₱76,131,949**	$6,112,971	₱305,220,642
Receivables	**766,277**	**40,290,845**	1,098,779	54,862,035
AFS financial assets	**–**	**–**	82,159,892	4,102,243,408
FVOCI with recycling	**78,704,449**	**4,138,279,928**	–	–
Total	**$80,918,652**	**₱4,254,702,722**	$89,371,642	₱4,462,326,085

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2018 and 2017. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2018 and AFS financial assets in 2017.

Quoted equity securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of December 31, 2018 and 2017.

The analyses below are performed for reasonably possible movements in the PSE Index with all other variables held constant, showing the impact on equity:

	Change in variable	Effect on equity- Other comprehensive income
2018		
	+17.95%	**₱68,645,011**
	-17.95%	**(68,645,011)**
2017	+11.86%	₱15,243,594
	-11.86%	(15,243,594)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 17.95% and 11.86% in 2018 and 2017, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

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 Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2018 and 2017 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2018

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱14,788,040,613**	**₱–**	**₱–**	**₱14,788,040,613**
Trade receivables	**173,451,559**	**1,935,168,711**	**–**	**2,108,620,270**
Nontrade receivables	**–**	**734,264,185**	**–**	**734,264,185**
Due from franchisees	**75,838,989**	**409,218,908**	**–**	**485,057,897**
Other noncurrent assets:				
Security and other deposits	**–**	**–**	**2,550,724,180**	**2,550,724,180**
Construction bonds	**–**	**–**	**33,092,201**	**33,092,201**
FVOCI	**–**	**–**	**18,086,295,711**	**18,086,295,711**
FVTPL	**–**	**–**	**1,665,171,011**	**1,665,171,011**
	₱15,037,331,161	**₱3,078,651,804**	**₱22,335,283,103**	**₱40,451,266,068**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱24,046,700,951**	**₱–**	**₱24,046,700,951**
Loans payable	**–**	**6,794,000,000**	**–**	**6,794,000,000**
Other current liabilities	**–**	**279,844,005**	**–**	**279,844,005**
Other noncurrent liabilities	**–**	**304,021,928**	**–**	**304,021,928**
	₱–	**₱31,424,566,884**	**₱–**	**₱31,424,566,884**

**Excluding statutory liabilities amounting ₱530,409,504.*

December 31, 2017

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱14,565,037,906	₱–	₱–	₱14,565,037,906
Trade receivables	123,004,663	1,429,217,927	–	1,552,222,590
Nontrade receivables	356,756,690	130,648,912	–	487,405,602
Due from franchisees	–	305,376,530	–	305,376,530
Other noncurrent assets:				
Security and other deposits	–	–	1,530,655,795	1,530,655,795
Construction bonds	–	–	27,475,941	27,475,941
AFS financial assets	–	–	20,667,367,094	20,667,367,094
	₱15,044,799,259	₱1,865,243,369	₱22,225,498,830	₱39,135,541,458
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱17,626,139,310	₱–	₱17,626,139,310
Loans payable	–	6,377,954,863	–	6,377,954,863
Other current liabilities	–	240,007,838	–	240,007,838
	₱–	₱24,244,102,011	₱–	₱24,244,102,011

**Excluding statutory liabilities amounting ₱148,095,672.*

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 Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

The Group manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. The Group's policies include the following: setting up of exposure limits by each counterparty or group 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 Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱2.17 billion and ₱1.29 billion in 2018 and 2017, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

Financial assets at FVOCI, FVTPL and AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱36.46 billion and ₱37.73 billion as of December 31, 2018 and 2017, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost, loans and receivables, FVOCI and AFS financial assets as of December 31, 2018 and 2017.

2018

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	**₱12,613,663,128**	**₱–**	**₱–**	**₱12,613,663,128**
Trade receivables	**2,028,112,411**	–	**80,507,859**	**2,108,620,270**
Nontrade receivables	**734,264,185**	–	–	**734,264,185**
Due from franchisees	**409,218,908**	–	**75,838,989**	**485,057,897**
Other noncurrent assets:				
Security and other deposits	**2,550,724,180**	–	–	**2,550,724,180**
Construction bond	**33,092,201**	–	–	**33,092,201**
FVOCI	**18,086,295,712**	–	–	**18,086,295,712**
	₱36,455,370,725	**₱–**	**₱156,346,848**	**₱36,611,717,573**

<u>2017</u>

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱13,271,954,850	₱–	₱–	₱13,271,954,850
Trade receivables	1,505,673,809	–	46,548,781	1,552,222,590
Nontrade receivables	487,405,602	–	–	487,405,602
Due from franchisees	241,537,541	–	63,838,989	305,376,530
Other noncurrent assets:				
Security and other deposits	1,530,655,795	–	–	1,530,655,795
Construction bond	27,475,941	–	–	27,475,941
AFS financial assets	20,667,367,094	–	–	20,667,367,094
	₱37,732,070,632	₱–	₱110,387,770	₱37,842,458,402

Impairment of Financial Assets (applicable from January 1, 2018)
The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Trade receivables;
- Debt securities at FVOCI; and
- Other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include accrued interest receivables, refundable security and other deposits, advances to employees and officers and receivable from insurance. These are also subject to impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized provision for expected credit losses on its debt instruments at FVOCI amounting to ₱13.13 million in 2018 (Note 11).

Trade Receivables. The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group recognized provision for expected credit losses on its trade receivables amounting to ₱46.75 million in 2018 (Note 8).

The ending loss allowances as of December 31, 2018 reconcile to the opening loss allowances as follows:

Balances as of January 1, 2018, as calculated under PAS 39	₱110,387,770
Amount restated through opening retained earnings	–
Balances as of January 1, 2018, as calculated under PFRS 9	110,387,770
Provision	46,748,194
Write off (Note 8)	(789,116)
Balances as of December 31, 2018	₱156,346,848

A summary of Group exposure to credit risk under general and general approach as of December 31, 2018 follows:

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱12,613,663,128	₱–	₱–	₱–
Trade receivables	–	–	–	2,108,620,270
Due from franchisees	–	–	–	485,057,897
Nontrade receivables	734,264,185	–	–	–
Security and other deposits	2,583,816,381	–	–	–
FVOCI	18,086,295,711	–	–	–
Total gross carrying amounts	34,018,039,405	–	–	2,593,678,167
Less allowance	13,130,750	–	–	156,346,848
	₱34,004,908,655	₱–	₱–	₱2,437,331,319

In 2018, there were no movements between stage 1, 2 and 3.

Impairment of Financial Assets (applicable prior to January 1, 2018)
The Group recognizes impairment losses based on the results of its specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal overdue beyond a certain threshold. These and the other factors, either singly or in tandem, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent nor objective evidence of individual impairment yet. A particular portfolio is reviewed on a periodic basis in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment yet on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write-offs; (b) losses which are likely to occur but have not yet occurred; and (c) the expected receipts and recoveries once impaired.

In 2017 and 2016, provision for impairment losses on receivables amounted to ₱21.51 million and ₱58.83 million, respectively (Note 8).

Fair Values of Financial Assets and Liabilities
The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.

- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

- Debt and equity instrument financial assets amounting to ₱19.75 billion and ₱20.67 billion as at December 31, 2018 and 2017, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.

- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

In 2018 and 2017, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. **Lease Commitments**

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rental expense in 2018, 2017 and 2016 amounted to ₱6.26 billion, ₱5.49 billion and ₱4.99 billion, respectively (Notes 21 and 24).

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the "Royalty, Rent and Other Revenue" account in the consolidated statements of comprehensive income (Note 29).

There are no contingent rental income and expense under these operating leases both as lessee and lessor.

Accrued rent recognized in the consolidated statements of financial position as of December 31, 2018 amounting to ₱304.02 million pertains to RSCI's lease agreements arising from lease straight-lining.

29. **Agreements**

a) The Group has exclusive right to use the Ministop System in the Philippines which was granted to the Group by Ministop Co. Ltd., a corporation organized in Japan. In accordance with the franchise agreement, the Group agrees to pay, among others, royalties to Ministop based on a certain percentage of gross profit.

   Royalty expense amounted to ₱82.17 million, ₱74.12 million and ₱72.67 million in 2018, 2017 and 2016, respectively (Note 21). Royalty payable to Ministop included under "Other current liabilities" as of December 31, 2018 and 2017 amounted to ₱7.91 million and ₱6.81 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱1.88 billion, ₱1.72 billion and ₱1.71 billion in 2018, 2017 and 2016, respectively.

   As of December 31, 2018 and 2017, amounts due from franchisees amounted to ₱409.22 million and ₱241.54 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱75.84 million and ₱63.84 million as of December 31, 2018 and 2017, respectively (Note 8).

c) The Group obtained a license to use the Daiso Business Model in the Philippines that was granted to the Group by Daiso Industries Co., Ltd. (DICL) in Japan. In accordance with the license agreement, the Group agrees to pay, among others, royalties to DICL based on a certain percentage of monthly net sales.

   Royalty expenses amounted to ₱10.11 million, ₱7.95 million and ₱6.31 million in 2018, 2017 and 2016, respectively.

d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 14).

   Royalty expense amounted to ₱1.26 million in 2016.

e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱89.78 million, ₱82.15 million and ₱75.41 million in 2018, 2017 and 2016, respectively.

f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 14).

   The Group started Costa operations in June 2015. Royalty expenses amounted to ₱7.04 million, ₱5.52 million and ₱4.17 million in 2018, 2017 and 2016, respectively.

g.) The Group has other licenses and franchises to carry various global brands.

30. Changes in Liabilities Arising from Financing Activities

<u>2018</u>

	January 1, 2018	Net Cash Flows	Dividend Declaration	Others	December 31, 2018
Loans payable	₱6,377,954,863	(₱1,083,954,863)	₱–	₱1,500,000,000	₱6,794,000,000
Dividends payable	14,000,000	(1,266,370,255)	1,264,036,917	–	11,666,662
Total liabilities from financing activities	₱6,391,954,863	(₱850,325,118)	₱1,264,036,917	₱1,500,000,000	₱6,805,666,662

Others pertain to the short-term loans assumed in the acquisition of RSCI.

<u>2017</u>

	January 1, 2017	Cash Flows	Dividend Declaration	December 31, 2017
Loans payable	₱6,575,698,733	(₱197,743,870)	₱–	₱6,377,954,863
Dividends payable	310,843,333	(1,624,143,333)	1,327,300,000	14,000,000
Total liabilities from financing activities	₱6,886,542,066	(₱1,821,887,203)	₱1,327,300,000	₱6,391,954,863

Interest paid in 2018 and 2017 amounted to ₱159.07 million and ₱127.38 million, respectively.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

32. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 14, 2019.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Robinsons Retail Holdings, Inc.
43rd Floor, Robinsons Equitable Tower
ADB Avenue corner Poveda Sts., Ortigas Center
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2018 and 2017 and have issued our report thereon dated March 14, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332565, January 3, 2019, Makati City

March 14, 2019

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)

DECEMBER 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Debt and Equity Securities				
Various bonds	₱16,684,616,046	₱16,135,895,711	₱16,135,895,711	₱720,493,380
Notes	1,683,700,000	1,665,171,011	1,665,171,011	67,733,531
Investment in preferred shares	2,000,000,000	1,950,400,000	1,950,400,000	111,500,000
	₱20,368,316,046	₱19,751,466,722	₱19,751,466,722	₱899,726,911

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2018

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱545,066,408	₱9,038	₱–	₱545,075,446	₱–	₱545,075,446
Robinsons Toys, Inc.	197,711,461	16,284,251	–	213,995,712	–	213,995,712
Robinsons Convenience Stores, Inc.	39,106,088	–	–	39,106,088	–	39,106,088
Robinson’s Supermarket Corporation	20,333,567	7,437,195	–	27,770,762	–	27,770,762
Robinson’s Incorporated	14,295,704	983,566	–	15,279,270	–	15,279,270
Robinsons Handyman, Inc.	14,767,958	(7,383,979)	–	7,383,979	–	7,383,979
RHD Daiso - Saizen, Inc.	47,229,730	323,651,298	–	370,881,028	–	370,881,028
	₱878,510,916	₱340,981,369	₱–	₱1,219,492,285	₱–	₱1,219,492,285

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2018

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱3,381,413,966	₱9,109,386,061	–	₱–	₱–	₱12,490,800,027
Trademarks	3,195,930,460	3,398,600,043	(₱3,167,022)	–	–	6,591,363,481
License	60,606,062	–	(60,606,062)	–	–	–
Franchise	19,279,385	7,583,430	(2,736,930)	–	–	24,125,885
	₱6,657,229,873	₱12,515,569,534	(₱66,510,014)	₱–	₱–	₱19,106,289,393

See Note 14 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

DECEMBER 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱6,794,000,000	3.10%-6.50%	₱6,794,000,000	₱–
	₱6,794,000,000		₱6,794,000,000	₱–

See Note 17 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱284,181,714	₱259,085,303
Universal Robina Corporation	238,664,324	282,088,729
JG Summit Holdings, Inc.	20,769,302	–
	₱543,615,340	₱541,174,032

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,576,489,360	–	774,805,025	259,344,156	542,340,179

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2018 and 2017

Financial Soundness Indicator	**2018**	2017
i. Liquidity ratio:		
Current ratio	**1.22**	1.34
ii. Profitability ratio:		
Gross profit margin	**0.22**	0.22
Return on assets	**0.06**	0.07
Return on equity	**0.09**	0.11
iii. Stability ratio:		
Solvency ratio	**0.23**	0.29
Debt to equity ratio	**0.48**	0.49
Asset to equity ratio	**1.48**	1.49
Interest rate coverage ratio	**41.65**	49.50

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
Current assets	**₱39,747,311,135**	₱34,069,910,661
Current liabilities	**32,488,636,348**	25,356,503,809
Current ratio	**1.22**	1.34
Gross profit	**29,835,082,422**	25,792,379,591
Net sales	**132,680,466,776**	115,238,459,529
Gross profit margin	**0.22**	0.22
After tax net profit	**5,825,137,424**	5,599,353,378
Depreciation and amortization	**2,395,085,036**	2,073,037,176
	8,220,222,460	7,672,390,554
Total liabilities	**35,072,939,195**	26,914,087,748
Solvency ratio	**0.23**	0.29
Total liabilities	**35,072,939,195**	26,914,087,748
Total equity	**72,704,167,999**	55,266,639,084
Debt to equity ratio	**0.48**	0.49
Total assets	**107,777,107,194**	82,180,726,832
Total equity	**72,704,167,999**	55,266,639,084
Asset to equity ratio	**1.48**	1.49
Earnings before interest and taxes	**6,625,876,142**	6,305,382,182
Interest expense	**159,071,734**	127,384,471
Interest rate coverage ratio	**41.65**	49.50
Net income	**5,825,137,424**	5,599,353,378
Average total assets	**94,978,917,013**	79,437,889,231
Return on assets	**0.06**	0.07
Net income	**5,825,137,424**	5,599,353,378
Average total equity	**63,985,403,542**	52,916,092,056
Return on equity	**0.09**	0.11

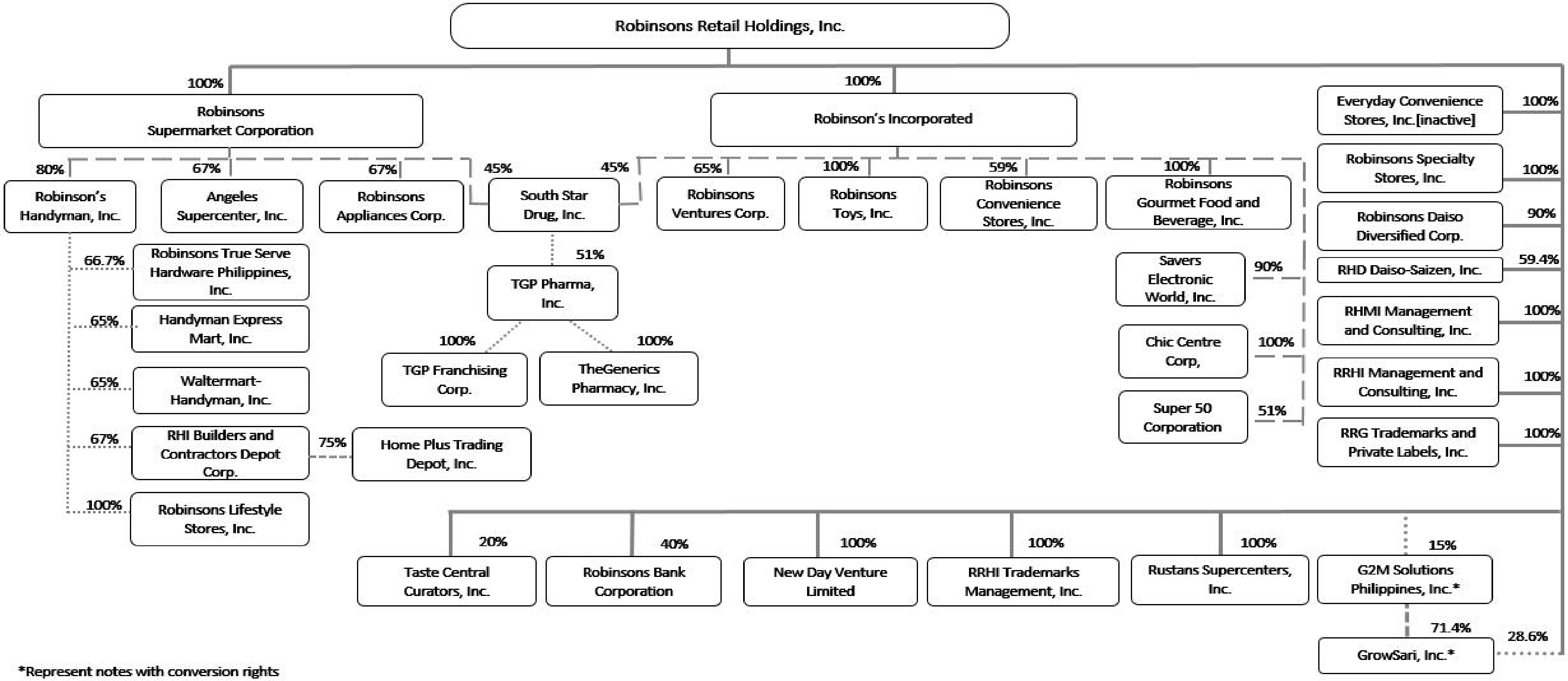
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2018

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2018:



*Represent notes with conversion rights

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2018

Unappropriated Retained Earnings of the Parent Company, January 1, 2018		₱4,207,321,135
Net income based on the face of audited financial statements	₱1,393,978,666	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of an associate	–	
Unrealized foreign exchange gain - net	4,393,754	
Unrealized actuarial gain	–	
Fair value adjustment (marked-to-market gains)	–	
Fair value adjustment of investment properties resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Add: Non-actual/unrealized losses net of tax	–	
Depreciation on revaluation increment	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment properties	–	
Net income actual/realized	1,389,584,912	
Less: Appropriations during the year		2,800,000,000
Dividend declarations during the year		997,200,000
Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2018		₱1,799,706,047

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as "Not applicable" have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2018. The Company will adopt the Standards and Interpretations when these become effective.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

FOR THE YEAR ENDED DECEMBER 31, 2018

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.07 billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to ₱26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional ₱0.23 billion from the exercised over-allotment of 3,880,550 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.

For the year ended December 31, 2018, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱2,017,115,071
Other corporate purposes	1,569,383,193
Renovation of existing stores	853,204,340
Repayment of bank loans	89,298,890
Total	₱4,529,001,494

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Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
Robinsons Retail Holdings, Inc.
43rd Floor, Robinsons Equitable Tower
ADB Avenue corner Poveda Sts., Ortigas Center
Pasig City, Metro Manila

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2018 on the application of proceeds from the Initial Public Offering (IPO) of Robinsons Retail Holdings, Inc. (the Company) on November 11, 2013. The procedures were performed solely to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *"Engagements to Perform Agreed-Upon Procedures Regarding Financial Information"* applicable to agreed-upon procedures engagements. These agreed-upon procedures and results thereof are summarized as follows:

1. Checked the mathematical accuracy of the Annual Progress Report on the Application of Proceeds from IPO (the Report) as at December 31, 2018, and agreed the amounts for expansion of store networks, renovation of existing stores, repayment of bank loans and other corporate purposes to the related schedules.

2. Obtained the schedules of capitalized cost for expansion of store networks, renovation of existing stores and other corporate purposes during the period, January 1 to December 31, 2018 totaling ₱4.44 billion and checked the mathematical accuracy of the schedules. On a test basis, we traced certain items of the capitalized costs to the accounting records and supporting documents.

3. Obtained the supporting documents for the payment of ₱89.30 million to Metrobank and Trust Company (MBTC) related to the repayment of bank loans and agreed the amount to the accounting records and supporting documents.

We report our findings below:

1. With respect to item 1, we found it to be mathematically correct and the amounts agreed to the respective schedules. We also noted that the amounts in the schedules consist of acquisitions and/or payments recorded in the Company's records for the period, January 1 to December 31, 2018.

2. With respect to item 2, we found the schedules to be in order and mathematically correct. The capitalized items tested, on a sample basis, agreed with the accounting records and supporting documents.

3. With respect to item 3, we obtained the official receipts issued by MBTC for the payments of the bank loans of South Star Drug, Inc., a subsidiary, amounting to ₱89.30 million. The amount recorded agreed with the supporting documents.

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Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSAs) or Philippine Standards on Review Engagement (PSRE), respectively, 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 or PSRE, respectively, 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 intended 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 updated report on the Company's use of proceeds from the IPO and items specified above and do not extend to any financial statements of Robinsons Retail Holdings, Inc., taken as whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 7332565, January 3, 2019, Makati City

January 14, 2019