ROBINSONS RETAIL HOLDINGS, INC.

2017 ANNUAL REPORT

Contents

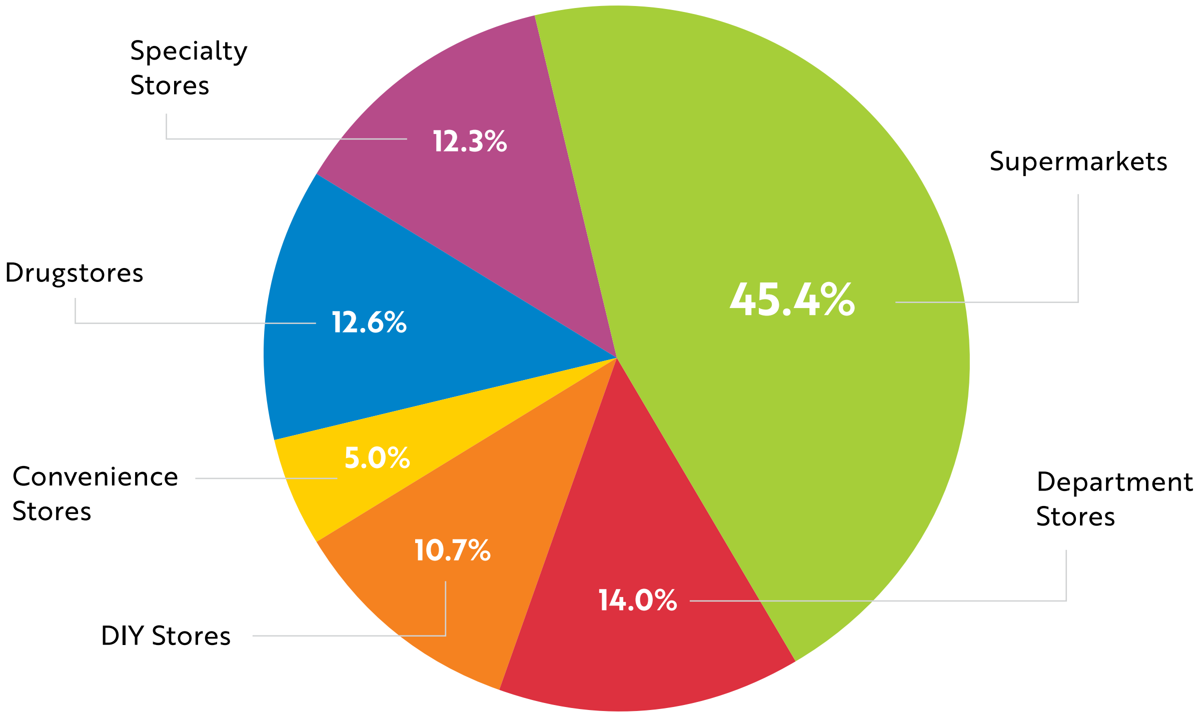
Financial Highlights

FOR THE YEAR (IN PHP MILLIONS)	2016	2017	2017 VS 2016 GROWTH	
			AMOUNT	%
Net Sales	105,293	115,238	9,945	9.4%
Gross Profit	23,026	25,792	2,766	12.0%
EBITDA	7,531	8,378	847	11.3%
EBIT	5,493	6,305	813	14.8%
Net Income	5,196	5,599	404	7.8%
Net Income Attributable to Equity Holders of the Parent Company	4,830	4,978	148	3.1%

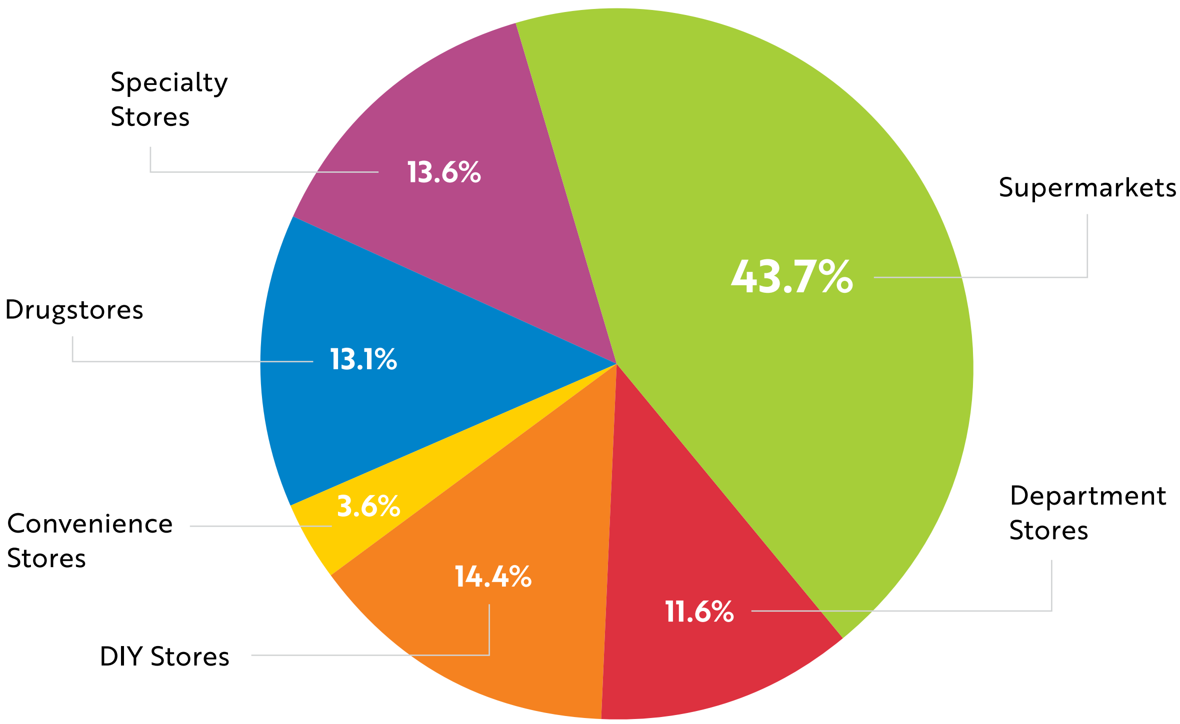
AT YEAR-END (IN PHP MILLIONS)			AMOUNT	%
Total Assets	76,695	82,181	5,486	7.2%
Total Liabilities	26,130	26,914	785	3.0%
Total Stockholders' Equity	50,566	55,267	4,701	9.3%

PER SHARE BASED ON OUTSTANDING NUMBER OF SHARES			AMOUNT	%
Basic Earnings	3.49	3.59	0.11	3.1%
Book Value	36.51	39.90	3.39	9.3%

SALES CONTRIBUTION 2017



EBITDA CONTRIBUTION 2017



Corporate Information

Robinsons Retail Holdings, Inc. is one of the largest multi-format retailers in the Philippines. We operate a diverse brand portfolio with the following major formats: supermarket, department store, do-it-yourself, drugstore, convenience store, consumer electronics and appliances, toys, one-price concept store, international fashion and beauty specialty stores, and specialty coffee shops.

From the company's beginnings with the first opening of Robinsons Department Store in 1980 at Robinsons Place Manila, we have gained presence and have established consumer trust in major cities and communities across the archipelago. In 2017, we reached a store network of over 1,700 stores alongside more than 2,000 franchised branches of The Generics Pharmacy, which we acquired in 2016.

To fulfill our part in nation-building, we strive to foster meaningful relationships with various business partners and create career opportunities for our diverse workforce. As we expand, we usher in the growth of modern retail in previously untapped markets. We engage both global and local suppliers to deliver safe and high quality merchandise to our customers, while implementing a holistic business development strategy geared towards corporate sustainability amidst a dynamic economic landscape.

We establish strong ties with leading mall developers in the country and serve as anchor tenants for Robinsons Malls which operates 47 malls in the country as of end 2017. With our 40% stake in Robinsons Bank, one of the fastest growing commercial banks in the Philippines today, we are exploring ways to enrich synergies between the bank and retail.

We constantly aim to incorporate new and innovative technologies into our operations. In December 2017, we acquired a minority stake in BeautyMNL. We have likewise strengthened our presence in the e-commerce space with our partners, Lazada, Zalora and honestbee. We also embraced cashless and mobile payment platforms through collaborations with Mynt and Smart as we introduced GCash and PayMaya in a number of our stores.

Data analytics has likewise become part of our business strategy, which we operationalize through our Loyalty and Financial Products Division. With over 1.2 million Robinsons Rewards Card members, we have found ways to better understand our shoppers and delighting them with products and services that are responsive to their needs and preferences.

Capitalizing on our positive growth trajectory, we at Robinsons Retail continuously strive to tackle new horizons in the Philippine retail industry.

VISION

Our vision is to strengthen our foothold as a leading and trusted multi-format retailer in the Philippines.

MISSION

Our mission is to:

- Provide exceptional quality products at competitive prices and excellent service to our customers.
- Offer meaningful opportunities to our stakeholders;
- Establish strong nationwide presence; and
- Provide a professionally-managed work environment.

Brand Portfolio and Acquisitions

1980

Robinsons Department Store

1985

Robinsons Supermarket

1994

HANDYMAN Do it Best

2011

Miss Selfridge

2012

southstar drug

2013

G2000

2014

ROBINSONS SELECTIONS

Robinsons Easymart

ROBINSONS BUILDERS

SHISEIDO

benefit SAN FRANCISCO

BURTON MENSWEAR LONDON

JAYNITH'S SUPERMART

A.M. BUILDERS' DEPOT

2000

Robinsons Appliances

MINISTOP

TOPSHOP

TOPMAN

2004

DOROTHY PERKINS

2006

Toys R Us

[WAREHOUSE.]

2007

True Value

2009

DAISO JAPAN

2015

COSTA COFFEE

TRUE HOME BY True Value

SAVERS APPLIANCES

2016

TGP THE GENERICS PHARMACY

Chic CENTRE CORPORATION

De Oro Pacific HOME PLUS

2017

BEAUTY MNL

* Invested in 20% minority stake in December 2017

Elizabeth Arden NEW YORK

Awards & Recognitions

ROBINSONS SUPERMARKET

Sun Star's Best of Cebu - *Best Supermarket Award for 2017*

15th Philippine Quill Awards - *Merit Award for "A Reliable Health and Wellness Ally for Filipino Consumers"*

Fit Filipino Movement - *Trophy of Appreciation*

PNP's Fit Filipino Movement: Slim Possible Campaign - *Token of Appreciation*

FNRI Pinggang Pinoy Cooking Challenge - *Certificate of Recognition*

World Vision - *Certificate of Recognition for Robinsons Supermarket & Robinsons Easymart*

Right Start Foundation - *Certificate of Appreciation*

ROBINSONS DEPARTMENT STORE

Caritas Foundation - *Certificate of Appreciation*

Right Start Foundation - *Certificate of Appreciation*

HANDYMAN DO IT BEST

19th Ayala Malls Merchant Awards - *Store Operations Excellence Awards for Handyman Harbor Point*

Do it Best Corporation - *3rd Largest International Member (in terms of purchases)*

Right Start Foundation - *Certificate of Appreciation*

TRUE VALUE

Phillips Bulb - *Pillars of Light 2017 Consumer Channel Champion for Modern Retail*

19th Ayala Malls Merchant Awards
- *Overall Marketing Excellence Award*
- *Five Marketing Excellence Awards from Centrio Mall, UP Town Center, Glorietta 1, Marquee Mall, and Ayala Center Cebu.*
- *Cause-related Marketing Award 2016*

Pioneer
- *2017 Modern Trade Key Accounts of the Year*
- *2017 Quota Buster of the Year for Modern Trade*
- *Tatak ng Matibay Award*

True Value International - *1 Million Club*

Right Start Foundation - *Certificate of Appreciation*

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Finalist, Foreign Brand Retailer Home Improvement Category*

DE ORO PACIFIC HOME PLUS

Philippine Institute of Architects - *Plaque of Appreciation for supporting Arcbex 2017*

ROBINSONS BUILDERS

Pioneer Awards - *Quota Buster of the Year – Modern Trade Category*

United Architects of the Philippines (UAP) - *Plaque of Appreciation for support given during UAP National Assembly 2017*

La Consolacion College, Bacolod City - *Plaque of Appreciation for the learning session, #Innovate: A discussion on innovation and improvement on building materials and hardware products*

Mariwasa - *Plaque of Appreciation (2016)*

Hocheng Philippines Corporation - *Plaque of Appreciation (2016)*

Philips - *Plaque of Appreciation (2016)*

Right Start Foundation - *Certificate of Appreciation*

SOUTH STAR DRUG

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailer -*Winner, Specialty Retailer, Large Category*

THE GENERICS PHARMACY

Asia Pacific Entrepreneurship Awards 2017 - *Entrepreneur of the Year for Mr. Benjamin I. Liuson*

Francorp 20th Anniversary 2017 - *Hall of Fame The 1,000 Club*

Philippine Franchise Association (PFA) Awards 2013 - *Hall of Fame - Outstanding Filipino Franchise of the Year (Retail: Medium Store Category)*

Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Hall of Fame – Specialty Retailer (Large Category) 2012*

Philippine Marketing Association (PMA) Agora Awards - *Outstanding Achievement in Entrepreneurship (Large Scale) 2011*

ROBINSONS APPLIANCES

ASUS - *Highest Growth Partner – Consumer Electronics 2017*

Electrolux - *3rd Place – Top Performing Dealer for 1st Half of 2017 in the Food Preservation Category*

Electrolux - *3rd Place – Top Performing Dealer for 1st Half of 2017 in the Food Preparation Category*

Skyworth - *Outstanding Dealer Diamond Award*

Sharp - *ELITE 100 for achieving total sales of over P100 million in 2016*

TV Plus - *Top Selling Retail Account - Appliance for outstanding 2016 sales performance*

Right Start Foundation - *Certificate of Appreciation*

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Finalist, Outstanding Specialty Retailer Large Category*

SAVERS APPLIANCES

Panasonic
- *Plaque of Appreciation for Promoting the Panasonic brand*
- *Plaque of Appreciation for sales contribution of Panasonic TVs for 2016*

Sharp - *Millionaire's Circle Gold Award for overall performance and consistent growth in 2016*

Skyworth - *Progressive Partners Award*

LG
- *1st place, Total SCAC Product Sales in 2016*
- *4th place, Total AC product sales in 2016*
- *5th place, Total RAC product sales in 2016*

TOYS 'R' US

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Winner, Foreign Brand Specialty Retailer, Mega Category*

19th Ayala Malls Merchant Awards - *Store Operations Excellence Awards - Toys "R" Us Marquee*

DAISO JAPAN

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Winner, Foreign Brand Retailer, Large Category*

Right Start Foundation - *Certificate of Appreciation*

ROBINSONS SPECIALTY STORES, INC. - DOROTHY PERKINS

20th Philippine Retailers Association (PRA) Outstanding Filipino Retailers - *Winner, Foreign Brand Retailer Fashion Apparel, Medium Category - Dorothy Perkins*

ROBINSONS SPECIALTY STORES, INC. - TOPMAN

19th Ayala Malls Merchant Awards - *Christmas Décor, Fashion Category*

COSTA COFFEE

3rd Place Costa Coffee Barista of the Year Middle East and Asia Final 2017-18

Right Start Foundation - *Certificate of Appreciation*

CHIC CENTRE

Watsons - *Nail Care Award for 2017*

Conglomerate Map

ROBINSONS RETAIL HOLDINGS, INC.

- **ROBINSON'S SUPERMARKET CORPORATION** 100%
  - Angeles Supercenter, Inc. 67%
  - Robinsons Appliances Corp. 67%
  - Robinson's Handyman, Inc. 80%
    - Robinsons True Serve Hardware Philippines, Inc. 66.67%
    - Handyman Express Mart, Inc. 65%
    - Waltermart-Handyman, Inc. 65%
    - RHI Builders and Contractors Depot Corp. 67%
      - Home Plus Trading Depot, Inc. 75%
  - South Star Drug, Inc. 90%
    - TGP Pharma Inc. 51%
      - TheGenerics Pharmacy, Inc. 100%
      - TheGenerics Pharmacy Franchising Corporation 100%
- **ROBINSON'S INCORPORATED** 100%
  - Robinsons Ventures Corporation 65%
  - Robinsons Toys, Inc. 100%
  - Robinsons Convenience Stores, Inc. 51%
  - Robinsons Gourmet Food and Beverage, Inc. 100%
  - Savers Electronic World, Inc. 90%
  - Chic Centre Corporation 100%
  - South Star Drug, Inc. 90%
- **ROBINSONS SPECIALTY STORES, INC.** 100%
- **ROBINSONS DAISO DIVERSIFIED CORP.** 90%
- **RHD DAISO-SAIZEN, INC.** 59.4%
- **RHMI MANAGEMENT AND CONSULTING, INC.** 100%
- **RRHI MANAGEMENT AND CONSULTING, INC.** 100%
- **RRG TRADEMARKS AND PRIVATE LABELS, INC.** 100%
- **RRHI TRADEMARKS MANAGEMENT, INC.** 100%
- **EVERYDAY CONVENIENCE STORES, INC.** (INACTIVE) 100%
- **NEW DAY VENTURES LIMITED** 100%
- **TASTE CENTRAL CURATORS INC.** 20%
- **ROBINSONS BANK CORPORATION** 40%
  - **LEGAZPI SAVINGS BANK** 100%

Store Network

TOTAL NUMBER OF STORES

342
Specialty Stores

484
Drugstores

496
Convenience Stores

154
Supermarkets

49
Department Stores

193
DIY Stores

AS OF END 2017	Supermarkets	Department Stores	DIY Stores	Convenience Stores	Drugstores	Specialty Stores	TOTAL	%
Metro Manila	52	14	54	319	121	146	706	41%
Luzon	67	18	82	150	299	121	737	43%
Visayas	22	9	37	27	40	47	182	11%
Mindanao	13	8	20	-	24	28	93	5%
Total	**154**	**49**	**193**	**496**	**484**	**342**	**1,718**	**100%**

* Plus **2,015** franchised stores of The Generics Pharmacy: Metro Manila **492**; Luzon **1,036**; Visayas **288**; Mindanao **199**

PRESENT IN
47 MALLS
OF ROBINSONS LAND CORPORATION

Message from the Chairman & the President

Lance Y. Gokongwei
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Robina Y. Gokongwei-Pe
PRESIDENT AND CHIEF OPERATING OFFICER

Dear Shareholders,

In 2017, the foundations were set to usher in renewed dynamism in Philippine retail. Sound macro-fundamentals and the rise of disruptive technologies expanded avenues for consumption, benefitting both customers and modern retail players.

The Philippines remained one of the fastest growing economies in Asia, posting a GDP growth of 6.7% with robust household consumption, higher public investments, and improvement in exports as the key drivers. Inflation rose to 3.2% in 2017, which was brought about by the lift in world fuel and commodity prices and peso depreciation. The increase in household consumption was underpinned in part by overseas workers' remittances, which grew by 4.3% to USD28.1 billion in 2017, from USD26.9 billion the previous year. The services sector increased by 6.7% in 2017, driven by the business process outsourcing industry which fueled increasing levels of disposable income and consumer spending.

Anchored by strong economic growth, consumer optimism in the Philippines reached an all-time high in 2017.

Anchored by strong economic growth, consumer optimism in the Philippines reached an all-time high in 2017. With a young and increasingly affluent middle class, the country is set to foster one of the most robust retail sectors in Southeast Asia. Millennials, who are and will be the primary labor force for the next decade, continue to transform the landscape of modern retail with their culture of consumption.

Financial Performance

Robinsons Retail Holdings, Inc. became part of the Philippine Stock Exchange's main index (PSEi) in September 2017. The index represents the country's top 30 listed companies, being the most traded, most liquid and well capitalized, and serves as the benchmark for measuring the performance of listed companies in the Philippine stock market. Our company's steady growth and positive performance across financial indicators have been observed through the years, with the momentum sustained in 2017.

Robinsons Retail consolidated net sales grew by 9.4% YoY (Year on Year) to Php115.2 billion, arising from the resilient same store sales growth of 2.7%; the full year sales contribution coming from the consolidation of The Generics Pharmacy (TGP), De Oro Pacific Home Plus and Chic Centre; and sales contribution of new stores. Blended gross margins expanded by 50bps to 22.4% as a result of increasing scale and improvement in category mix. The gains in gross margins flowed through EBITDA, which was up by 11.3% to Php8.4 billion with EBITDA margin gaining 10bps to 7.3%. Core earnings grew at a faster clip of 13.9% to Php4.7 billion on the back of the 14.8% jump in operating profit to Php6.3 billion. Net income attributable to equity holders of the parent company posted a modest growth of 3.1% to Php5.0 billion in 2017 due to lower unrealized foreign exchange gains, and higher income taxes on the back of higher operating income.

Robinsons Supermarket remains the holding company's largest format, comprising 45.4% of net sales, and with SSSG at 2.5%. With the fast growing residential and property market, double-digit sales growth was observed among our do-it-yourself formats on the back of solid SSSG of 6.4%. Our convenience store format business reported robust SSSG at 2.9%. We also saw strong SSSG among our specialty stores at 7.8%. For our drugstore format, South Star Drug reported SSSG at 1.6%. The SSSG of Robinsons Department Store went down to -2.6%, primarily due to scheduled renovations of a number of our flagship stores and stiffer competition. The department store format ended the year with Php16.1 billion in net sales, a modest growth of 1.8% from Php15.8 billion from the previous year.

Navigating Through Familiar and New Terrain

The retail landscape is evolving with e-commerce and cashless transactions becoming more prevalent as they offer convenience and security to Filipino buyers. Although currently small in terms of contribution alongside brick-and-mortar stores, as e-commerce purchases constitute to only 1%-2% of the country's total retail sales, growth in the online space is significant within our formats, expanding 5x YoY from 2016, as more of our formats went online in 2017 and e-commerce sales steadily gained traction month-on-month.

DISCIPLINED EXPANSION

As we navigate further through the new virtual arena, we continue to bolster our presence in what is still a dominantly physical and competitive retail environment. Opportunities to open new stores within and beyond Metro Manila allow us to continue to

Keeping pace with the demands of our markets, we further expanded our presence in the e-commerce business with more of our business units now selling online.

ramp up the expansion of our store network to fully utilize the increasing spending power of Filipino consumers.

As of end 2017, we added 140 net new stores across all formats and expanded our gross floor area by 10.0% to 1.1 million square meters. We ended the year with a total of 1,718 stores comprising of 154 supermarkets, 49 department stores, 193 do-it-yourself stores, 496 convenience stores, 484 drugstores and 342 specialty stores. The Generics Pharmacy, which we acquired in 2016, has a network of 2,015 franchised stores nationwide. Our extensive footprint has resulted with Robinsons Retail brands having presence across all regions in the Philippines.

THE ONLINE MARKETPLACE

Keeping pace with the demands of our markets, we further expanded our presence in the e-commerce business with more of our business units now selling online. From our initial presence in Lazada through Robinsons Appliances and Savers Appliances since 2015, our do-it-yourself and hardware players Handyman and True Value have likewise partnered with the e-commerce giant in 2017. We also partnered with Zalora, Asia's online fashion destination, and brought our international fashion brands Topman, Topshop, Dorothy Perkins and Burton Menswear into the online marketplace.

We relaunched our online grocery delivery services through the partnership between Robinsons Supermarket and honestbee, which has allowed us to target a new demographic of young and tech-savvy grocery shoppers.

In December 2017, we acquired 20% stake in Taste Central Curators Inc., the company that operates BeautyMNL. BeautyMNL is an industry leader in local pure beauty e-commerce with over 22,000 products of cosmetics, beauty products, and fragrances from over 800 local and global brands. We see the acquisition as a means to strengthen our market standing in the beauty format and e-commerce business.

GOING MOBILE

Paving the path towards a digital and cashless economy, we incorporated mobile payment platforms in several of our stores. In November 2017, Ministop became the country's first convenience store chain that made QR-based payments possible via Mynt's Globe GCash and PLDT Smart's PayMaya with our stores in Cyberscape Alpha and Cyberscape Beta.

What followed was a series of launches with the mobile partners to expand the e-payment template to Robinsons Supermarket, Robinsons Department Store, Topman, Topshop, G2000, Dorothy Perkins and Warehouse in Robinsons Galleria. Fast, convenient, and secure, these initiatives allow more alternatives and accessibility for our customers.

With measures and narratives, we strive to create a non-fragmented approach of realizing the place of Robinsons Retail to positively impact society.

DATA AND LOYALTY PROGRAMS

In this day and age, data is undeniably powerful. With deeper insights into our markets, from where and what they purchase to how often they visit our stores, we try to paint a picture of the Robinsons Retail shopper. Big data is seen to become essential in moving forward as a modern retailer as it presents opportunities that would allow us to do targeted marketing, increase sales and guarantee customer satisfaction.

At present, the Robinsons Rewards Card Loyalty Program has a total of 1.2 million members. Offering a plethora of potential data to drive responsive decision-making, it serves as a touch point to further deliver new shopping experiences to our loyal customers. In partnership with Caltex of Chevron Philippines, Go Hotels, Summit Hotels, and BPI, Robinsons Rewards also serves as an avenue for collaboration with other corporations.

Corporate Sustainability

Another shift we embraced as a holding company came with the crafting of our first Sustainability Report, which we published in November 2017. To encompass the company's operations and strategies under ESG (environmental, social, and governance), we developed the RRHI Sustainability Framework – a tailor-fit model composed of four principles: Relationships with Stakeholders, Reduced Environmental Impact, Holistic Economic Growth, and Integrity in Management (RRHI). Within this report, we consolidated our initiatives in Corporate Social Responsibility as well as sustainable practices in our daily operations that empower employees, maintain transparency, and reduce waste and emissions.

The RRHI 2017 Sustainability Report was a means to verbalize our ESG efforts in an accessible document. Through the years, the company has been involved in socially responsive activities geared towards inclusivity and human development; from sponsoring beneficiaries with partner organizations such as World Vision, Right Start Foundation, and Caritas Manila; to giving accessible health care through generic medicines, vaccination programs, and medical consultations for marginalized groups through our drugstore formats; to annual donations to civil society organizations and various institutions.

One of the notable projects we pursued was a partnership with The Plastic Solution, where we encouraged Robinsons Easymart patrons and RRHI employees to make ecobricks – compact plastic bottles filled with nonbiodegrables. Over 8,000 bottles were collected and six tonnes of plastic waste were diverted from landfills and waterways.

The ecobricks were donated to the Yangil tribe of Zambales to serve as hollow block substitutes for their housing needs. Ingenious yet impactful, the initiative touched on various aspects of sustainability: from raising environmental awareness, fostering volunteerism, to aiding community development.

With measures and narratives, we strive to create a non-fragmented approach of realizing the place of Robinsons Retail to positively impact society.

Outlook in 2018

The Philippine economy is expected to grow by 6.7% in 2018, primarily driven by public sector infrastructure spending gains alongside strong domestic consumption and exports. Through the Build, Build, Build agenda, the current administration intends to facilitate a golden age of infrastructure, spending up to Php9 trillion on the sector until 2022.

To mobilize greater infrastructure spending, the construction component is complemented by the timely implementation of the comprehensive tax reform program through the Tax Reform for Acceleration and Inclusivity (TRAIN) Law, with revenues projected to reach Php780 billion over the next five years.

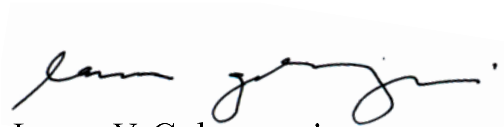
The passing of the TRAIN would also have positive effects on consumption, with the broad middle income market having increased take home pay given the re-bracketing provisions for personal income tax. The retail sector is seen as the primary beneficiary of the program, as higher disposable income is likely to boost discretionary spending. Crafted with inclusivity in mind, 30% of the revenues from the program will be earmarked for social protection programs geared towards eradicating intergenerational poverty. As income disparity is reduced, better conditions would potentially widen the scope and reception of modern retail.
Globally, technological trends are seen to continue their impact in the retail space. Social media, e-commerce, and cashless and digital economies are on the rise and continue to redefine accessibility for new markets to participate in consumption. Data analytics is also seen to catalyze personalized and location-based marketing, and would factor in as we renegotiate the relationship between customers and retailers.

Acknowledgments

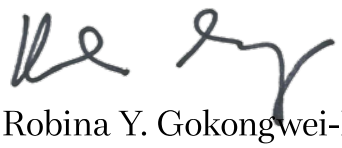
Our stakeholders remain at the heart of our business. We once again offer our sincerest thanks to the people and agencies who have contributed to the growth of our company and those who have supported our collective endeavors. We would like to thank our loyal customers, our hardworking employees, and our valued partners and suppliers. We thank our partners within the private sector, as well as government and civil society, as we move forward in nation-building.

Robinsons Retail will do its best to remain a key player in the retail industry, continuing to delight and surprise the Filipino shopper. The frontiers of Philippine retail are exciting and challenging and, as always, we would love to share our adventure with you.

Happy shopping!



Lance Y. Gokongwei
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Robina Y. Gokongwei-Pe
PRESIDENT AND CHIEF OPERATING OFFICER

General Managers

FROM LEFT TO RIGHT:

Stanley C. Co *(Handyman Do it Best and True Value)*, Katherine Michelle Q. Yu *(Daiso Japan)*, Patricia Ann C. Famador *(Loyalty and Financial Products Division)*, Justiniano S. Gadia *(Robinsons Supermarket)*, Agnes G. Rafiñan *(The Generics Pharmacy)*, Paz Regina A. Salgado *(RDS Business Center)*, Dahlia T. Dy *(South Star Drug)*.

FROM LEFT TO RIGHT:

Faith Y. Gokongwei-Lim *(Costa Coffee and Chic Centre Corporation)*, Johnson T. Go *(Robinsons Department Store)*, Hope Y. Gokongwei-Tang *(Robinsons Appliances and Savers Appliances)*, Jose Paulo R. Lazaro *(Robinsons Builders)*, Celina N. Chua *(Toys 'R' Us)*, Maria Carmina Pia G. Quizon *(Robinsons Specialty Stores)*, Thelma Teresa Roxas-Jacob *(Ministop)*.

Management's Discussion & Analysis

On stable macroeconomic environment, our company, Robinsons Retail Holdings, Inc., posted an increase in consolidated net sales by 9.4% to Php115.2 billion in 2017 from Php105.3 billion in 2016. Growth in core earnings was solid at 13.9% to Php4.7 billion in 2017 from Php4.1 billion a year ago.

The double-digit growth in core net earnings (net income excluding interest from bonds, equitized net earnings from the 40% stake in Robinsons Bank and unrealized forex gains/losses) was on the back of the strong 14.8% increase in operating income to Php6.3 billion from Php5.5 billion in 2016. This was driven by stronger sales, improvement in gross margins, and resilient same store sales growth (SSSG) at 2.7%. Despite coming from a high base due to election-boosted spending in 2016, Robinsons Retail performed well across most financial indicators.

Blended gross profit improved by 12.0% from Php23.0 billion to Php25.8 billion in 2017, with gross margins expanding by 50 basis points (bps) to 22.4% as a result of increasing scale and improvement in category mix. Meanwhile, earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 11.3% to Php8.4 billion, with EBITDA margin increasing by 10bps to 7.3%.

The expansion in net sales was driven by the healthy same store sales growth and the sales contribution from the 140 net new stores that were opened during the twelve months of 2017, and the full year consolidation of The Generics Pharmacy (TGP), De Oro Pacific Home Plus and Chic Centre.

We ended the year with 1,718 stores and 2,015 franchised stores of The Generics Pharmacy.

Excluding TGP, gross floor area expanded by 10.0% year-on-year to 1.1 million square meters. In terms of geographic location, 706 stores are situated in Metro Manila, 737 are in Luzon, 182 stores in Visayas and the remainder are in Mindanao.

Net income attributable to equity holders of the parent company amounted to Php5.0 billion in 2017, an increase of 3.1% from Php4.8 billion in 2016, riding on the momentum of higher operating income.

The supermarket segment continued to be the group's largest segment, accounting for 45.4% of consolidated net sales and 43.7% of consolidated EBITDA. The sales contribution of the drugstore segment increased by 130bps to 12.6% given the full year consolidation of TGP.

Robinsons Retail's balance sheet remained solid with cash, cash equivalents and liquid securities amounting to Php35.2 billion, and borrowings of only Php6.4 billion. Current ratio was at 1.34, with consolidated assets growing by 7.2% to Php82.2 billion in 2017.

Supermarket Segment

Robinsons Supermarket reached Php52.4 billion in net sales in 2017, an 8.0% increase from Php48.5 billion in the previous year. The growth was driven by store expansion with an addition of 14 new stores in 2017, coupled with a solid SSSG of 2.5%.

It recorded a gross profit increase of 9.2% to Php10.2 billion, with gross margins expanding by 20bps to 19.4%, driven by higher supplier support given our increasing scale. Operating expenses as a percentage of sales jumped 40bps to 14.5% due primarily to the slow sales ramp-up of the new stores. EBITDA and EBIT rose 6.1% and 4.4%, respectively.

Robinsons Supermarket partnered with honestbee for its online grocery delivery services in May 2017. Online sales have been gaining traction month-on-month covering sales from 23 stores. Public reception is very strong especially from the millennials aged 16-35 years old, representing the majority of its online customers.

We ended the year with a total of 154 supermarkets consisting of: 129 Robinsons Supermarket (mainstream), 19 Robinsons Easymart (minimart), three Robinsons Selections (premium) and three Jaynith's (cash & carry).

Department Store Segment

Robinsons Department Store ended the year with Php16.1 billion in net sales, with growth at 1.8% from Php15.8 billion in 2016, driven primarily by the six new stores added in 2017.

Our department stores registered an SSSG of -2.6%, primarily due to scheduled renovations and the redevelopment of Robinsons Galleria where one of our flagship stores is located. New competitive pressures also affected our stores in Cagayan de Oro, Bataan, Palawan and Metro Manila. Gross profit inched up by 3.0% to Php4.2 billion, with gross margins up by 30bps to 26.3%, given less markdowns for the year. The resulting EBIT turned lower at Php618 million against Php844 million last year, and EBITDA declined to Php1.0 billion from Php1.1 billion.

Robinsons Department Store ended the year with 49 stores.

DIY Segment

Our DIY segment continued to post double-digit sales growth of 10.7% to Php12.3 billion due to strong SSSG and store expansion. Our SSSG remains robust at 6.4% driven by the sustained growth in residential and condominium sales. Gross profit expanded at a faster rate than net sales at 12.6% to Php3.9 billion, leading to 50bps improvement in gross margins, on the back of increasing scale, improvement in category mix and gross profit improvement of Robinsons Builders. EBITDA accelerated by 13.0% to Php1.2 billion, while EBIT rose at a high pace of 20.0% to Php1.0 billion, driven by the logistical efficiencies of Robinsons Builders.

We opened net 15 new stores in our DIY portfolio and ended the year with 193 stores comprising of: 149 Handyman Do it Best (broad middle mall-based DIY), 24 True Value (premium mall-based DIY), two True Home (furnishings) and 18 Robinsons Builders (big box).

Convenience Store Segment

System-wide sales rose 1.5% to Php8.6 billion, and consolidated merchandise sales was at Php5.7 billion with 496 stores as of end 2017. SSSG was robust at 2.9% resulting from the continued strong performance of our ready-to-eat category, which now accounts for more than a third of our sales.

Including royalty and other income, Ministop's gross profit was relatively flat at Php2.3 billion in 2017. Ministop reported positive EBIT of Php42 million, a turnaround from EBIT loss of Php55 million in 2016, driven by higher average daily sales and improvement in the ratio of franchised stores to company-managed stores from 44:56 last year to 46:54 this year, and lower asset write-off.

Drugstore Segment

Consolidated net sales of the drugstore segment accelerated by 21.7% to Php14.5 billion. Growth was primarily boosted by the full year consolidation of TGP, which now accounted for 28.9% of total drugstore sales. Excluding TGP, South Star Drug's revenue increased by 10.2% to Php10.3 billion mainly attributed to the sales contribution of 72 net new stores opened in the last twelve months.

South Star Drug's SSSG was at 1.6%. Aside from the high base SSSG of 7.4% last year, South Star Drug encountered replenishment issues as a result of the migration into a new merchandising system.

Combined gross profit grew by 31.1% to Php2.7 billion, with gross margins expanding by 140bps to 18.7%, given the higher margin profile of TGP. EBITDA surged by 54.1% to Php1.1 billion and EBIT rose by 57.6% to Php1.0 billion in 2017, with EBITDA and EBIT margin both increasing 150bps to 7.5% and 6.8%, respectively.

South Star Drug operated a total of 484 stores while TGP increased its franchised stores to 2,015 from 1,912 franchised stores in 2016.

Specialty Store Segment

The combined net sales of the specialty segment advanced by 15.9% to Php15.6 billion, primarily due to the sales contribution of the 36 net new stores opened in the last twelve months and the robust SSSG of 7.8%, propelled by Robinsons Appliances and Daiso Japan which registered low to mid-teens growth in same store sales. Gross profit was up by 20.8% to Php4.2 billion, with gross margins increasing by 110bps year-on-year to 27.0%, mainly attributable to the consumer electronics and appliances format given the increasing scale from the combined purchases of Robinsons Appliances and Savers Appliances. The gains in gross profit trickled down to EBITDA and EBIT, which grew by 37.9% to Php1.2 billion and 58.9% to Php851 million, respectively.

The specialty segment, which is comprised of the following formats: consumer electronics (Robinsons Appliances and Savers Appliances), toys (Toys "R" Us), one-price point (Daiso Japan), international fashion specialty brands (namely Topshop, Topman, Dorothy Perkins, Miss Selfridge, Burton Menswear, G2000, and Warehouse), beauty (Shiseido, Benefit and Elizabeth Arden), coffee shops (Costa Coffee), and nail care, cosmetics, and healthy slush (Chic Centre), operated a total of 342 stores.

Overall, we are pleased with our performance for 2017 and remain focused and committed to driving efficiencies across all formats.

Discussion Per Segment

Supermarket

Established in 1985, Robinsons Supermarket is the Philippines' first major retailer anchored on health and wellness. With an easy to navigate store layout and a vibrant array of healthy product options, each store seeks to offer a comfortable and refreshing shopping experience for every customer.

It initiated the I Love Wellness Campaign, where customers are guided through the Shop Smart Tag for easier and informed shopping. This four-color labelling system includes green-tagged products that have been analyzed and evaluated by the Food and Nutrition Research Institute using the Codex Standard of Nutrition Classification, certifying them as healthy and nutritious.

In 2017, the format introduced online grocery shopping into its operations through a partnership with honestbee. Through the mobile and desktop app, customers can now order items from 23 Robinsons Supermarket stores and have these delivered at their doorstep.

ROBINSONS SELECTIONS
Robinsons Selections is a premier shopping destination for customers seeking gourmet choices, both imported and local. Home to diverse epicurean delights, the stores are located in the cosmopolitan centers of Eight Forbes, Burgos Circle, Taguig City; Mckinley Hill, Taguig City and Robinsons Galleria Cebu.

ROBINSONS EASYMART
Smaller with an average store size of 400 square meters, and designed for densely populated residential areas, Robinsons Easymart is a chain of minimart stores with sections for grocery shopping, bills payment, Telco loading, and a pharmacy. All of its branches are located in neighborhoods across Luzon and Metro Manila.

JAYNITH'S SUPERMART
Jaynith's Supermart, on the other hand, positions itself as a go-to destination for sari-sari store bulk purchases, offering friendly rates and promotional deals. These can be availed through its loyalty program, the KasamaKard.

STORE COUNT

129	ROBINSONS SUPERMARKET
19	ROBINSONS EASYMART
3	ROBINSONS SELECTIONS
3	JAYNITH'S SUPERMART
154	TOTAL

Department Store

Robinsons Department Store

STORE COUNT
49

Robinsons Department Store (RDS) constantly endeavors to provide exciting shopping experiences to its customers. Through diverse product assortment and customer service that aims to not only satisfy but delight, RDS sustained its place as a trusted destination for the lifestyle needs of the Filipino consumer. With its first store opened in 1980 in Robinsons Place Manila, it is the pioneer format in the holding company's portfolio, subsequently initiating the fast growth of the Robinsons brand in the Philippine retail landscape.

The format continues to feature sophisticated selections that resonate with its customers, from its private labels to its curated collections. For over three decades, it has been home to stylish apparel and footwear from local and international brands, as well as a store that inspires beautiful spaces for the home and family.

It launched a line of houseware and home furnishings thoughtfully selected by prominent Filipino-designer Ito Kish. From aesthetic dimensions that can go from the relaxed and intimate, to the subdued and cosmopolitan, the merchandise choices feature creations that adapt to the modern sensibilities of the middle income market.

Acknowledging heritage and indigenous creativity, RDS launched the first mainstream outlet of Go Lokal! in Robinsons Place Manila in March 2017. The program was spearheaded by the Department of Trade and Industry to showcase the craftsmanship of innovative Philippine micro, small, and medium enterprises. In partnership with Robinsons Department Store, Go Lokal! became an avenue to empower rising entrepreneurs through the channel of modern retail.

business center

The Robinsons Business Center started operations in 2010 and has since then become a convenient service hub located in all Robinsons Department Store branches. It has over a hundred partners and it allows shoppers to settle dues for basic utilities and credit card payments, among many other transactions. They may also purchase Robinsons Gift Certificates, show tickets, and prepaid Telco products. Other services include booking and payment for Cebu Pacific, Air Asia and Philippine Airlines flight tickets, and top-up loading of Metrobank's YAZZ and PayMaya. Foreign exchange transactions are also available and it is an accredited remittance partner of Metrobank, I-remit, Smart Padala, and GCash.

The Business Center has grown alongside our department stores and it aims to continue offering an ever broadening spectrum of services to our shoppers.


BOSCH
HEAVY DUTY
Professional
GSB 16 RE

Do-It-Yourself

HANDYMAN

With over 20 years of providing the needs of Filipino consumers, Handyman Do it Best has established itself as one of the most trusted hardware and home improvement stores in the country. As a member of the Do it Best Corporation, one of the largest hardware and home improvement cooperatives in the USA, it offers a wide selection of both local and imported high-quality and affordable products.

Handyman breaks the austere mold of a typical hardware store, aiming to create fun and exceptional shopping experiences through its customer-centered events and promos. These include conducting Customer Appreciation Day events and providing a channel for charity with its trade-in promos, making any day the best day to shop at Handyman for your do-it-yourself needs.

STORE COUNT

149

In 2007, Robinsons Retail Holdings, Inc., through a subsidiary, entered into an agreement with Amon Trading Corporation for the acquisition of 66.67% interest in True Value. It is a member of the True Value Company, one of USA's largest independent retailer-owned hardware cooperatives and the first retail hardware outlet to incorporate lifestyle shopping in the Philippines. Serving the Filipino market for over two decades from its first country store opening in 1995, 'True Value' has become synonymous to quality hardware and stylish home improvement.

In 2015, it launched True Home by True Value, a concept store focused on home décor, and kitchen and bathroom accessories. With an extensive portfolio of imported and local brands, True Value has redefined one-stop shopping by offering convenience to shoppers through an easy-to-navigate store layout, smart product segregations, brand highlights, interactive selling, promotions and sales.

STORE COUNT

24	TRUE VALUE
2	TRUE HOME
26	TOTAL

Robinsons Builders is a big-box hardware store committed to provide home builders and contractors with quality building materials and hardware products. The brand was established from the acquisition of 67% interest in A.M. Builders' Depot by Robinsons Retail Holdings, Inc., through a subsidiary, in 2014.

After undergoing extensive upgrade of its store lay-out, product range and services, it was officially launched as Robinsons Builders in 2015. Robinsons Builders carries a wide assortment of products, from tiles, bathroom fixtures, lumber, paints, lighting and electrical devices, to home interior and décor.

In 2016, Robinsons Builders acquired a majority share of De Oro Pacific Home Plus and added its three-store chain to the format's store network. In 2017, Robinsons Builders partnered with Do it Best Corporation, one of the largest hardware cooperative in the USA, to develop a standard merchandise and visual lay-out across all stores. The partnership is part of its continuous effort to become the preferred store for building materials and hardware products in the Visayas and Mindanao regions. Robinsons Builders in Calindagan, Dumaguete is the first store to be launched under the Do it Best format.

STORE COUNT

18

Convenience Store

MINISTOP

STORE COUNT
496

In 2000, Robinsons Retail Holdings, Inc., through a subsidiary, partnered with Japan's Ministop Co., Ltd and Mitsubishi Corporation to open one of the leading convenience store chains in Asia to service the Filipino market.

Ministop takes pride in its ready-to-eat offerings that suit the varied tastes and wants of Filipinos, such as the best-selling Uncle John's Fried Chicken. Being the first convenience store in the country equipped with an in-store kitchen facility, Ministop's food selections are served hot and fresh every day.

Seventeen years into the industry, Ministop Philippines has grown into a strong network of close to 500 stores in key areas of Metro Manila, Luzon, and the Visayas, with stores located in Cebu, Bacolod, Dumaguete, Roxas and Boracay.

Great shopping and dining experiences, and excellent customer service in convenient locations await the Ministop customer. With services that adapt to current market needs and preferences, in 2017, Ministop became the first convenience store chain to integrate QR-based payment channels via GCash and PayMaya.


Uncle John's
FRIED
CHICKEN
IT'S BIG! IT'S HOT!


240 mL
CHERIFER
FORTE Syrup
with Taurine & CGF
(Chlorella Growth Factor)
+ ZINC
FOOD SUPPLEMENT
NO APPROVED THERAPEUTIC CLAIMS
GRUPPO MEDICA, INC.
TruLife
BERRY
EYEHEALTH
with Bilberry
240 mL
EX
ORIZINC
FOOD SUPPLEMENT
120 mL
Propan
TLC
SYRUP
Vitamins
FOOD SUPPLEMENT
NO APPROVED THERAPEUTIC CLAIMS
ORANGE
FLAVOR
obikids

Drugstore

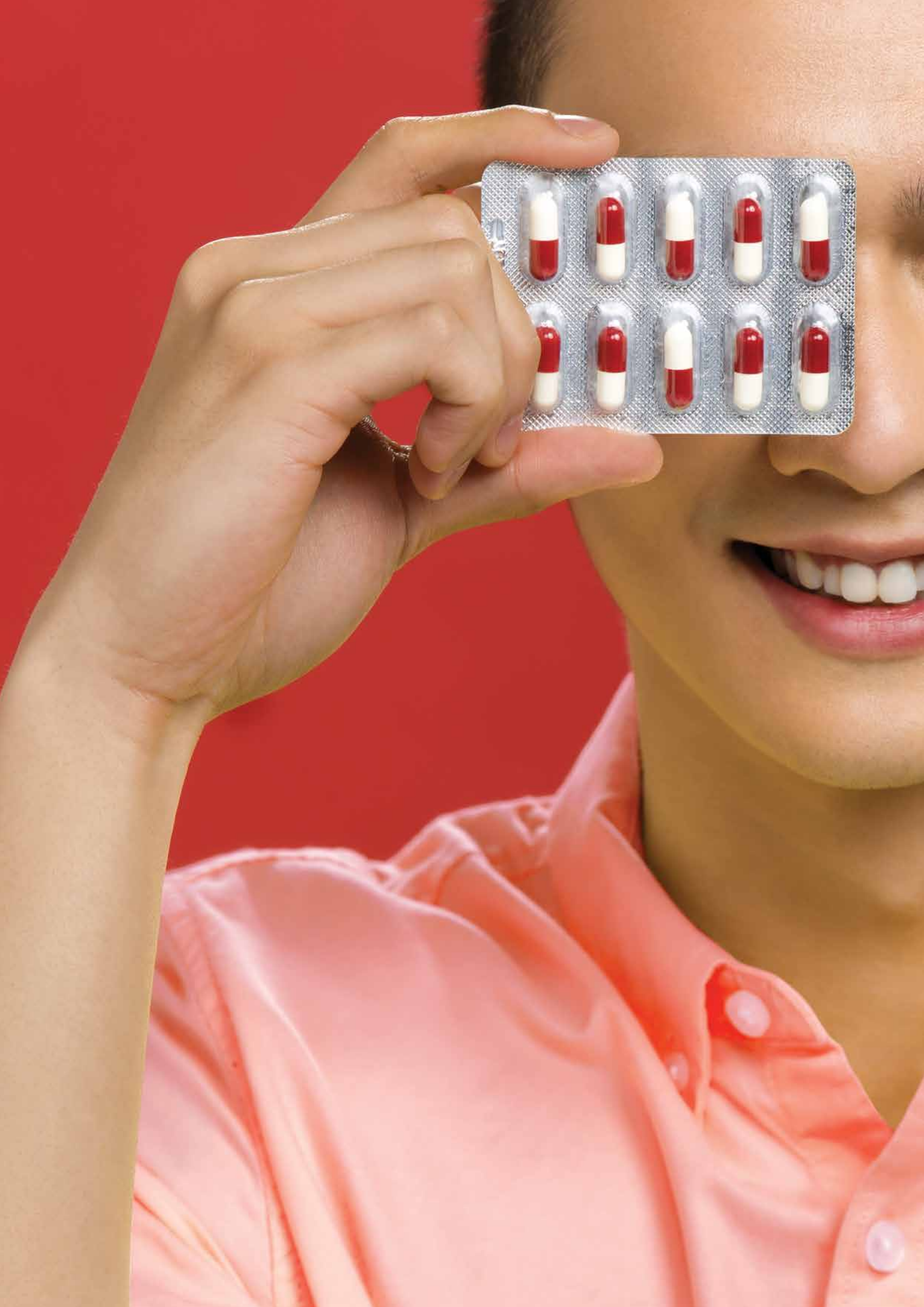
South Star Drug is one of the leading drugstore chains in the Philippines. Founded in 1937 by the Dy family of Naga City, it began in the retail of Chinese herbal medicine and relief. Today it carries a wide range of prescription and over-the-counter pharmaceutical products, food, personal care and wellness merchandise.

Robinsons Retail Holdings, Inc. acquired 90% of South Star Drug, Inc. in 2012. In a span of five years, the company has more than doubled from 218 to 484 stores nationwide – with formats that include dedicated pharmacies and 24-hour pharmacies with grocery sections. As the company continues to expand beyond its stronghold in South Luzon, it has acquired Chavez Pharmacy, Shopmore, Citimart Drug and Nickle Drugstore – altogether adding 51 stores to South Star Drug's portfolio.

In 2016, South Star Drug began a partnership with Unilab Foundation for Project Inclusion – a unique initiative that offers training and regular employment opportunities to persons with autism and Down Syndrome. South Star Drug is the first retail company to support the initiative and now employs 24 specially-abled personnel who work full-time.

STORE COUNT

484



TGP

THE GENERICS PHARMACY

In 2016, Robinsons Retail Holdings, Inc., through its subsidiary South Star Drug, Inc., acquired 51% of The Generics Pharmacy, Inc. (TGP Pharma Inc.). With over 2,000 stores, it has the largest network of franchised drugstores in the Philippines.

The Generics Pharmacy (TGP) traces its beginnings in 1949 with the foundation of Pacific Pharma, a German importer and wholesaler of medicine. Ten years later, the company was bought by the Liuson family. In 1983, Pacific Pharma realized that the high prices of branded medicine made it impossible for most Filipinos to afford quality healthcare. Wanting to make a difference, Pacific Pharma shifted its focus to affordable but quality generic medicine.

The company ventured into retail and opened the first TGP store in 2001. Six years later, in 2007, TGP adopted the franchise business model, one of the pillars of its success which jumpstarted the growth of outlets across the country.

STORE COUNT

2,015

Robinsons Appliances opened its first store in Cebu in 2000. Since then, Robinsons Appliances has continued to offer the latest innovative products to its customers through effective collaboration with suppliers. It strives to bring customer satisfaction through enhanced product forecasting driven by consumer demands and improved stock availability across its stores nationwide, alongside providing shoppers with alternative payment methods and loyalty programs.

STORE COUNT

88

Savers Appliances is one of the leading names in the appliance trade within Central Luzon and Cagayan Valley and it promises to further expand its presence in Metro Manila and South Luzon. Robinsons Retail Holdings, Inc., through a subsidiary, acquired 90% interest in Savers Appliances in 2015. Savers Appliances has become a trusted partner of top corporations, where it excels in delivering industrial and building solutions on system air-conditioning, ventilation, security, and refrigeration. It offers a wide array of high quality electronic products at competitive prices, and the service is coupled with fast delivery and efficient installation support for the greater customer convenience.

STORE COUNT

30

Toys "R" Us opened its first store in Robinsons Galleria in 2006 as a sub-licensee of Toys "R" Us Asia. It has since then gained presence as a major toys destination, with its stand-alone stores and the Toy Box sections in Robinsons Department Store branches.

Toys "R" Us is home to a wide range of well-known and beloved labels, such as Barbie, Disney, Lego, Play Doh, Star Wars, and Transformers, and it is the perfect playground for toy lovers of all ages. It values the holistic growth of every Filipino child, where toys are not only fun to play with, but are also important for learning and development. From solving puzzles to expressing their creativity on coloring books, at every stage of childhood, Toys "R" Us always offers something memorable to keep and enjoy.

STORE COUNT

35	STAND ALONE
47	TOY BOX
82	TOTAL

Fashion

As the exclusive franchisee of UK's Topshop, Topman, Dorothy Perkins, Burton Menswear, Miss Selfridge and Warehouse, and Hong Kong's G2000, Robinsons Specialty Stores, Inc. (RSSI) – Fashion Division dynamically adopts international retail concepts into the local setting and offers a variety of fashion essentials to complement the everyday style of its customers. RSSI makes global fashion within reach through its diverse brand portfolio ranging from young to mainstream fashion, modern urban lifestyle and work wear fashion.

Recognising the growth and potential of the online retail market, RSSI entered the e-commerce business through Zalora in 2017, providing a multichannel shopping experience to its Filipino market. The partnership aims to give its customers new and exciting options to access its brands through multiple touchpoints, further improving the overall customer journey. RSSI-Fashion has stores located in key shopping malls in Metro Manila and Cebu.

STORE COUNT
43

Beauty

Robinsons Specialty Stores, Inc. – Beauty Division is the retailer of three international cosmetics brands - Shiseido, Benefit, and Elizabeth Arden. It began in 2013 when Robinsons Retail Holdings, Inc., through a subsidiary, entered the cosmetics landscape with the acquisition of Beauty Skinnovations Retail, Inc.

Shiseido, considered as the oldest cosmetics company in the world, was founded in 1872 in Tokyo, Japan. Aside from make-up products and high performance skin care lines, Shiseido offers facial and skin care services that use cutting-edge technology. On the other side of the world, Benefit Cosmetics was born in San Francisco in 1976 with a beauty boutique message "Laughter is the best cosmetic" that is now experienced in over 30 countries. The signature Benefit brow waxing service continues to be a customer favorite.

Lastly, Elizabeth Arden, which was founded in the United States in 1910, offers a wide range of American-made skin care, make-up, and fragrance options. Known Hollywood celebrities have been the face of Elizabeth Arden – mainly Amber Valletta, Catherine Zeta-Jones, and more recently, Reese Witherspoon.

As of end 2017, RSSI – Beauty operates seven Shiseido stores, four Benefit stores, and one Elizabeth Arden Store in Metro Manila and three Shiseido stores located in Cebu, Davao, and Cagayan de Oro.

STORE COUNT

15

DAISO JAPAN

Daiso Japan makes sure that the items in store are grounded on three pillars – variety, quality and uniqueness. In 2007, Robinsons Retail Holdings, Inc., through a subsidiary, was appointed the franchise holder of Daiso Industries Co. Ltd. of Japan to sell authentic and original Daiso Japan products, as well as the right to use the Daiso Japan name in the Philippines.

With over 2,400 stores scattered across 30 countries, Daiso has established a global presence with the “Yano Shoten” concept, which was introduced by its founder Mr. Hirotake Yano in 1972. It involved a street vending shop selling items for 100 yen. While in the Philippines, the company offers a wide range of unique products - from home and kitchen ornaments, office knick-knacks, and beauty essentials to curious merchandise that are both practical and collectible at affordable prices starting at Php88.

STORE COUNT
69


COSTA

In 2015, Robinsons Retail Holdings, Inc. entered into an agreement with Costa Coffee UK to become the master franchisor of the brand in the Philippines. Presently the second largest coffee chain operator in the world, and with over 40 years of finely moulded expertise, Costa Coffee has over 3,300 stores in Europe, the Middle East, North Africa, India, China and Southeast Asia.

The signature Mocha Italia blend and expertly handcrafted espresso-based coffee concoctions; and a menu of gourmet sandwiches, salads, freshly baked croissants, and cakes and pastries, are what create the ambient uniqueness of the Costa experience for Manila's coffee lovers. Its freshly ground roasts are also 100% sourced from Rainforest Alliance Certified coffee growers, ensuring that its clients are served only the finest coffee with minimal impact to the environment.

STORE COUNT

15

In October 2016, Robinsons Retail Holdings, Inc., through a subsidiary, acquired 100% interest in Chic Centre Corporation, a key player in cosmetics and a leader in nail care products in the Philippines. With cosmetic brands such as Bobbie, Chic, Colortrends and Rain, it services three-fourths of the country's total nail care industry.

Chic Centre established a Food Services Division in 2015 and has expanded its product portfolio from health and beauty to supplying fresh slush and juice mixes to convenience stores, gas station stores, supermarkets, and BPO centers, totaling a thousand outlets.

Robinsons Rewards

Robinsons Rewards Card is the loyalty card of most of the business formats of Robinsons Retail Holdings, Inc. with over 1.2 million active members as of end 2017.

Robinsons Rewards members earn and redeem points for purchases made at participating Robinsons Retail stores, Caltex of Chevron Philippines Inc. on fuel purchases, hotel bookings at Go Hotels, Summit Hotels, and online payments via Dragon Pay using their Robinsons Rewards Card. Members of Robinsons Rewards have the option to convert their BPI Credit Card Real Thrills and Robinsons Mastercard Shopping points to Robinsons Rewards points.

Exciting privileges await Robinsons Rewards members on the annual V.I.P. Day with exclusive discounts and special offers from Robinsons Rewards partners.

The loyalty program continues to provide analytical insights on members' profiles and purchasing habits resulting in a better understanding of their preferences. Insights obtained from the purchasing behavior of Robinsons Rewards members serve as significant bases in the conceptualization and implementation of relevant and engaging promotions using the most effective communication channels.

Robinsons Townville

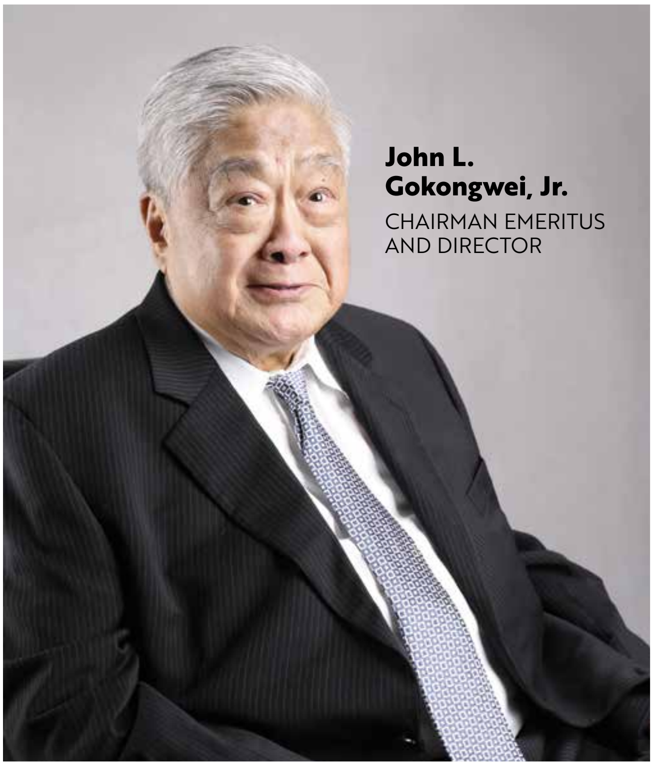
Launched in 2015, Robinsons Townville is the chain of community malls of Robinsons Retail Holdings, Inc. Situated near schools and residential areas, Robinsons Townville offers convenient shopping opportunities in the neighborhood with the presence of its anchor stores. These include Robinsons Supermarket, Robinsons Appliances, Handyman, Daiso Japan and South Star Drug.

To complement its offerings, Robinsons Townville also houses quick service restaurants, food kiosks, boutiques, an amusement center for kids, and other establishments and services. It offers convenience and accessibility, a place where customers could find everything they need with just a few steps away from their home.

Currently, there are ten Robinsons Townville malls operating in the country starting with the first branch in Pulilan, Bulacan; Cabanatuan, Nueva Ecija; BF Parañaque; Abreeza Davao; Meycauayan, Bulacan; Buhay Na Tubig, Cavite; Regalado, Fairview, Quezon City; Perdices, Dumaguete; Dasmariñas, Cavite; and Sta. Rosa, Laguna.

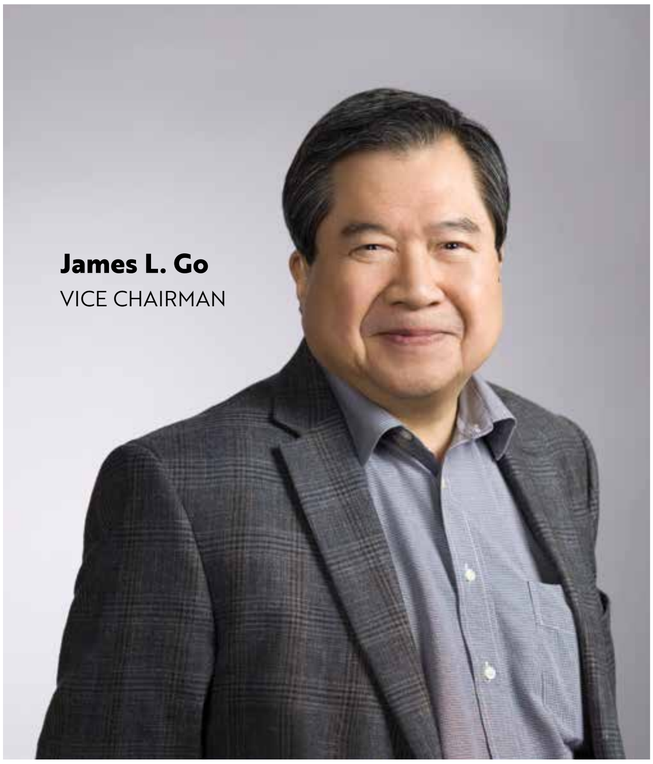
Realizing the important role that it plays in the community, Robinsons Townville launched its corporate social responsibility program called Robinsons ACTS (Act, Care, Teach & Serve) in 2016 which focuses on the individual's self-development and community involvement through the spirit of volunteerism. Each Robinsons Townville mall adopted a beneficiary from the community and conducts quarterly activities that promote values formation.

Board of Directors



John L. Gokongwei, Jr.
CHAIRMAN EMERITUS AND DIRECTOR

Lance Y. Gokongwei
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



James L. Go
VICE CHAIRMAN

Robina Y. Gokongwei-Pe
PRESIDENT AND CHIEF OPERATING OFFICER

Lisa Y. Gokongwei-Cheng
DIRECTOR

Faith Y. Gokongwei-Lim
DIRECTOR

Antonio L. Go
INDEPENDENT DIRECTOR

Hope Y. Gokongwei-Tang
DIRECTOR

Roberto R. Romulo
INDEPENDENT DIRECTOR

Senior Management

Robina Y. Gokongwei-Pe
DIRECTOR, PRESIDENT
AND CHIEF OPERATING OFFICER

Bach Johann M. Sebastian
SENIOR VICE PRESIDENT
AND CHIEF STRATEGY OFFICER

Mylene A. Kasiban
CHIEF FINANCIAL OFFICER

Atty. Rosalinda F. Rivera
CORPORATE SECRETARY

Atty. Gilbert S. Millado, Jr.
ASSISTANT CORPORATE SECRETARY,
GENERAL COUNSEL AND
DATA PRIVACY OFFICER

Graciela A. Banatao
TREASURER

Mark O. Tansiongkun
VICE PRESIDENT, PROCUREMENT
AND ADMINISTRATION

Stephen M. Yap
VICE PRESIDENT,
CHIEF INFORMATION OFFICER

Gina Roa-Dipaling
VICE PRESIDENT, CORPORATE PLANNING
AND INVESTOR RELATIONS OFFICER

Justiniano S. Gadia
GENERAL MANAGER - ROBINSONS SUPERMARKET

Johnson T. Go
GENERAL MANAGER - ROBINSONS DEPARTMENT STORE

Wilfred T. Co
VICE CHAIRMAN - HANDYMAN DO IT BEST,
TRUE VALUE AND ROBINSONS BUILDERS

Stanley C. Co
GENERAL MANAGER - HANDYMAN DO IT BEST AND TRUE VALUE

Jose Paulo R. Lazaro
GENERAL MANAGER - ROBINSONS BUILDERS

Thelma Teresa Roxas-Jacob
GENERAL MANAGER - MINISTOP

Faith Y. Gokongwei-Lim
GENERAL MANAGER - COSTA COFFEE AND CHIC CENTRE

Hope Y. Gokongwei-Tang
GENERAL MANAGER - ROBINSONS APPLIANCES AND SAVERS APPLIANCES

Jaime J. Uy
MANAGING DIRECTOR - SAVERS APPLIANCES

Maria Carmina Pia G. Quizon
GENERAL MANAGER - ROBINSONS SPECIALTY STORES

Celina N. Chua
GENERAL MANAGER - TOYS R US

Katherine Michelle Q. Yu
GENERAL MANAGER - DAISO JAPAN

Dahlia T. Dy
MANAGING DIRECTOR - SOUTH STAR DRUG
AND THE GENERICS PHARMACY

Manuel T. Dy
SENIOR VICE PRESIDENT, BUSINESS DEVELOPMENT -
SOUTH STAR DRUG AND THE GENERICS PHARMACY

Christine O. Tueres
DEPUTY GENERAL MANAGER - SOUTH STAR DRUG

Benjamin I. Liuson
VICE CHAIRMAN - THE GENERICS PHARMACY

Agnes G. Rafiñan
GENERAL MANAGER - THE GENERICS PHARMACY

Paz Regina A. Salgado
VICE PRESIDENT, ROBINSONS DEPARTMENT STORE BUSINESS CENTER

Patricia Ann C. Famador
ASSISTANT VICE PRESIDENT, LOYALTY AND FINANCIAL PRODUCTS DIVISION

Corporate Governance

The Board of Directors, officers and employees of Robinsons Retail Holdings, Inc. (RRHI) are committed to the principles of corporate governance contained in the Corporate Governance Manual. The Board recognizes that Corporate Governance is a necessary component of sound business management which will in turn contribute to the improvement of the value of the Company for the benefit of its shareholders and stakeholders.

While there is an agile pursuit to foster the long-term success of the Company and sustain its competitiveness and profitability, the Company ensures it is committed to institutionalizing corporate governance standards and strikes a balance between the two. As a publicly listed company in the Philippines, RRHI is covered by corporate governance rules and regulations of the Philippines Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Company observes good governance and management practices. This is to assure the stockholders and other stakeholders that the Company conducts its business with the highest level of integrity, transparency and accountability.

The Company submits corporate governance reports to various government agencies in compliance to the regulatory requirements. To wit:

1. CORPORATE GOVERNANCE MANUAL

The Revised Manual of Corporate Governance is the foundation of the Company's governance policies, which states the responsibilities of the Board, Management and the Company to stockholders and all other stakeholders. It complies with the SEC Code of Corporate Governance under SEC Memorandum Circulars No. 2 Series of 2002, No. 6 Series of 2009, No. 9 Series of 2014, and No. 19 Series of 2016. The Revised Corporate Governance Manual was amended and submitted to the SEC on May 31, 2017. The Manual elaborates the Responsibilities of the Board, Management and the Company to the stockholders and other stakeholders of the Company.

2. ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)

The Company submits to the SEC the accomplished ACGR Form in compliance with SEC Memorandum Circular Numbers 5 and 9, Series of 2013; 1 and 12, Series of 2014; and 20 Series of 2016. This report discusses the Company's Board and Committee responsibilities, code on business conduct and ethics, Board and Management remuneration, risk management and internal control system, stakeholder roles, corporate social responsibility initiatives, investor relations program and internal policy on sanctions.

3. PSE CORPORATE GOVERNANCE (CG) DISCLOSURES SURVEY

The Company fully complies with the annual submission of the Corporate Governance Disclosure Report to the Philippine Stock Exchange (PSE)in accordance with PSE Memorandum No. 2010-0574.

GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS

1. The Board of Directors is primarily responsible for the governance of the Company and provides an independent check on management.
2. It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of the Company,its Shareholders and Stakeholders, as a whole.
3. The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guides its activities, including the means to effectively monitor Management's performance.

The Board exercises care, skill and judgment and observe good faith and loyalty in the conduct and management of the business and affairs of the Company. The Board ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations.

To ensure high standard for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

1. Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;
2. Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board reviews and guides corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
3. Oversee the adoption of an effective succession planning program and remuneration policies;

4. Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
5. Oversee the implementation of a policy and system on RPTs which includes the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;
6. Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
7. Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;
8. Annually review, together with Management, the Company's vision and mission;
9. Ensure the Company's faithful compliance with all applicable laws and regulations, and best business practices;
10. Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the Company.
11. Identify the Company's Stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;
12. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;
13. Ensure that the Company has an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors;
14. Ensure that the Company establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof; and
15. Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Company and its Shareholders, if applicable.

Internal Control Responsibilities of the Board

The control environment of the Company consists of (a) the Board which ensures that the Company is properly and effectively managed and supervised; (b) Management that actively manages and operates the Company in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management of information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

1. The internal control mechanisms for the performance of the Board's oversight responsibility may include:
   - 1.1. Definition of the duties and responsibilities of the CEO;
   - 1.2. Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
   - 1.3. Evaluation of proposed Senior Management appointments;
   - 1.4. Evaluation of appointments of Management Officers; and
   - 1.5. Review of the Company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan.
2. The Company's systems of effective organizational and operational controls are continuously developed and updated based on, among others, the following factors: nature and complexity of the business and the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance.
3. The Company establishes an Internal Audit system that can provide assurance service to the Board, Management and Shareholders and ensure that key organizational and operational controls are in place. The Board appoints an Internal Audit Head to perform the Internal Audit function. The Internal Audit Head is guided by the Local and International Standards on Professional Practice of Internal Auditing.

Board Meetings and Quorum Requirement

The Board schedules meetings at the beginning of the year, and holds regular meetings in accordance with its By-Laws and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting, which meeting must be duly minuted. The members of the Board attend regular and special meetings in person or through video/teleconferencing conducted in accordance with the rules and regulations of the SEC except for justifiable reasons that prevent them from doing so. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission, within five (5) business days from the end of the Company's fiscal year, an advisement letter on Directors' record of attendance in Board meetings.

Attendance of Directors

January 1, 2017 to December 31, 2017

BOARD	NAME	DATE OF ELECTION	NO. OF MEETINGS DURING THE YEAR	NO. OF MEETINGS ATTENDED	%
Chairman	Lance Y. Gokongwei	June 27, 2017	7	7	100.00 %
Vice Chairman	James L. Go	June 27, 2017	7	7	100.00 %
Member	John L. Gokongwei, Jr.	June 27, 2017	7	7	100.00 %
Member	Robina Y. Gokongwei-Pe	June 27, 2017	7	7	100.00 %
Member	Lisa Y. Gokongwei-Cheng	June 27, 2017	7	7	100.00 %
Member	Faith Y. Gokongwei-Lim	June 27, 2017	7	7	100.00 %
Member	Hope Y. Gokongwei-Tang	June 27, 2017	7	7	100.00 %
Independent	Antonio L. Go	June 27, 2017	7	7	100.00 %
Independent	Roberto R. Romulo	June 27, 2017	7	7	100.00 %

B. BOARD COMMITTEES

To aid in the optimal performance of its roles and responsibilities and ensure compliance with the principles of Corporate Governance, the Board formed the following Board Committees: (a) Audit Committee (b) Corporate Governance Committee and (c) Board Risk Oversight Committee (BROC).

B.1. AUDIT COMMITTEE

The role of the Audit Committee is to provide oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

FUNCTIONS

1. Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of the Internal Audit Head;
2. Approve the terms and conditions for the outsourcing of Internal Audit services if applicable;
3. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets;
4. Review the Annual Internal Audit Plan to ensure its conformity with the objectives of the Company. The Plan shall include the audit scope, resources, and budget necessary to implement it;
5. Review the reports submitted by the Internal and External Auditors;
6. Review and monitor Management's responsiveness to Internal Audit's findings and recommendations;
7. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts;
8. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the proportion of non-audit fees paid to the External Auditor to the Company's overall consultancy expenses.
9. The Committee shall evaluate if the non-audit work will create a potential conflict of interest and shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this shall be disclosed in the Company's Annual Corporate Governance Report;
10. Review and approve the interim and Annual Financial Statements before their submission to the Board, with particular focus on the following:
    - Any change/s in accounting policies and practices;
    - Areas where significant amount of judgment has been exercised;
    - Significant Related Party Transactions;
    - Significant adjustments resulting from the audit;
    - Going concern assumptions;
    - Compliance with accounting standards; and
    - Compliance with tax, legal, and regulatory requirements.
11. Review the disposition of the recommendations in the External Auditor's management letter;
12. Perform oversight functions over the Company's Internal and External Auditors. It shall ensure the independence of Internal and External Auditors, and that both auditors are given reasonable access to all material records, properties and personnel to enable them to perform their respective audit functions;
13. Recommend the appointment, re-appointment, removal and fees of the External Auditor; and
14. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations.

B.2. Corporate Governance Committee

To oversee the development and implementation of Corporate Governance principles and policies. The Corporate Governance Committee recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers to ensure that this framework is consistent with the Company's culture, strategies and the business environment.

FUNCTIONS

1. Oversee the implementation of a Corporate Governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as the business and regulatory environment;
2. Oversee the formulation and implementation of a Code of Business Conduct and Ethics and internal policies and monitor compliance with such code and policies through communication and awareness campaign, continuous training and setting a proper forum where issues may be addressed;
3. Oversee the performance evaluation of the Board and its Committees and Management, and conduct an annual self-evaluation of its performance;
4. Recommend continuing education/training programs for Directors, assignment of tasks/projects to Board Committees, succession planning for the Board members and senior Officers, and levels of remuneration for corporate and individual performance;
5. Determine the nomination and election process for the Company's Directors and define the general profile of the Board members that the Company may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
6. Establish a formal procedure to develop a policy for determining the remuneration of Directors and Officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates, including disallowing any Director to decide his remuneration;
7. Establish efficient communication channels which aid and encourage employees, customers, suppliers, creditors and other Stakeholders to raise concerns on potential unethical or unlawful behavior without fear of retribution; and
8. Review recommendations concerning policies on conflict of interest, salaries and benefits policies, promotion and career advancement directives, and compliance with all statutory requirements.

B.3. Board Risk Oversight Committee

To oversee the establishment of ERM framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

FUNCTIONS

1. Oversee the development and implementation of a formal ERM Plan that contains the following elements:
   - Common language or register of risks;
   - Well-defined risk management goals, objectives and oversight;
   - Uniform processes of identifying, assessing, evaluating and measuring risks as well developing strategies to manage and mitigate prioritized risks;
   - Designing and implementing risk management strategies; and
   - Continuing assessments and monitoring to improve risk strategies, processes and measures;
2. Evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC shall revisit defined risk management strategies, look for emerging or changing material exposures, and stays abreast of significant developments that may seriously impact the likelihood of harm or loss;
3. Review the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and occurrence of major events that may have a major impact on the Company;
4. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its Stakeholders;
5. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
6. Report to the Board on a regular basis, or as deemed necessary, the Company's risk, material risk exposures, the actions taken to reduce the risks, and recommends appetite levels, risk tolerance limits, further action or plans, as necessary.

C. THE CHAIRMAN

The Chairman of the Board of Directors presides at all meetings of the Board of Directors and Shareholders. The Chairman also assists in ensuring compliance with and performance of the Corporate Governance policies and practices. As needed or in accordance with applicable regulations such as the Revised Code of Corporate Governance, the roles of Chairman and the CEO may be separated in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions are made between the roles of the Chairman and CEO. If the roles of Chairman and CEO are unified, the proper checks and balances are laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

1. The Chairman supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary and Management and make certain that such agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
3. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors;
4. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
5. Assure the availability of proper orientation for first-time Directors and continuing training opportunities and requirements for all Directors; and
6. Ensure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

D. THE CEO

Duties and Responsibilities of the CEO

1. Communicate and implement the Company's vision, mission, values and overall strategy and promote any Company or Stakeholder change in relation to the same;
2. Build the corporate culture and motivate the employees of the Company. Direct, evaluate and guide the work of key Officers of the Company;
3. Oversee the operations of the Company and manages human and financial resources in accordance with the strategic plan;
4. Serve as the link between internal operations as well as internal and external Stakeholders;
5. Exercise general care, management and administration of the business operations of the Company. The CEO ensures that: (a) the business and affairs of the Company are managed in a sound and prudent manner; and (b) operational, financial and internal controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;
6. Provide leadership for Management in determining, developing and implementing business strategies, plans and budgets to the extent approved by the Board. He provides the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis;
7. Provide the Directors/Board with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director or the Board, make presentations on specific topics and respond to further inquiries in relation thereto during Board meetings. The Directors have independent access to Management; and
8. Formulate, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures.

E. THE CORPORATE SECRETARY

Duties and Responsibilities of the Corporate Secretary

1. Be loyal to the mission, vision, and objectives of the Company;
2. Work fairly and objectively with the Board, Management, Shareholders, and other Stakeholders;
3. Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Committee meetings and the annual Board calendar, and assisting the chairs of the Board and its Committees in setting agendas for those meetings;
4. Safe keep and preserve the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company;
5. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advise the Board and the Chairman on all relevant issues as they arise;
6. Work fairly and objectively with the Board, Management and Shareholders and contribute to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders;
7. Advise on the establishment of Board Committees and their terms of reference;
8. Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) business days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
9. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
10. Perform required administrative functions;
11. Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements; and
12. Perform such other duties and responsibilities as may be provided by the SEC or as may be assigned by the Board.

F. INTERNAL AUDIT

Role of the Internal Audit

The role of Internal Audit is to provide independent, objective and risk-based assurance within the Company, designed to add value and improve the Company's operations. This will help the Company accomplish its objectives by providing a systematic and disciplined approach for the evaluation and improvement of the effectiveness of risk management, control and governance processes.

Purpose and Scope of Work of Internal Audit

The purpose of Internal Audit is to examine and evaluate whether the Company's controls and processes, as designed by Management, are adequate, efficient, and functioning in a manner to ensure that:

1. Programs, plans, goals and objectives are achieved;
2. Employees' actions are in compliance with policies, code of conduct, standards, procedures, and applicable laws and regulations;
3. Authorities and responsibilities are clear, properly assigned, and documented;
4. Changes in functions, services, processes, and operations are properly evaluated;
5. Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately;
6. Control activities are integral part of daily operations;
7. Adequate controls are incorporated into information technology systems;
8. Assets or resources are acquired economically, used efficiently, and adequately protected or safeguarded;
9. Financial, management, and operating information are reliable, timely, relevant, accurate, accessible, and provided in a consistent format;
10. Channels of communication are effective to ensure that interaction with business units and corporate centers occurs as needed; and
11. Continuous quality improvement is fostered in the business unit and corporate center's control processes.

Responsibilities of Internal Audit

Internal Audit is solely responsible for the planning, implementation, and reporting of its results. For this purpose, Internal Audit shall:

1. Periodically review the Internal Audit charter and present it to the Senior Management and the Audit Committee for approval;
2. Establish and implement risk-based Internal Audit Plan, including policies and procedures, to determine the priorities of the Internal Audit activity, consistent with the Company's goals;
3. Present the Internal Audit Plan and its performance, resource requirement and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval;
4. Spearhead the performance of the Internal Audit activity to ensure it adds value to the Company;
5. Prepare a forward Strategic Audit Plan to set the direction and approach of audits in the long-term;
6. Perform regular and special audit as contained in the Annual Audit Plan and/or based on the Company's risk assessment;
7. Perform consulting and advisory services related to governance and control as appropriate for the Company;
8. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, that could have a significant impact on the Company;
9. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Company;
10. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
11. Evaluate specific operations at the request of the Board or Management, as appropriate;
12. Monitor and evaluate governance processes;
13. Report in a timely manner significant issues noted during the audit relating to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Company. As directed by or under the policies of the Audit Committee, furnishes auditees and/or any other member of Management copies of the reports;
14. Recommend any improvement in policies and procedures, systems of controls, processes, and other financial and operational matters to assist Management in the effective discharge of their responsibilities, in order to minimize or prevent waste, extravagance, negative image, and fraud. Management is responsible to implement specific recommendations;
15. Coordinate with External Auditors and ensure that the audit works are complementary to optimize coverage at a reasonable cost; and
16. Comply with standards that are promulgated by the relevant professional and regulatory bodies.

Authority of the Internal Audit

Subject to the approval of the Audit Committee, Internal Audit is authorized to:

1. Decide on the nature, scope, timing, and frequencies of audit;
2. Allocate resources and apply different techniques required to accomplish audit objectives;
3. Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided within policy and approved budget;
4. Have discussions with Management and employees of the Company at any reasonable time;
5. Attend or participate in meetings relating to the Board's oversight responsibilities for auditing, financial reporting, Corporate Governance, and control;
6. Have full and free access to the Audit Committee; and
7. Obtain the necessary assistance of business unit or corporate center, as well as other specialized services from within or outside the Company.

G. ENTERPRISE RISK MANAGEMENT

Role of ERM

The role of ERM is to oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

Functions and Responsibilities of ERM

ERM shall have the following functions and responsibilities:

1. Define a risk management strategy;
2. Identify and analyze key risk exposures relating to Economic, Environmental, Social and Governance ("EESG") factors and the achievement of the Company's strategic objectives;
3. Evaluate and categorize each identified risk using the Company's predefined risk categories and parameters;
4. Establish a risk register with clearly defined, prioritized and residual risks;
5. Develop risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
6. Communicate and report significant risk exposures including business risks (e.g. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the BROC;
7. Collaborate with the CEO in updating and making recommendations to the BROC;
8. Coordinate, monitor, and facilitate compliance with laws, rules, and regulations; and
9. Suggest ERM policies and related guidance, as may be needed.

Authority of ERM

Subject to the approval of the BROC, the ERM is authorized to:

1. Allocate resources and apply different techniques required to accomplish ERM objectives;
2. Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided within policy and approved budget;
3. Have discussions with Management and employees of the Company at any reasonable time;
4. Attend or participate in meetings relating to the Board's oversight responsibilities for ERM;
5. Have full and free access to the BROC; and
6. Obtain the necessary assistance of Business Unit or Corporate Center Unit, as well as other specialized services from within or outside the Company.

H. COMPLIANCE OFFICER

Appointment of the Compliance Officer

The Board ensures that it is assisted in its duties by a Compliance Officer. The Board may consider appointing a Compliance Officer with a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer should not be a member of the Board of Directors and shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall annually attend a training on Corporate Governance.

The Compliance Officer shall perform the following duties:

1. Ensure proper onboarding of new Directors (i.e., orientation on the Company's business, charter, Articles of Incorporation and By-laws, among others);
2. Monitor, review, evaluate and ensure the compliance by the Company; its Officers and Directors with the provisions and requirements of this Corporate Governance Manual and the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
4. Ensure the integrity and accuracy of all documentary submissions to the regulators;
5. Appear before the SEC when summoned in relation to compliance with this Code;
6. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
7. Identify possible areas of compliance issues and works towards the resolution of the same;
8. Ensure the attendance of Board members and key Officers to relevant trainings;
9. Assist the Board and the Corporate Governance Committee in the performance of the their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees; and
10. Perform such other duties and responsibilities as may be provided by the SEC.

Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Management shall provide the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors shall have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business through its website and its submissions and disclosures to the SEC and Philippine Stock Exchange (PSE). Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;
3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations; and
4. The Company consistently complies with the financial reporting requirements of the SEC.
5. The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents.

The Board, after consultations with the Audit Committee shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders. The External Auditor shall not, at the same time, provide Internal Audit services to the Company. Non-audit work may be given to the External Auditor, provided it does not conflict with his duties as an independent External Auditor, or does not pose a threat to his independence. If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between the External Auditor and the Company on accounting principles or practices, financial disclosures or audit procedures which the former External Auditor and the Company failed to resolve satisfactorily. If the External Auditor believes that any statement made in the Annual Report, Information Statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matters in the said reports.

STAKEHOLDERS' RIGHTS AND PROTECTION OF MINORITY SHAREHOLDERS' INTEREST

A. SHAREHOLDERS

A.1. Shareholders' Rights

The Board is committed to treat all Shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of their rights. These rights relate to the following among others:

1. Right to vote on all matters that require their consent or approval
2. Right to inspect corporate books and records
3. Right to information
4. Right to dividends
5. Appraisal right

A.2. Promotion of Shareholders' Rights

The Board is transparent and fair in the conduct of the annual and special Shareholders' meetings of the Company. The Board encourages active Shareholders participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting in accordance with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

Result of the votes taken during the most recent Annual or Special Shareholders' Meeting are publicly made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be made available on the Company Website within five (5) business days from the end of the meeting.

B. OTHER STAKEHOLDERS

The Company identifies the various Stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability. The Company establishes clear policies and programs to provide a mechanism on the fair treatment and protection of Stakeholders.

The Board adopts a transparent framework and process that allows Stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Stakeholders may communicate with the Company through the various Stakeholders touchpoints such as the Investor Relations Office, Office of the Corporate Secretary, Customer Relations Office, the Corporate Communications Group and the Company's Website.

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, safety and welfare;
- Training and development; and
- Reward and compensation.

The Company recognizes and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company sustainable growth, while contributing to the advancement of the society where it operates.

The Company employs value chain processes that takes into consideration EESG issues and concerns.

Role of Stakeholders

CUSTOMERS' WELFARE

The Company has a customer relations policy and procedure to ensure that customers' welfare are protected and questions are addressed. Customers are informed with the Company's customer relations contacts to ensure that their welfare and questions are addressed.

SUPPLIER/CONTRACTOR SELECTION

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Suppliers and contractors undergo accreditation and orientation on Company policies.

EMPLOYEES

Performance-enhancing mechanisms for employee participation

The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development known as JG-ILED, the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

Anti-Corruption Programs and Procedures

The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensure its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

Business Conduct and Ethics

CONFLICT OF INTEREST

Policy Statement: The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.

CONDUCT OF BUSINESS AND FAIR DEALINGS

Policy Statement: The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.

RECEIPT OF GIFTS FROM THIRD PARTIES

Policy Statement: The Company discourages the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of interest Committee.

COMPLIANCE WITH LAWS AND REGULATIONS

Policy Statement: The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.

RESPECT FOR TRADE SECRETS/USE OF NON-PUBLIC INFORMATION

Policy Statement: The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.

USE OF COMPANY FUNDS, ASSETS AND INFORMATION

Policy Statement: Employees are required to safeguard the Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.

EMPLOYMENT AND LABOR LAWS AND POLICIES

Policy Statement: The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.

DISCIPLINARY ACTION

Policy Statement: Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

WHISTLEBLOWING

The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee (CICOM). Reports or disclosures can be made in writing or by email using the following contact details:

a. email address
   CICOM@robinsonsretail.com.ph
b. fax number 395-3888
c. mailing address
   Must be sent in a sealed envelope clearly marked
   "Strictly Private and Confidential-To Be
   Opened by Addressee Only"

   CICOM
   44th Flr. Robinsons Equitable Tower
   ADB Avenue, Cor., Poveda Road,
   Pasig City

The complaint shall be filed using the Complaint/ Disclosure Form (CDF) available in the company website.

All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM.

The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.

CONFLICT RESOLUTION

The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

DISCLOSURE AND TRANSPARENCY

Ownership Structure

Holding 5% shareholding or more as of December 31, 2017

SHAREHOLDER	NUMBER OF SHARES	%	BENEFICIAL OWNER
JE Holdings, Inc.	484,749,997	35.00	Same as record owner
PCD Nominee Corporation (Non-Filipino)	328,124,141	23.70	PCD Participants & their clients
PCD Nominee Company (Filipino)	154,488,906	11.15	PCD Participants & their clients
Lance Y. Gokongwei	126,727,500	9.15	Same as record owner
Robina Y. Gokongwei-Pe	105,952,500	7.65	Same as record owner

Company Website

RRHI updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available on the company's website: http://www.robinsonsretailholdings.com.ph/

2017
Highlights

In photo: Robina Y. Gokongwei-Pe, RRHI President and COO, with Victor "Jay" Liwanag, Jr., Taste Central Curators Inc. President, during contract signing.

Robinsons Retail Invests in 20% of BeautyMNL

On December 13, 2017, RRHI invested in 20% minority stake in Taste Central Curators Inc., the operator of BeautyMNL. The Filipino e-commerce site specializes in pure beauty products and services, skin care, and cosmetics.

TGP Founder Ben Liuson Awarded Entrepreneur of the Year by APEA

Benjamin I. Liuson, Founder and Vice Chairman of The Generics Pharmacy, was conferred the Entrepreneur of the Year Award during the Asia Pacific Entrepreneurship Awards (APEA) in recognition of his entrepreneurial achievements in fostering greater accessibility to healthcare in the Philippines.

Robinsons Retail in the PSEi

On September 28, 2017, Robinsons Retail Holdings, Inc. marked its inclusion in the 30 listed companies in the Philippine Stock Exchange index (PSEi). It is the fifth company from the services sector to be included in the PSEi.

Photo from PSE

RSSI-Fashion in Zalora

RSSI-Fashion brands Topshop, Topman, Dorothy Perkins, and Burton Menswear went online with Zalora in April 2017.

(L-R): Gigi Mabanta, VP-Fashion Rustan's Commercial Corp.; Paolo Campos III, Zalora Philippines Co-Founder; Robina Gokongwei-Pe, RRHI President and COO; and Maria Carmina Quizon, RSSI General Manager.

Robinsons Supermarket Receives Gold Quill Award

Two years in a row, Robinsons Supermarket received a merit award during the 15th Philippine Quill Awards held on July 5, 2017.

The Gold Quill Awards program recognizes business communication excellence globally, and is acknowledged as one of the most prestigious awards programs in the industry.

(L-R): Receiving the award are Charmaine Day Caño, Asst. Marketing Manager for Wellness; Angela Totanes, Marketing Manager; and Mizi Castillo, Asst. Marketing Manager for Ad & Promo.

DIY Formats Partner with Lazada

Handyman Do it Best and True Value Philippines went online with Lazada in November 2017.

LAZADA
•COM•PH

Robinsons Supermarket Partners with honestbee

In May 2017, Robinsons Supermarket launched with Singapore-based honestbee, becoming the first major supermarket chain to offer delivery services to Filipinos.

(L-R): Eric Bataga, honestbee Head of Operations; Mia Subido, honestbee Head of Business Development; Crystabelle Gonzalez, honestbee Country Manager; Robina Y. Gokongwei-Pe, RRHI President and COO; Patricia Ann C. Famador, RRHI AVP, Loyalty and Financial Products Division; Justiniano S. Gadia, Robinsons Supermarket General Manager.

Robinsons Retail Investor Relations Recognized by IR Magazine

Robinsons Retail was awarded a Certificate for Excellence in Investor Relations- South East Asia by IR Magazine and was also awarded 3rd Place in Best in Sector-Consumer Staples category during the publication's conference and awards ceremony held last December 5, 2017 at SGX in Singapore.

IR magazine

IR Magazine Awards
South East Asia 2017

Certificate for excellence in investor relations

Awarded to

Robinsons Retail Holdings, Inc

In association with SGX

Ministop becomes First QR-enabled CVS Chain in the Philippines

Ministop partnered with GCash and PayMaya as the first major convenience store chain to use a QR code system as a payment platform, allowing cashless digital payment in a number of its stores in 2017.

(L-R): Donna Leoncio, Ministop AVP for Merchandising; Thelma Roxas- Jacob, Ministop General Manager; Raymund Villanueva, PayMaya Head of Business; and Spencer Romano, PayMaya Manager.

(L-R): JM Aujero, Mynt Head of Merchant Acquisition; Anthony Thomas, Mynt President and CEO; Thelma Roxas-Jacob, Ministop General Manager; and Gina Salgado, VP for Robinsons Department Store Business Center.

RRHI Formats Recognized in PRA Awards

The Philippine Retailers Association (PRA) Outstanding Filipino Retailer Awards recognized Robinsons Retail's formats during its awarding ceremony held in July 2017 at the Solaire Resort and Casino.

RRHI received the following Outstanding Filipino Retailer 2016 awards:

- Toys "R" Us - Winner, Foreign Brand Specialty Retailer; Mega Category
- Daiso Japan - Winner, Foreign Brand Specialty Retailer; Large Category
- South Star Drug - Winner, Specialty Retailer; Large Category
- Dorothy Perkins - Winner, Foreign Brand Retailer - Fashion Apparel; Medium Category
- True Value - Finalist, Foreign Brand Retailer - Home Improvement
- Robinsons Appliances - Finalist, Outstanding Filipino Retailer 2016 Specialty Retailer - Large Category

Robinsons Selections Voted Cebu's Best Supermarket in 2017

Two years in a row, Robinsons Selections Cebu was once again voted as the city's Best Supermarket in Sun Star's Best of Cebu Awards 2017.

Robinsons Department Store as PayMaya's Fastest Growing Partner

Robinsons Department Store was awarded as the Fastest Growing Partner in 2017 during Handaang Pinoy: The Annual Partners Thanksgiving of PayMaya held on December 4, 2017 in Fairmont Hotel, Makati.

(L-R): Lawrence Y. Ferrer, VP and Country Head of PayMaya Domestic Business; Paz Regina A. Salgado, VP for Robinsons Department Store Business Center; Rolando C. Conejos, PayMaya Associate Director Trade and Agent Network; Paolo Azzola - COO PayMaya Philippines.

Filipina Barista wins 3rd Place in Costa Coffee Competition

Gwyneth Gabay was recognised as one of Costa Coffee's most-skilled coffee makers in the region after winning third place in company's Barista of the Year Middle East and Asia Final 2017-18.

True Value Shines at Ayala Merchant Awards

True Value received a total of seven awards during the 19th Ayala Malls Merchant Rewards ceremonies held from June 13-15, 2017 in Lio, Palawan.

The event is an annual tradition that recognizes Ayala Malls' merchant partners nationwide for their "innovativeness, marketing savvy, and business leadership."

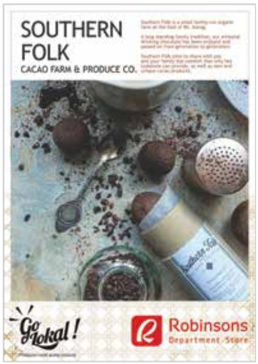
(L-R): Ruby Chong, Ayala Malls CFO; Aldrich Tee, True Value Senior Merchandising Manager; Stanley Co, True Value and Handyman General Manager; Milani Castañeda, True Value Marketing Manager; Palomo Urquijo Zobel; Bea Zobel Jr.; and Maricis Bernardino, Ayala Malls Head of Marketing.

Corporate Social Responsibility

Go Lokal!

Robinsons Department Store opened the first Go Lokal! store in Robinsons Place Manila in March 2017. The Go Lokal! Store Project was spearheaded by the Department of Trade and Industry Secretary Ramon M. Lopez to serve as an opportunity for the country's micro, small and medium enterprises to go mainstream and test the marketability of their products.

(L-R): Johnson Go, RDS General Manager; Rhodora Leaño, DTI Bureau of Domestic Trade Promotion Director; Rosvi Gaetos, DTI Assistant Secretary for Industry Promotion Group; Ramon Lopez, DTI Secretary; Robina Gokongwei-Pe, RRHI President and COO; Irving Wu, Robinsons Malls Operations Director for Luzon; and Maricar Reyes, RDS Celebrity Endorser.



Donation to the National Center for Children with Disabilities

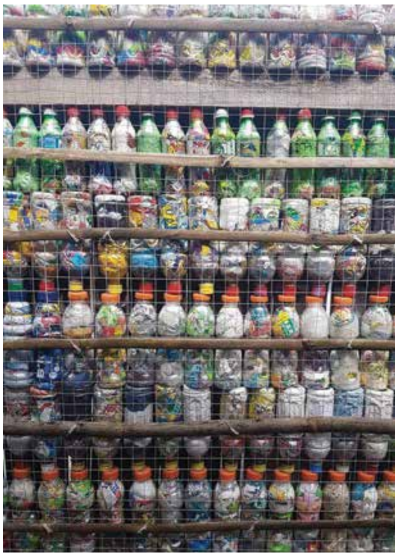
Through silent bidding for the auction of a specially made LEGO Mural, Toys "R" Us and Robinsons Department Store donated P50,000 to UNICEF for the National Centers for Children with Disabilities at the Philippine General Hospital. The mural is made of 41,472 bricks, depicting happy children whose disabilities are not an impediment to having a bright future.

These centers will be one-stop shops to support children with varying disabilities (sensory, physical or learning) through services including diagnoses of disabilities, delivering assistive devices (hearing aids, prosthesis, vision aids), and providing therapy for developmental delay.

#EasyOnThePlastic

Robinsons Easymart partnered with The Plastic Solution, which combined volunteerism, community development, and environmental sustainability into a collaborative initiative. Simple but ingenious, the group led by Ziggie Gonzales locally pioneered in producing ecobricks and expanding the movement across organizations, schools, and various institutions.

Ecobricks are made from polyethylene terephthalate (PET) filled with non-biodegradables. These include plastic wrappers, utensils, straws, and old cloth cut into small pieces that were then stuffed into the bottles. The bottles would then be used as the foundation for building houses for Aeta communities in the province of Zambales.



Proof of concept: Ecobricks are stacked and covered with cement, serving as sturdy foundations for houses in Aeta communities.

Photo from The Plastic Solution Facebook page

Think Pink Campaign

In full support of Breast Care Awareness Month, Robinsons Specialty Stores, Inc. (RSSI) initiated the Think Pink: Kiss Cancer, Goodbye! Campaign in October 2017. In partnership with the Philippine Foundation for Breast Care, Inc. (PFBCI), RSSI conducted a series of activities to raise awareness on the disease that affects so many women around the world.

"We chose to engage this cause because it is close to the heart of our business. The majority of our brands cater to women and at the center of it all is the idea of empowerment through fashion and beauty. We wanted to shed light on a timely issue that concerns all Filipinas," said Carmina Quizon, General Manager of RSSI.

Quezon City Mayor Herbert Bautista (third from right) and Vice Mayor Joy Belmonte (fourth from left) receive trash bins from Handyman headed by its General Manager, Stanley Co, and RRHI VP for Procurement Mark Tansiongkun, as they are joined by select city councilors and Handyman and EPWMD representatives during the ceremonial turnover at Quezon City Hall.

Raising Awareness on Segregation

In an effort to further promote a cleaner environment and discipline among the youth, Handyman donated 180 sets of segregation trash bins to all public elementary and high schools located in Quezon City. Totaling 540 individual bins, each set is composed of three segregation bins labeled accordingly to isolate paper, recyclable non-biodegradables, and residual wastes. The ceremonial turnover was held at the Quezon City Hall last November 20, 2017.

Fun and colorfully-designed, the bins are intended to encourage young children to be mindful of the differences in wastes and the value of reducing negative environmental impacts. The initiative was part of utilizing the green fund from Quezon City's Plastic Recovery System Fee, where Handyman partnered with the local government's Environmental Protection and Waste Management Department (EPWMD) to raise awareness on proper garbage disposal and the importance of recycling.

Servathon 2017

On September 23, 2017, True Value participated in Hands on Manila's *Servathon 2017* held at the Philippine International Convention Center, with the theme *Mobilizing Manila for Hope in Mindanao.*

The assigned activity for True Value was *Home In A Pail: Liquid Soap Making.* The kits, which included the liquid soap mixed and bottled by the volunteers, were given to households from communities in Iligan City, Lanao Del Norte.

(L-R): Remegio Linghon, RDS Graphic Artist Specialist; Jaimilly Ferreras, RDS Marketing Officer; Nach Saatchi, RDS Marketing Manager; and Elise Cruse, TNK Communication and Partnerships Manager.

Tulay ng Kabataan

Tulay ng Kabataan's mission is to help street children, the poorest of the poor, get off the streets and out of the slums of Manila, Philippines, by reaching out to them and catering to their basic needs – providing shelter, education, nutrition and health.

For the third year, Robinsons Department Store has supported the foundation by providing back to school items for the underprivileged youth with the most recent donation given on June 5, 2017.

Fighting Malnutrition

Robinsons Townville A.C.T.S. (Act, Care, Teach & Serve) was conceptualized in 2015 as an avenue for volunteerism among Robinsons Retail employees. Implemented throughout the year in each of the community malls, it is a multi-faceted program of the community malls focusing on individual self-development and community involvement.

One of the notable programs was implemented in June 2017. Robinsons ACTS partnered with Kabisig ng Lahi, Knorr, and Unilever Philippines to conduct a feeding program in Barangay Fairview, Quezon City which catered to 30 malnourished children. The feeding program lasted for 120 days and the mothers were also given tips on how to prepare healthy budget meals for their children. An additional 30 children who are residents of Brgy. Camalig, Meycauayan, Bulacan also underwent the program in September 2017. Plans to continue the program in 2018 would include launches with two to three more marginalized communities.

Support for UP and FEU Men's Basketball Teams

Since 2010, Robinsons Supermarket and Handyman have been sponsoring the University of the Philippines Fighting Maroons Men's Basketball Team during the University Athletic Association of the Philippines Games. Likewise, since 2011, True Value has shown support to the Far Eastern University Tamaraws Men's Basketball Team.

For many, the sport serves as an avenue to pursue tertiary education, with varsity athletes offered scholarships to represent their schools in intercollegiate competitions.

One Love A Day and Right Start Foundation

Robinsons Retail's partnership with Right Start Foundation began in 2010 through Robinsons Department Store. Robinsons Department Store annually supports the organization's Taekwondo Team which competes in various sports events.

In 2016, as well as in 2017, Right Start was chosen as the primary partner for One Love A Day, the holding company's annual outreach program.

Through various fun and values formation activities to donations, employees spent time with the kids of Right Start in the spirit of volunteerism. From folding paper cranes with their *ates* and *kuyas* from Daiso Japan, learning about wellness with Robinsons Supermarket and playing with polymer clay with True Value, to constructing model cities with Robinsons Builders and singing their hearts out with Robinsons Appliances, to sharing lessons with Handyman and Costa Coffee, RRHI and Right Start are committed to building a better future for these children.

Daiso Japan team (L-R): Mel Carlo Balderas, Visual Merchandiser; Melanie Santiago, Marketing Officer; Floricel Lim, Operations Manager; Joana Marie Dela Cruz, Front End Systems Manager; Rio Lazaro, Marketing Assistant; Bernice Bunoan, Marketing Manager; Dexter Montejo, Visual Merchandiser; and Josefina Dimalaluan, Executive Director, CRIBS Foundation Inc.

A Daiso-fied Christmas at CRIBS Foundation

Daiso Japan celebrated the holiday season with another visit to CRIBS Foundation Inc., on November 17, 2017. The activity, along with several previous ones held since 2014, included giving gifts and essentials for the beneficiaries to help with the operations of the non-profit organization. Daiso Japan proudly joins CRIBS in its commitment to provide a safe and loving home free from any violence or abuse, on top of the development, healing and recovery of children in need of special protection.

#INNOVATE

On December 11, 2017, Robinsons Builders was invited by La Consolacion College in Bacolod City to conduct a learning session with its architecture and interior design students. Robinsons Builders partnered with its suppliers, Firefly and Hafele, to present #INNOVATE: A discussion on innovations and improvements in building materials and hardware products. Firefly discussed the latest technology applied in electrical and lighting products while Hafele shared new features and functionality in architectural hardware and fitting systems.

Caballero Tree Planting

South Star Drug planted trees in areas eligible for rehabilitation under the National Greening Program. In the Payatas Sanitary Landfill, Caballero seedlings were planted in the open field of the rehabilitation area. The initiative was done in partnership with the Local Government of Quezon City and the Department of Environment and Natural Resources.

Financial Statements

SGV
Building a better working world

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Robinsons Retail Holdings, Inc.

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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.

Existence and completeness of inventory

The Group's inventories comprise 18% of its total assets as of December 31, 2017, as disclosed in Note 9 of the consolidated financial statements. The Group has 1,719 company-owned stores and warehouses throughout the country as of December 31, 2017. 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, 2017, the Group's trademarks and goodwill arising from business combinations amounted to ₱3.20 billion and ₱3.38 billion, respectively, which are considered 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 from which goodwill was acquired. 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 17-A for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31,2017, which are expected to be made available to us after that date.

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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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-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. 6621276, January 9, 2018, Makati City

March 23, 2018

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

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱14,565,037,906**	₱12,718,000,227
Trade and other receivables (Notes 8, 24 and 27)	**2,234,616,952**	1,987,889,900
Merchandise inventories (Note 9)	**14,846,561,020**	13,341,684,985
Other current assets (Note 10)	**2,423,694,783**	2,184,712,107
Total Current Assets	**34,069,910,661**	30,232,287,219
Noncurrent Assets		
Available-for-sale financial assets (Notes 11 and 27)	**20,667,367,094**	20,430,029,363
Property and equipment (Note 12)	**13,601,389,023**	12,562,161,367
Investment in associates (Note 13)	**5,271,532,196**	5,077,911,984
Intangible assets (Notes 14 and 19)	**6,657,229,873**	6,671,898,429
Deferred tax assets - net (Note 25)	**355,166,249**	290,042,638
Other noncurrent assets (Notes 15 and 27)	**1,558,131,736**	1,430,720,629
Total Noncurrent Assets	**48,110,816,171**	46,462,764,410
	₱82,180,726,832	₱76,695,051,629
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱17,774,234,982**	₱16,796,597,482
Short-term loans payable (Notes 17 and 27)	**6,377,954,863**	6,575,698,733
Income tax payable	**964,306,126**	835,648,327
Other current liabilities (Note 27)	**240,007,838**	269,927,089
Total Current Liabilities	**25,356,503,809**	24,477,871,631
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 25)	**1,011,395,772**	1,042,105,721
Net retirement obligation (Notes 22 and 23)	**546,188,167**	609,529,248
Total Noncurrent Liabilities	**1,557,583,939**	1,651,634,969
Total Liabilities	**26,914,087,748**	26,129,506,600
Equity (Note 18)		
Capital stock	**1,385,000,000**	1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income (Notes 11, 13 and 23)	**289,698,663**	352,393,412
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**15,212,852,847**	15,262,852,847
Unappropriated	**8,440,230,328**	4,381,691,262
Total equity attributable to equity holders of the Parent Company	**51,533,272,259**	47,587,427,942
Non-controlling interest in consolidated subsidiaries	**3,733,366,825**	2,978,117,087
Total Equity	**55,266,639,084**	50,565,545,029
	₱82,180,726,832	₱76,695,051,629

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2017	2016	2015
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱115,238,459,529**	₱105,293,324,032	₱90,882,627,706
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**89,446,079,938**	82,267,043,806	71,133,585,364
GROSS PROFIT (Note 6)	**25,792,379,591**	23,026,280,226	19,749,042,342
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 24 and 29)	**2,262,158,547**	2,118,478,594	1,862,672,949
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**28,054,538,138**	25,144,758,820	21,611,715,291
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(21,749,155,955)**	(19,651,873,741)	(16,882,874,569)
OTHER INCOME (CHARGES)			
Interest income (Notes 6, 7 and 11)	**873,425,105**	827,274,627	798,712,436
Foreign currency exchange gain - net (Note 6)	**16,104,012**	219,216,013	183,603,976
Dividend income (Notes 6 and 11)	**111,500,000**	111,500,000	111,500,591
Equity in net earnings in associates (Note 13)	**123,639,511**	102,659,711	40,292,934
Interest expense (Notes 6 and 17)	**(127,384,471)**	(86,533,530)	(14,718,429)
	997,284,157	1,174,116,821	1,119,391,508
INCOME BEFORE INCOME TAX (Note 6)	**7,302,666,340**	6,667,001,900	5,848,232,230
PROVISION FOR INCOME TAX (Note 25)			
Current	**1,785,241,581**	1,540,728,580	1,288,917,348
Deferred	**(81,928,619)**	(69,454,983)	(17,851,404)
	1,703,312,962	1,471,273,597	1,271,065,944
NET INCOME	**5,599,353,378**	5,195,728,303	4,577,166,286
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale (AFS) financial assets (Note 11)	**(18,823,208)**	182,711,279	282,224,234
Share in change in fair value of AFS financial assets in associates (Note 13)	**(65,350,499)**	(103,174,500)	(102,121,503)
Share in change in translation adjustment in associates (Note 13)	**3,690,356**	(3,420,011)	(184,945)
Cumulative translation adjustment	**(549,999)**	–	–
Income tax effect	**18,498,043**	31,978,353	30,691,934
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in actuarial losses on retirement obligation in associates (Note 13)	**6,640,844**	2,544,130	(4,141,797)
Remeasurement gain (losses) on retirement obligation (Note 23)	**(4,389,439)**	(27,307,738)	106,485,548
Income tax effect	**(675,421)**	7,429,082	(30,703,125)
	(60,959,323)	90,760,595	282,250,346
TOTAL COMPREHENSIVE INCOME	**₱5,538,394,055**	₱5,286,488,898	₱4,859,416,632

(Forward)

	Years Ended December 31		
	2017	2016	2015
Net income attributable to:			
Equity holders of the Parent Company	**₱4,978,039,066**	₱4,830,140,965	₱4,341,794,218
Non-controlling interest in consolidated subsidiaries	**621,314,312**	365,587,338	235,372,068
	₱5,599,353,378	₱5,195,728,303	₱4,577,166,286
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱4,915,344,317**	₱4,930,705,239	₱4,617,264,617
Non-controlling interest in consolidated subsidiaries	**623,049,738**	355,783,659	242,152,015
	₱5,538,394,055	₱5,286,488,898	₱4,859,416,632
Basic/Diluted Earnings Per Share (Note 26)	**₱3.59**	₱3.49	₱3.13

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, 2017								
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13, 18 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	**₱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 loss	–	–	**(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
	For the Year Ended December 31, 2015								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	(₱23,641,261)	(₱991,931,906)	₱10,311,451,453	₱1,740,057,473	₱39,648,320,849	₱1,588,776,294	₱41,237,097,143
Net income	–	–	–	–	–	4,341,794,218	4,341,794,218	235,372,068	4,577,166,286
Other comprehensive income	–	–	275,470,399	–	–	–	275,470,399	6,779,947	282,250,346
Total comprehensive income	–	–	275,470,399	–	–	4,341,794,218	4,617,264,617	242,152,015	4,859,416,632
Acquisition of a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	30,544,015	30,544,015
Additional investment in a subsidiary (Notes 2 and 18)	–	–	–	–	–	–	–	183,000,000	183,000,000
Investment from non-controlling interest (Notes 2 and 18)	–	–	–	(35,470,940)	–	–	(35,470,940)	–	(35,470,940)
Dividends (Note 18)	–	–	–	–	–	(706,350,000)	(706,350,000)	(62,961,000)	(769,311,000)
Appropriation	–	–	–	–	2,813,000,000	(2,813,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(127,000,000)	127,000,000	–	–	–
Balance at end 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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱7,302,666,340**	₱6,667,001,900	₱5,848,232,230
Adjustments for:			
Depreciation and amortization (Notes 6, 12, 14 and 21)	**2,073,037,176**	2,038,230,133	1,647,365,077
Retirement expense (Notes 22 and 23)	**170,952,296**	116,638,933	115,900,488
Interest expense (Notes 6 and 17)	**127,384,471**	86,533,530	14,718,429
Allowance for doubtful accounts (Note 8)	**21,514,165**	58,831,504	–
Loss on sale of AFS financial assets (Notes 11 and 21)	**4,235,786**	–	–
Unrealized foreign currency exchange gain - net (Note 6)	**(16,104,012)**	(219,216,013)	(183,603,976)
Dividend income (Notes 6 and 11)	**(111,500,000)**	(111,500,000)	(111,500,591)
Equity in net earnings in associates (Note 13)	**(123,639,511)**	(102,659,711)	(40,292,934)
Interest income (Notes 6, 7 and 11)	**(873,425,105)**	(827,274,627)	(798,712,436)
Operating income before working capital changes	**8,575,121,606**	7,706,585,649	6,492,106,287
Decrease (increase) in:			
Trade and other receivables	**(251,303,489)**	300,129,717	(64,361,935)
Merchandise inventories	**(1,504,876,035)**	(2,133,924,422)	(1,582,276,365)
Other current assets	**(238,982,676)**	(475,308,637)	(278,822,234)
Increase (decrease) in:			
Trade and other payables	**1,285,521,931**	1,138,625,087	614,674,862
Other current liabilities	**(29,919,251)**	72,343,599	(478,867)
Net cash flows generated from operations	**7,835,562,086**	6,608,450,993	5,180,841,748
Interest received	**864,071,329**	962,121,605	706,942,413
Retirement benefits paid (Note 23)	**(3,773,690)**	(8,942,936)	–
Retirement contributions (Note 23)	**(234,909,126)**	–	(170,769,745)
Income tax paid	**(1,656,583,782)**	(1,392,925,199)	(1,267,771,819)
Net cash flows provided by operating activities	**6,804,366,817**	6,168,704,463	4,449,242,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment in associates (Note 13)	**(125,000,000)**	–	(3,155,222,080)
Available-for-sale (AFS) financial assets (Note 11)	**(408,551,798)**	(530,826,255)	(1,359,337,228)
Property and equipment (Note 12)	**(3,104,719,693)**	(3,243,894,010)	(3,099,102,132)
Franchise (Note 14)	**–**	(1,790,188)	(9,877,677)
Proceeds from transfers/disposals of:			
Available-for-sale (AFS) financial assets (Note 11)	**141,871,049**	–	–
Short-term investments	**–**	7,059,000	1,845,667,333
Dividends received (Note 11)	**111,500,000**	111,500,000	83,625,591

(Forward)

	Years Ended December 31		
	2017	2016	2015
Acquisition through business combination - net of cash received (Note 19)	**₱–**	(₱2,179,553,090)	(₱988,350,000)
Purchase of non-controlling interest	**–**	–	(35,470,940)
Increase in other noncurrent assets	**(127,411,107)**	(86,935,071)	(116,469,758)
Net cash flows used in investing activities	**(3,512,311,549)**	(5,924,439,614)	(6,834,536,891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional investments from non-controlling interest (Notes 2 and 18)	**490,000,000**	–	183,000,000
Proceeds from loan availments (Note 17)	**3,724,954,863**	4,398,000,000	2,939,000,000
Dividends paid (Note 18)	**(1,624,143,333)**	(935,511,000)	(728,516,025)
Payment of loans (Note 17)	**(3,922,698,733)**	(667,173,825)	(205,814,439)
Interest paid (Note 17)	**(127,384,471)**	(86,533,530)	(15,698,621)
Net cash flows provided by financing activities	**(1,459,271,674)**	2,708,781,645	2,171,970,915
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**14,254,085**	7,601,917	852,031
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,847,037,679**	2,960,648,411	(212,471,348)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12,718,000,227**	9,757,351,816	9,969,823,164
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱14,565,037,906**	₱12,718,000,227	₱9,757,351,816

See accompanying 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 Parent Company is 35.0% owned by JE Holdings, Inc., 34.85% owned by PCD Nominee Corporation and the rest by the public. 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.

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

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for 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.

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

Basis of Consolidation
The consolidated financial statements as of December 31, 2017 and 2016 and for each of the three (3) years in the period ended December 31, 2017 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

	Effective Percentages of Ownership					
	2017		2016		2015	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	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)	–	**51.00%**	–	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%	–	–

(Forward)

	Effective Percentages of Ownership					
	2017		2016		2015	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Eurogrocer Corp. (EC)	–	–	–	–	–	100.00%
JAS 8 Retailing Mngt. Corporation (JRMC)	–	–	–	–	–	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%	–	–
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%	–	–
TheGenerics Pharmacy Inc. (TPI)	–	**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%	–	–
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%	–	–	–

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 (USD).

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2017 and 2016. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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 consilidation.

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 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 Chic Centre Corporation, a company engaged in the business of manufacturing and distributing cosmetics products (Note 19). Chic Center Corporation is under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation 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.

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).

On September 18, 2015, RRHI made additional investments to RSSI amounting to ₱390.97 million.

On September 18, 2015, additional capital amounting to ₱315.00 million to SEWI was made by RI. Corresponding additional investment coming from NCI of SEWI amounted to ₱35.0 million (Note 18).

On September 1, 2015, RI acquired 90.00% ownership of SEWI, a company engaged in the business of consumer electronics and home appliances (Note 19). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱30.54 million.

On June 8, 2015, capital call amounting to ₱202.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱98.00 million (Note 18).

On March 6, 2015, the Subscription Contract between RRHI and RSC was executed. RRHI subscribed 108,370,796 shares of common stock of RSC with a par value of ₱1.00 per share for a total consideration of ₱2.86 billion or at ₱26.41 per share.

On February 23, 2015, capital call amounting to ₱100.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱50.00 million (Note 18).

Mergers

Merger of EC and JRMC to RSC

On October 24, 2014, the Board of Directors (BOD) of the Group approved the plan of merger between RSC, EC and JRMC with RSC as the surviving entity. The purpose of the merger is to centralize the Group's supermarket operations. On November 14, 2014, the plan of merger was presented to and approved by the stockholders. The Plan and Articles of Merger were filed with SEC in April 2015. In 2016, the SEC and Department of Justice (DOJ) approved the application for merger.

Merger of GPC to SSDI

On October 24, 2014, the BOD approved the plan of the Group to merge SSDI with its subsidiary, GNC Pharma Corp. (GPC), whereby the entire assets and liabilities of GPC will be transferred and absorbed by SSDI doing business under the name of South Star Drug and Manson Drug. On November 25, 2014, the plans of merger was presented to and approved by the stockholders. The Plan and Article of Merger were filed with the SEC in April 2015 and were approved in August 2015.

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, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) (Amendments)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have impact on the Group's financial position or performance.

- PAS 7, *Statement of Cash Flows, Disclosure Initiative* (Amendments)

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  The Group has provided the required information in Note 30 to the consolidated financial statement. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standards issued but not yet effective

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, 2018

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

  The amendments to PFRS 2 address three (3) 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.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three (3) amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments are not applicable to the Group as it has no share-based payments.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is currently assessing the impact on adopting this standard.

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

  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 (2) 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 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is 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. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group is currently assessing the impact on adopting PFRS 15 in 2018.

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

  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. The amendments should be applied retrospectively, with earlier application permitted.

  The Group is currently assessing the impact on adopting the amendments.

- PAS 40, *Investment Property*, *Transfers of Investment Property* (Amendments)

  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. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

- 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 a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Adoption of the interpretation when it becomes effective will not have any impact on the Group's financial statements.

Effective beginning on or after January 1, 2019

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- 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 (2) 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 (2) types of leases: operating and finance leases.

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

  Early application is permitted, but not before an entity applies PFRS 15. 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.

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- 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 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; and
  - 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.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred Effectivity

- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)

  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, *Business Combinations*. 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.

  These amendments will not have any impact on the Group's consolidated financial statements.

4. **Summary of Significant Accounting Policies**

Revenue Recognition
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.

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 and available-for-sale (AFS) financial assets is recognized as the interest accrues using the effective interest 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 and allowances 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
Date of recognition
The Group recognizes a financial asset or a financial liability 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 marketplace 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 (FVPL), the initial measurement of financial assets includes transaction costs.

Classification of financial instruments
Financial instruments within the scope of PAS 39 are classified as:

a. Financial assets and financial liabilities at FVPL
b. Loans and receivables
c. Held-to-maturity (HTM) investments
d. AFS financial assets; and
e. Other financial liabilities

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 and 2016, 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 assets
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.

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.

This accounting policy relates primarily to the Group's cash and cash equivalents, trade and other receivables, security deposits and construction bonds.

Financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are measured at cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

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

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.

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted debt securities that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted debt securities has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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.

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 when:

- the Group's rights to receive cash flows from the asset have expired;
- the Group 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 rights 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and 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 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 consolidated statement of comprehensive income.

'Day 1' Difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income. In cases where the valuation technique use is made of data which is not observable, the difference between transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

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. Cash and cash equivalents are classified and accounted for as loans and receivables.

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
Investment in associates is accounted for under the equity method of accounting.

Associates are entities in which the Group has significant influence and which influence and which is neither a subsidiary nor a joint venture.

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 reports 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 PAS 39 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.

Combination of Entities under Common Control
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 are carried at cost less accumulated depreciation and amortization and accumulated impairment in value, if any. 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
Leasehold improvements	10
Store furniture and fixtures	10
Office furniture and fixtures	10
Transportation equipment	10
Computer equipment	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) and 2016 (TGPPI) 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 invome.

Impairment testing of goodwill and trademarks
Goodwill is 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, 2017 and 2016. 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 by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. 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 has been allocated, an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment loss recognized for goodwill 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 that 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 dividend declaration. 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 Philippine Dealing & Exchange Corp. (PDEx) closing rate prevailing at the reporting date. 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 Group (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, 2017, 2016 and 2015 (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 noncancellable 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 noncancellable. Also, the Group has determined that it has not retained all the significant risks and rewards of ownership of the leased property.

Revenue recognition
Management exercises judgment in determining whether the Group is acting as a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods, otherwise it is acting as an agent. The Group has assessed all its revenue arrangements and concluded that it is acting as a principal.

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).

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;
- The Group's voting rights and potential voting rights.

Estimates and Assumptions
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. As of December 31, 2017 and 2016, below are the business segments from which goodwill and trademarks arise:

	Trademarks	Goodwill
SSDI	₱1,566,917,532	₱745,887,131
TGPPI	1,264,098,435	1,281,428,830
SEWI	364,914,493	715,103,869
EC	–	199,870,222
RHIB	–	145,655,320
HPTDI	–	30,000,000
RTSHPI	–	85,161,468
Beauty Skinnovations Retail, Inc. (BSRI)	–	83,324,691
JRMC	–	71,732,435
GPC	–	23,250,000
	₱3,195,930,460	₱3,381,413,966

The Group performed its annual impairment test as at December 31, 2017. The recoverable amounts of the CGUs have been determined based on value in use and enterprise value or earning before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

Value in use
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 10.70% in 2017 (11.50% in 2016) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2017 growth rate (5.00% to 10.00% in 2016) 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 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 5.00% to 11.50% for 2017 and 5.00% to 11.50% for 2016 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 8.00% to 12.00% and 11.00% to 16.89%, in 2017 and 2016, respectively, would result in impairment.

Price inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2017 and 2016. 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.

<u>*EV/EBITDA Multiple*</u>
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 2017 and 2016, 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.

Allowance for impairment losses on trade and other receivables
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.

Allowance for impairment losses on trade and other receivables amounted to ₱110.39 million, ₱88.87 million and ₱30.04 million in 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, the carrying value of the Group's trade and other receivables amounted to ₱2.23 billion and ₱1.99 billion, respectively (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.

No provision for impairment losses on merchandise inventories was recognized in 2017, 2016 and 2015.

Merchandise inventories amounted to ₱14.85 billion and ₱13.34 billion as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 and intangible assets with definite useful lives.

As of December 31, 2017 and 2016, the carrying value of the Group's property and equipment amounted to ₱13.60 billion and ₱12.56 billion (Note 12), investment in associates amounted to ₱5.27 billion and ₱5.08 billion (Note 13), licenses amounted to ₱60.61 million and ₱72.73 million, and franchise amounted to ₱19.28 million and ₱21.83 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, 2017 and 2016, the carrying value of the net retirement obligation amounted to ₱546.19 million and ₱609.53 million, respectively (Note 23).

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, 2017, and 2016, the Group has deferred tax assets amounting ₱355.17 million and ₱290.04 million, respectively (Note 25). Unrecognized deferred tax assets amounted to ₱47.94 million and ₱235.73 million as of December 31, 2017 and 2016, respectively.

Revenue recognition - points for loyalty programme
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 and 2016, the estimated liability for unredeemed points was approximately ₱133.64 million and ₱123.84 million, respectively.

6. **Operating Segments**

<u>Business Segment</u>
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.

- *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.

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

2015

	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	₱43,238,713,800	₱14,906,017,159	₱9,871,828,234	₱5,493,047,709	₱8,069,514,406	₱9,303,506,398	₱–	₱–	₱90,882,627,706
Intersegment net sales	–	–	–	–	–	1,055,054,341	–	(1,055,054,341)	–
Total net sales	43,238,713,800	14,906,017,159	9,871,828,234	5,493,047,709	8,069,514,406	10,358,560,739	–	(1,055,054,341)	90,882,627,706
Segment cost of merchandise sold	35,035,520,292	9,924,617,998	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	–	–	71,133,585,364
Intersegment cost of merchandise sold	–	1,055,054,341	–	–	–	–	–	(1,055,054,341)	–
Total cost of merchandise sold	35,035,520,292	10,979,672,339	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	–	(1,055,054,341)	71,133,585,364
Gross profit	8,203,193,508	3,926,344,820	3,066,795,589	526,707,722	1,265,061,062	2,760,939,641	–	–	19,749,042,342
Segment other income	95,236,386	70,737,049	–	1,543,542,368	137,465,802	15,691,344	–	–	1,862,672,949
Intersegment other income	123,270,064	22,495,629	–	–	–	–	–	(145,765,693)	–
Total other income	218,506,450	93,232,678	–	1,543,542,368	137,465,802	15,691,344	–	(145,765,693)	1,862,672,949
Gross profit including other income	8,421,699,958	4,019,577,498	3,066,795,589	2,070,250,090	1,402,526,864	2,776,630,985	–	(145,765,693)	21,611,715,291
Segment operating expenses	5,396,919,234	2,812,033,191	2,091,104,618	1,799,517,640	1,004,500,602	2,122,094,802	9,339,405	–	15,235,509,492
Intersegment operating expenses	15,733,953	54,753,690	30,252,481	–	25,050,746	19,974,823	–	(145,765,693)	–
Total operating expenses	5,412,653,187	2,866,786,881	2,121,357,099	1,799,517,640	1,029,551,348	2,142,069,625	9,339,405	(145,765,693)	15,235,509,492
Earnings before interest, taxes and depreciation and amortization	3,009,046,771	1,152,790,617	945,438,490	270,732,450	372,975,516	634,561,360	(9,339,405)	–	6,376,205,799
Depreciation and amortization	628,825,976	233,690,307	197,712,915	264,625,181	61,492,482	261,018,216	–	–	1,647,365,077
Earnings before interest and taxes	2,380,220,795	919,100,310	747,725,575	6,107,269	311,483,034	373,543,144	(9,339,405)	–	4,728,840,722
Interest expense	(4,351,646)	(9,393,750)	(2,944,139)	(21,448,063)	(4,510,075)	(31,831,485)	–	59,760,729	(14,718,429)
Interest income	7,506,766	10,088,526	14,822,184	388,143	1,429,460	10,044,124	814,193,962	(59,760,729)	798,712,436
Dividend income	–	–	–	–	–	–	111,500,591	–	111,500,591
Foreign exchange gain - net	–	–	–	–	–	–	183,603,976	–	183,603,976
Equity in net earnings of an associate	–	–	–	–	–	–	40,292,934	–	40,292,934
Income before income tax	₱2,383,375,915	₱919,795,086	₱759,603,620	(₱14,952,651)	₱308,402,419	₱351,755,783	₱1,140,252,058	₱–	₱5,848,232,230
Assets and liabilities									
Segment assets	₱12,785,801,296	₱4,417,187,627	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱28,197,962,656	₱3,399,444,445	₱65,159,625,473
Investment in subsidiaries - at cost	2,790,607,224	3,139,770,374	–	–	–	–	5,283,780,763	(11,214,158,361)	–
Total segment assets	₱15,576,408,520	₱7,556,958,001	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱33,481,743,419	(₱7,814,713,916)	₱65,159,625,473
Total segment liabilities	₱6,240,313,159	₱4,020,326,369	₱2,001,318,203	₱1,672,560,681	₱1,738,143,197	₱3,767,679,622	₱62,801,062	₱151,207,330	₱19,654,349,623
Other segment information:									
Capital expenditures	₱1,327,432,037	₱398,969,051	₱301,090,124	₱427,582,091	₱128,974,866	₱559,912,678	₱–	₱–	₱3,143,960,847

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱1.34 billion, ₱1.14 billion and ₱1.06 billion in 2017, 2016 and 2015, 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 ₱14.57 billion and ₱12.72 billion as of December 31, 2017, and 2016, 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 0.09% to 3.50%, 0.88% to 2.50% and 0.24% to 2.75% in 2017, 2016 and 2015, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱107.55 million, ₱73.04 million and ₱66.87 million in 2017, 2016 and 2015, respectively.

8. Trade and Other Receivables

This account consists of:

	2017	2016
Trade (Notes 24 and 27)	**₱1,552,222,590**	₱1,387,118,269
Nontrade (Notes 24 and 27)	**487,405,602**	432,096,725
Due from franchisees (Notes 27 and 29)	**305,376,530**	257,548,511
	2,345,004,722	2,076,763,505
Less allowance for impairment losses (Note 29)	**110,387,770**	88,873,605
	₱2,234,616,952	₱1,987,889,900

Movement in the allowance for impairment losses is as follows:

	2017	2016
Balance at beginning of year	**₱88,873,605**	₱30,042,101
Additional provision for impairment losses (Note 21)	**21,514,165**	58,831,504
Balance at end of year	**₱110,387,770**	₱88,873,605

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 ₱82.12 million and ₱66.01 million as of December 31, 2017, and 2016, respectively. The remaining balance consists of operational advances and interest receivable arising from short-term investments.

9. Merchandise Inventories

The rollforward analysis of this account follows:

	2017	2016
Balance at beginning of year	**₱13,341,684,985**	₱10,575,687,802
Add purchases - net of purchase discounts and allowances	**90,950,955,973**	85,033,040,989
Cost of goods available for sale	**104,292,640,958**	95,608,728,791
Cost of merchandise sold	**89,446,079,938**	82,267,043,806
Balance at end of year	**₱14,846,561,020**	₱13,341,684,985

There are no merchandise inventories pledged as security for liabilities as of December 31, 2017 and 2016.

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱89.45 billion, ₱82.27 billion and ₱71.13 billion in 2017, 2016 and 2015, respectively.

There are no inventories which net realizable values are below cost.

10. Other Current Assets

This account consists of:

	2017	2016
Input VAT - net	**₱1,995,567,759**	₱1,797,941,781
CWT	**304,021,431**	240,105,308
Prepayments	**123,428,852**	136,491,387
Others	**676,741**	10,173,631
	₱2,423,694,783	₱2,184,712,107

Input VAT will be applied against output VAT in the succeeding periods.

CWT will be applied against income tax payable in future periods.

Prepayments consist of advance payments for rental, taxes and utilities.

Others consist mainly of excess payments of income taxes.

11. **Available-for-Sale (AFS) Financial Assets**

The Group's AFS financial assets are carried at fair value as follow:

	2017	2016
Debt securities		
Quoted	**₱16,879,667,094**	₱16,626,329,363
Unquoted	**1,683,700,000**	1,683,700,000
Equity securities	**2,104,000,000**	2,120,000,000
	₱20,667,367,094	₱20,430,029,363

Debt Securities
Quoted 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 quoted debt securities as of December 31, 2017 and 2016 follows:

	2017	2016
Amortized Cost:		
At beginning of year	**₱16,329,074,285**	₱15,586,633,935
Additions	**408,551,798**	530,826,255
Disposals	**(145,401,710)**	–
Amortization of premium on debt securities	**(43,452,040)**	(35,548,578)
Foreign exchange gain	**1,619,438**	211,614,095
At end of year	**16,550,391,771**	16,293,525,707
Change in fair value of AFS financial assets:		
At beginning of year	**332,803,656**	188,092,377
Changes in fair value recognized in OCI	**(2,823,208)**	144,711,279
Transfer to profit or loss	**(705,125)**	–
At end of year	**329,275,323**	332,803,656
	₱16,879,667,094	₱16,626,329,363

The Group's unquoted debt securities include Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.19% and 5.18%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

In 2017, the Group recognized loss on disposal of AFS financial assets amounting to ₱4.24 million. In 2016 and 2015, no AFS financial assets was disposed by the Group (Note 21).

Interest income arising from AFS financial assets amounted to ₱765.88 million, ₱754.23 million and ₱728.94 million in 2017, 2016 and 2015, respectively.

Accretion of interest pertains to the amortization of interest income resulting from the difference of the carrying value and face value of AFS financial assets.

Equity Securities
Quoted equity securities pertain to investment in stock listed in the PSE.

Rollforward analysis of equity securities for the years ended December 31, 2017 and 2016 follows:

	2017	2016
Cost	**₱2,000,000,000**	₱2,000,000,000
Change in fair value of AFS financial assets:		
At beginning of year	**120,000,000**	82,000,000
Changes in fair value	**(16,000,000)**	38,000,000
At end of year	**104,000,000**	120,000,000
	₱2,104,000,000	₱2,120,000,000

Dividend income earned by the Group amounted to ₱111.50 million in 2017, 2016 and 2015, respectively.

Fair value changes on AFS financial assets attributable to the equity holders of the Parent Company follow:

	2017	2016
Balances at the beginning of year	**₱452,803,656**	₱270,092,377
Change in fair value during the year	**(18,823,208)**	182,711,279
Balances at the end of year	**₱433,980,448**	₱452,803,656

12. Property and Equipment

2017

	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	**₱1,702,152,553**	**₱11,920,754,884**	**₱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	**1,736,445,913**	**13,378,873,960**	**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**
	₱973,530,605	**₱6,482,389,914**	**₱3,529,902,667**	**₱1,542,015,246**	**₱77,398,548**	**₱996,152,043**	**₱–**	**₱13,601,389,023**

2016

	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	₱1,592,152,864	₱10,443,772,361	₱7,635,219,254	₱1,166,650,417	₱148,608,875	₱1,889,939,378	₱1,737,563	₱22,878,080,712
Additions through business combination (Note 19)	41,487,800	85,238,315	21,221,511	1,104,079	34,681,109	8,793,280	–	192,526,094
Additions	68,511,889	1,587,528,804	791,004,515	440,930,797	3,913,454	351,060,219	944,332	3,243,894,010
Disposals and derecognition	–	(195,784,596)	(27,364,873)	(285,714)	–	(2,950,870)	–	(226,386,053)
At end of year	1,702,152,553	11,920,754,884	8,420,080,407	1,608,399,579	187,203,438	2,246,842,007	2,681,895	26,088,114,763
Accumulated depreciation and amortization								
At beginning of year	657,431,659	5,200,301,916	4,314,599,834	238,834,811	84,511,884	1,157,226,375	–	11,652,906,479
Depreciation and amortization (Note 21)	46,050,813	1,007,817,842	598,804,122	147,657,705	27,573,182	195,729,376	–	2,023,633,040
Disposals and derecognition	–	(195,784,598)	(27,364,873)	(285,714)	–	(2,950,870)	–	(226,386,055)
At end 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
Allowance for impairment losses								
At beginning and end of year	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱998,670,081	₱5,858,852,051	₱3,508,158,338	₱1,222,192,777	₱75,118,372	₱896,487,853	₱2,681,895	₱12,562,161,367

On November 10, 2016, the Group entered into an asset purchase agreement with HBC, Inc. (HBC) to acquire certain stores assets of HBC's Shopmore outlets for a consideration of ₱105.00 million which comprised the following:

- Leasehold improvements, store and office furniture and fixture and other equipment for a total consideration of ₱87.83 million; and
- Saleable merchandise inventory for a total consideration of ₱72.23 million (Note 9).

There are no items of property and equipment as of December 31, 2017 and 2016 that are pledged as security for liabilities.

Allowance for impairment losses pertain to closing of non-performing stores.

Cost of fully depreciated property and equipment still in use amounted to ₱7.10 billion and ₱6.06 billion as at December 31, 2017 and 2016, respectively.

13. Investment in Associates

This account consists of investments in shares of stock of Robinsons Bank Corporation (RBC) and TCCI. Carrying value as follow:

	2017	2016
RBC	**₱5,146,804,931**	₱5,077,911,984
TCCI	**124,727,265**	−
	₱5,271,532,196	₱5,077,911,984

The details of the investment in common stock of RBC follow:

	2017	2016
Shares of stock - at equity:		
Balance at beginning of year	**₱4,750,238,902**	₱3,096,017,532
Conversion to common stock	−	1,654,221,370
Balance at end of year	**4,750,238,902**	4,750,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**711,046,110**	608,386,399
Equity in net earnings	**123,912,246**	102,659,711
Balance at end of year	**834,958,356**	711,046,110
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	**(327,854,087)**	(224,679,587)
Share in fair value changes of AFS financial assets	**(65,350,499)**	(103,174,500)
Balance at end of year	**(393,204,586)**	(327,854,087)
Share in translation loss adjustments:		
Balance at beginning of year	**(44,734,653)**	(41,314,642)
Share in translation adjustments	**3,690,356**	(3,420,011)
Balance at end of year	**(41,044,297)**	(44,734,653)
Share in remeasurement loss on retirement obligation:		
Balance at beginning of year	**(10,784,288)**	(13,328,418)
Share in remeasurement gain on retirement obligation	**6,640,844**	2,544,130
Balance at end of year	**(4,143,444)**	(10,784,288)
	₱5,146,804,931	₱5,077,911,984

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.

In 2016, RBC converted its 165.42 million preferred shares to common shares with ₱10.00 par value.

Summarized financial information of RBC follows:

	2017	2016
Total assets	**₱104,976,687,753**	₱78,038,589,262
Total liabilities	**92,834,221,380**	66,059,186,457
Net income	**309,780,615**	256,649,278
Other comprehensive loss	**(163,376,248)**	(260,125,953)

The consolidated statements of comprehensive income follow:

	2017	2016	2015
Total operating income	**₱3,484,195,685**	₱2,900,613,609	₱3,172,291,682
Total operating expenses and tax	**3,174,415,070**	2,643,964,331	3,071,559,347
Net income	**309,780,615**	256,649,278	100,732,335
Other comprehensive loss	**(163,376,248)**	(260,125,953)	(266,120,613)
Total comprehensive income	**₱146,404,367**	(₱3,476,675)	(₱165,388,278)
Group's share of profit for the year	**₱123,912,246**	₱102,659,711	₱40,292,934

The reconciliation of the net assets of RBC to the carrying amounts of the interest in RBC recognized in the consolidated financial statements follows:

	2017	2016
Net assets of RBC	**₱12,144,937,763**	₱11,972,705,395
Proportionate ownership in the associate	**40%**	40%
Carrying amount of the investment	**4,857,975,105**	4,789,082,158
Total share in net assets	**5,146,804,931**	5,077,911,984
Difference	**₱288,829,826**	₱288,829,826

The difference is attributable to the commercial banking license and goodwill.

Fair value changes on AFS financial assets and remeasurement losses on retirement obligation of associates attributable to the equity holders of the Parent Company follows:

	2017	2016
Changes in fair value of AFS financial assets of associates:		
Balances at the beginning of year	**(₱328,915,680)**	(₱265,994,229)
Change in fair value during the year	**(44,580,297)**	(62,921,451)
Balances at end of year	**(373,495,977)**	(328,915,680)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(11,889,684)**	(13,328,418)
Change in fair value during the year	**4,833,408**	1,438,734
Balances at end of year	**(7,056,276)**	(11,889,684)
	(₱380,552,253)	(₱340,805,364)

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. The Group's share in equity in net loss of TCCI in 2017 amounted to ₱0.27 million.

14. **Intangible Assets**

This account consists of:

	2017	2016
Goodwill (Note 19)	**₱3,381,413,966**	₱3,381,413,966
Trademarks (Note 19)	**3,195,930,460**	3,195,930,460
Licenses	**60,606,062**	72,727,274
Franchise	**19,279,385**	21,826,729
	₱6,657,229,873	₱6,671,898,429

Trademarks
The trademarks were acquired through business combinations in 2017, 2016 and 2015 and were recognized at fair value at the date of acquisition as follow (Note 19):

	2017	2016
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

Goodwill
The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries are as follows (Note 19):

	2017	2016
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

The acquisition dates and the Parent Company's percentage of ownership in the shares of stock of subsidiaries follows:

Date of Acquisition	Acquirer	Entity Acquired	% of Ownership
August 1, 2016	RHIB	HPTDI	75%
May 17, 2016	SSDI	TGPPI	51%
September 1, 2015	RI	SEWI	90%
July 3, 2014	RHMI	RHIB	67%
June 2, 2014	SSDI	GPC	100%
January 29, 2014	RSC	JRMC	100%
September 14, 2013	RSC	EC	100%
July 4, 2012	RSC and RI	SSDI	90%
February 19, 2007	RHMI	RTSHPI	66.67%

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 2017, 2016 and 2015 (Note 21).

The rollforward analysis of this account follows:

	2017	2016
Beginning balance	**₱72,727,274**	₱84,848,486
Less amortization (Note 21)	**12,121,212**	12,121,212
	₱60,606,062	₱72,727,274

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, 2017 and 2016, the Group has franchise amounting to ₱19.28 million and ₱21.83 million, respectively.

The rollforward analysis of the franchise follows:

	2017	2016
Beginning balance	**₱21,826,729**	₱22,512,422
Additions	**–**	1,790,188
Less amortization (Note 21)	**2,547,344**	2,475,881
	₱19,279,385	₱21,826,729

In 2015, the Group started recording amortization relating to franchise, following the commencement of the Group's Costa operations.

15. Other Noncurrent Assets

This account consists of:

	2017	2016
Security and other deposits	**₱1,530,655,795**	₱1,396,875,108
Construction bonds	**27,475,941**	33,845,521
	₱1,558,131,736	₱1,430,720,629

Security and other deposits mainly consist of advances for the lease of stores which are refundable at the end of the lease term.

16. Trade and Other Payables

This account consists of:

	2017	2016
Trade	**₱12,732,104,629**	₱12,609,547,221
Nontrade (Notes 24 and 29)	**4,613,052,013**	3,864,064,225
Others	**429,078,340**	322,986,036
	₱17,774,234,982	₱16,796,597,482

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 consist of taxes and licenses payable.

17. Short-term Loans Payable

Details of short-term loans follow:

	2017	2016
Balance at beginning of year	**₱6,575,698,733**	₱2,844,872,558
Availments	**3,724,954,863**	4,398,000,000
Payments	**(3,922,698,733)**	(667,173,825)
Current portion	**₱6,377,954,863**	₱6,575,698,733

The balances of loans of the subsidiaries follow:

	2017	2016
SSDI	**₱2,217,000,000**	₱2,319,698,733
RSC	**2,206,000,000**	1,030,000,000
RI	**1,420,000,000**	1,856,000,000
RHDDS	**230,000,000**	300,000,000
RAC	**100,000,000**	290,000,000
RGFBI	**86,954,863**	–
RHIB	**60,000,000**	–
HPTD	**58,000,000**	–
RCSI	**–**	660,000,000
RSSI	**–**	120,000,000
	₱6,377,954,863	₱6,575,698,733

a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.50%-3.00% per annum. In 2017 and 2016, SSDI availed short-term loans amounting to ₱325.00 million and ₱2,345.00 million, respectively. In addition, SSDI paid ₱427.70 million and ₱81.17 million of the outstanding loan balance in 2017 and 2016, respectively. The short-term loan payable of SSDI as of December 31, 2017 and 2016 amounted to ₱2.22 billion and ₱2.32 billion, respectively.

b.) RSC short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.80%-3.00%, per annum which are renewable every three (3) months. In 2017 and 2016, RSC availed short-term loans amouting to ₱2.21 billion and ₱0.59 billion, respectively. In addition, RSC paid ₱1.03 billion and ₱0.59 billion in 2017 and 2016, respectively. The short-term loan payable of RSC as of December 31, 2017 and 2016 amounted to ₱2.21 billion and ₱1.03 billion.

c.) RI's short-term loans payable consist of loans availed during the year amounting to ₱789.00 million from a local commercial bank. The short-term loans obtained have an interest rate of 2.80% per annum. These loans are renewable before the end of each lease term at the option of RI. In the same year, RI paid ₱1.23 billion on the outstanding loan balance. The loans were obtained to support the working capital requirements of RI. The short-term loan payable as of December 31, 2017 and 2016 amounted to ₱1.42 billion and ₱1.86 million, respectively.

d.) RHDDS's short-term loans payable consists of a loan availed during the year amounting to ₱100.00 million from a local commercial bank. The short-term loan obtained has an interest rate of 2.80% per annum. In the same year, RHDDS paid ₱170.00 million of the outstanding loan balance. The short-term loans payable as of December 31, 2017 and 2016 amounted to ₱230.00 million and ₱300.00 million, respectively.

e.) RAC's short-term loan payable consists of a loan availed during the year amounting to ₱100.00 million from a local commercial bank. The loan obtained has an interest rate of 2.50% per annum. In the same year, RAC paid ₱290.00 million of the outstanding loan balance. The loans payable as of December 31, 2017 and 2016 amounted to ₱100.00 million and ₱290.00 million, respectively.

f.) RGFBI's short-term loans payable consists of a loan availed during the year amounting to ₱86.95 million from a local commercial bank. The short-term loan obtained has an interest rate of 3.00% per annum. No payment on outstanding short-term loan was made during the year.

g.) RHIB's short-term loan payable consists of a loan availed during the year amounting to ₱60.00 million from a local commercial bank. The short-term loan obtained has an interest rate of 3.00% per annum. No payment on outstanding short-term loan was made during the year.

h.) HPTDI's short-term loans payable consist of a loan availed during the year amounting to ₱48.00 million from a local commercial bank. The short-term loan obtained has an interest rate of 3.00% per annum. No payment on outstanding short-term loan was made during the year.

i.) RCSI paid outstanding short-term loan amounting ₱660.00 million during the year. The loan payable as of December 31, 2017 and 2016 amounted to nil and ₱660.00 million, respectively.

j.) RSSI paid outstanding short-term loan amounting ₱120.00 million during the year. The loan payable as of December 31, 2017 and 2016 amounted to nil and ₱120.00 million, respectively.

Total interest expense charged to operations amounted to ₱127.38 million, ₱86.53 million and ₱14.72 million in 2017, 2016 and 2015, respectively.

The above loans are not subject to any loan covenants.

18. Equity

Capital Stock
The details of this account follow:

	2017		2016		2015	
	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	**1,385,000,000**	**1,385,000,000**	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 ₱1.10 billion. 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 ₱1.31 billion, incurring transaction costs amounting to ₱8.22 million.

Equity Reserve
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 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 ₱23.65 billion and ₱19.64 billion as of December 31, 2017 and 2016, respectively, while the accumulated equity in net income of the associates amounted to ₱834.96 million and ₱711.05 million as of December 31, 2017 and 2016, respectively (Note 13).

On June 27, 2017, the BOD approved the declaration of cash dividend of ₱0.70 per share or an aggregate amount of ₱969.50 million to all stockholders of record as of July 17, 2017 which was paid on August 10, 2017.

On June 9, 2016, the BOD approved the declaration of cash dividend of ₱0.63 per share or an aggregate amount of ₱872.55 million to all stockholders of record as of June 29, 2016 which was paid on July 25, 2016.

On July 16, 2015, the BOD approved the declaration of cash dividend of ₱0.51 per share or an aggregate amount of ₱706.35 million to all stockholders of record as of August 7, 2015 which was paid on September 4, 2015.

Appropriation of Retained Earnings
Rollforward analysis of appropriated retained earnings follows:

	2017	2016	2015
Balance at beginning of year	**₱15,262,852,847**	₱12,997,451,453	₱10,311,451,453
Appropriation	–	3,709,000,000	2,813,000,000
Reversal of appropriation	**(50,000,000)**	(1,443,598,606)	(127,000,000)
Balance at end of year	**₱15,212,852,847**	₱15,262,852,847	₱12,997,451,453

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.00 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 with the Group's nationwide expansion 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

On December 12, 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.00 billion. Details are as follow:

Entity	Amount
WHMI	₱359,459,585
RTI	228,000,000
RHMI	200,000,000
RTSHPI	100,000,000
RVC	68,939,021
HEMI	27,000,000
ASI	20,000,000
	₱1,003,398,606

On March 14, 2016, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RRHI-TMI amounting to ₱440.20 million.

On May 22, 2015, the BOD approved the appropriation of ASI amounting to ₱11.00 million to be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

On December 7, 2015, the Group's BOD approved the appropriation of ₱2.55 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion. Details are as follow:

Entity	Amount
RSC	₱1,195,000,000
RHMI	460,000,000
RI	375,000,000
SSDI	300,000,000
RTI	110,000,000
RTSHPI	70,000,000
RSSI	30,000,000
EC	13,000,000
	₱2,553,000,000

On December 7, 2015, the BOD approved the reversal of appropriated retained earnings amounting to ₱127.00 million. Details are as follow:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
HEMI	7,000,000
	₱127,000,000

On December 8, 2015, the Group's BOD approved the appropriation of ₱249.00 million. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion. Details are as follow:

Entity	Amount
RAC	₱140,000,000
WHMI	78,000,000
ASI	13,000,000
RVC	9,000,000
HEMI	9,000,000
	₱249,000,000

On December 7, 2015, the Group's BOD approved the appropriation of ₱2.25 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion. Details are as follow:

Entity	Amount
RSC	₱1,195,000,000
RHI	460,000,000
SSDI	300,000,000
RI	375,000,000
RTI	110,000,000
RTSHPI	70,000,000
RSSI	30,000,000
EC	13,000,000
	₱2,553,000,000

Declaration of Dividends of the Subsidiaries

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, 2017	₱1,050,000,000
	May 10, 2017	1,028,400,000
TGP	February 1, 2017	300,000,000
	October 1, 2017	300,000,000
RTI	February 1, 2017	130,000,000
WHMI	March 12, 2017	40,000,000
RTSHPI	December 12, 2017	30,000,000
Chic Centre Corporation	February 1, 2017	20,000,000
Total		₱2,898,400,000

On March 14, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends by RRHI-TMI amounting to ₱1.35 billion. The dividends were paid in 2017.

On December 12, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱360,000,000
RHMI	200,000,000
RTI	270,000,000
RTSHPI	100,000,000
RVC	85,000,000
HEMI	27,000,000
ASI	20,000,000
SSDI	20,000,000
Total	₱1,082,000,000

The dividends were paid in 2017.

On December 7, 2015, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
RTI	30,000,000
RTSHPI	30,000,000
SSDI	20,000,000
HEMI	7,000,000
Total	₱207,000,000

The cash dividends were paid in 2016.

On August 20, 2014, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
RSC	₱200,000,000
RI	100,000,000
RTSHPI	35,000,000
Total	₱335,000,000

The cash dividends were paid early 2015.

On January 30, 2014, the BOD of the subsidiaries of the Group approved the declaration of cash dividends of RTSHPI amounting to ₱8.00 million. The dividends were paid on February 28, 2014.

<u>NCI</u>

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 Non-controlling Interest
On December 20, 2017, the BOD of RCSI authorized the increase of capital stock from ₱1.00 billion to ₱2.00 billion of which to ₱490.00 million was subscribed and paid in full by Ministop.

In 2016, no additional investment was recognized from NCI.

In 2015, transactions relating to NCI pertain to capital call for each investee summarized as follows (Note 2):

Entity	Amount
RHIB	₱148,000,000
SEWI	35,000,000
Total	₱183,000,000

Dividends to NCI
In 2017, 2016 and 2015, dividends declared attributable to NCI amounted to ₱357.80 million, ₱310.84 million and ₱62.61 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, 2017 and 2016.

The Group considers the following as its main source of its capital:

	2017	2016
Capital stock	**₱1,385,000,000**	₱1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income	**289,698,663**	352,393,412
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**15,212,852,847**	15,262,852,847
Unappropriated	**8,440,230,328**	4,381,691,262
Total equity attributable to equity holders of the Parent Company	**51,533,272,259**	47,587,427,942
Non-controlling interest in consolidated subsidiaries	**3,733,366,825**	2,978,117,087
Total Equity	**₱55,266,639,084**	₱50,565,545,029

19. **Business Combinations**

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 (Note 12)	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". 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.

Business Combination and Goodwill

In 2016 and 2015, the Group acquired various entities through business combinations from which the Group has recognized goodwill. The goodwill is concluded to be attributable to each entity acquired and comprises the expected synergies from each acquisition.

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 (Note 12)	102,639,683
Other non-current assets	15,682,708
Assets	2,613,932,705

(Forward)

	Fair values recognized on acquisition
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 ₱2.6 billion 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 ₱1.34 billion 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.

Material partly-owned subsidiary
In 2017 and 2016, 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 ₱408.86 million, ₱624.99 million and ₱426.56 million in 2017, 2016 and 2015, respectively. Profit allocated to material non-controlling interest amounted to ₱237.23 million, ₱155.08 million and ₱426.56 million in 2017, 2016 and 2015, respectively.

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 ₱30.00 million.

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 12)	₱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 ₱30.00 million comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Acquisition of SEWI
On September 1, 2015, RI, a wholly-owned subsidiary of RRHI, acquired 90% ownership of SEWI for a total consideration of ₱990.00 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱715.10 million.

The fair values of the identifiable assets and liabilities of SEWI at the date of acquisition were:

	Fair values recognized on acquisition
Assets	
Cash	₱1,650,000
Other current assets	5,393,352
Property and equipment (Note 12)	44,858,715
Trademarks arising on acquisition (Note 14)	364,914,493
	416,816,560
Liabilities	
Advances from stockholders*	1,902,066
Deferred tax liability	109,474,348
Net assets before non-controlling interest	305,440,146
Non-controlling interest measured at share of net assets (10%)	30,544,015
Net assets (90%)	274,896,131
Goodwill arising on acquisition (Note 14)	715,103,869
Acquisition cost	₱990,000,000

**Presented under trade and other payables account*

SEWI is incorporated on March 4, 2015 and started its commercial operation on September 1, 2015.

The goodwill of ₱715.10 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

20. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱3.77 billion, ₱2.74 billion and ₱2.44 billion in 2017, 2016 and 2015, respectively.

21. **Operating Expenses**

This account consists of:

	2017	2016	2015
Rental and utilities (Notes 24, 28 and 29)	**₱8,959,404,658**	₱8,381,892,384	₱7,486,059,989
Personnel costs and contracted services (Notes 22 and 23)	**6,431,793,533**	5,563,169,739	4,805,172,335
Depreciation and amortization (Notes 12 and 14)	**2,073,037,176**	2,038,230,133	1,647,365,077
Transportation and travel	**1,083,492,425**	1,005,549,080	783,566,283
Supplies	**760,801,644**	622,054,994	567,911,150
Advertising	**723,145,718**	573,330,970	375,111,113
Bank and credit charges	**547,994,430**	488,281,599	435,424,983
Repairs and maintenance	**438,011,103**	347,870,477	321,903,797
Royalty expense (Note 29)	**169,747,191**	159,815,306	141,661,674
Others	**561,728,077**	471,679,059	318,698,168
	₱21,749,155,955	₱19,651,873,741	₱16,882,874,569

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment and amortization of franchise fees and license fees which amounted to ₱2,058.37 million and ₱14.67 million, respectively, in 2017, ₱2,023.63 million and ₱14.60 million, respectively, in 2016, ₱1,629.99 million and ₱17.38 million, respectively in 2015.

Others consist mainly of taxes and licenses, insurance and professional fees, and loss on sale of AFS financial assets and allowance for impairment losses on trade and other receivables.

22. **Personnel Costs and Contracted Services**

This account consists of:

	2017	2016	2015
Salaries, allowances and benefits (Note 21)	**₱3,418,503,809**	₱2,660,727,005	₱2,303,012,409
Contracted services (Note 21)	**3,013,289,724**	2,902,442,734	2,502,159,926
	₱6,431,793,533	₱5,563,169,739	₱4,805,172,335

Details of salaries, allowances and benefits:

	2017	2016	2015
Salaries, wages and allowances	**₱3,247,551,513**	₱2,544,088,072	₱2,187,111,921
Retirement expense (Note 23)	**170,952,296**	116,638,933	115,900,488
	₱3,418,503,809	₱2,660,727,005	₱2,303,012,409

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 and South Star Drug Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary. The latest actuarial valuation reports for retirement plan for the Group are shown below:

Business Unit	Date of Report
TGPPI	February 26, 2018
WHMI, HEMI, ASI, RHMI	March 2, 2018
RI, RVC, RTSHPI, RSSI, RGFBI, RSSI, HPTD, RHIB	March 5, 2018
RSC	March 7, 2018
RDDC	March 7, 2018
RAC, RTI, SEWI	March 11, 2018
SSDI	March 12, 2018
Chic Centre Corporation	March 15, 2018

The Group is a member of the Plan which is administered separately by the Trustee, RBC and Metrobank Corporation, 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:

	2017	2016	2015
Current service cost	**₱142,074,946**	₱93,186,487	₱88,276,155
Net interest cost	**28,877,350**	23,452,446	27,624,333
Retirement expense	**₱170,952,296**	₱116,638,933	₱115,900,488

Net retirement obligation as of December 31, 2017 and 2016 recognized in the consolidated statements of financial position follow:

	2017	2016
Present value of defined benefit obligation	**₱967,786,781**	₱821,789,571
Fair value of plan assets	**(421,598,614)**	(212,260,323)
Net retirement obligation	**₱546,188,167**	₱609,529,248

Remeasurement effects recognized in OCI:

	2017	2016
Remeasurement gain (loss) on:		
Retirement obligation	**₱28,326,843**	(₱41,268,668)
Plan assets	**(32,716,282)**	13,960,930
	(₱4,389,439)	(₱27,307,738)

Movements of cumulative remeasurement effect recognized in OCI:

	2017	2016
Balance at beginning of year	**(₱256,530,304)**	(₱229,222,566)
Actuarial gain (loss)	**28,326,843**	(41,268,668)
Return on assets excluding amount included in net interest cost	**(32,716,282)**	13,960,930
Total remeasurement	**(260,919,743)**	(256,530,304)
Income tax effect	**(78,275,923)**	(76,959,091)
	(₱182,643,820)	(₱179,571,213)

The movements in net retirement obligation recognized in the consolidated statements of financial position follow:

	2017	2016
Balance at beginning of year	**₱609,529,248**	₱473,346,631
Retirement expense	**170,952,296**	116,638,933
Remeasurement losses	**4,389,439**	27,307,738
Transfer-in	**–**	1,178,882
Actual contribution	**(234,909,126)**	–
Benefits paid from direct payments	**(3,773,690)**	(8,942,936)
Balance at end of year	**₱546,188,167**	₱609,529,248

Movements in the fair value of plan assets follow:

	2017	2016
Balance at beginning of year	**₱212,260,323**	₱188,389,781
Actual contribution	**234,909,126**	–
Benefits paid	**(9,931,597)**	–
Interest income included in net interest cost	**17,077,044**	8,711,958
Addition arising from business combination	**–**	1,197,654
Remeasurement gain (loss)	**(32,716,282)**	13,960,930
Balance at end of year	**₱421,598,614**	₱212,260,323

Changes in the present value of defined benefit obligation follow:

	2017	2016
Balance at beginning of year	**₱821,789,571**	₱661,736,412
Current service cost	**142,074,946**	93,186,487
Interest cost	**45,954,394**	32,164,404
Transfer-in	**–**	2,376,536
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**(27,133,646)**	78,361,831
Experience adjustments	**(574,429)**	12,140,567
Changes in demographic assumptions	**(618,768)**	(49,233,730)
Benefits paid	**(13,705,287)**	(8,942,936)
Balance at end of year	**₱967,786,781**	₱821,789,571

The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	2017	2016
Cash and cash equivalents		
Savings deposit	**₱388,792**	₱11,650,536
Time deposit	**–**	51,206,449
	388,792	62,856,985
Investments in government securities		
Fixed rate treasury notes	**16,877,654**	15,417,367
Retail treasury bonds	**–**	904,565
	16,877,654	16,321,932
Investments in UITF	**404,202,880**	130,798,659
Other receivables	**153,595**	2,259,538
Accrued trust fee payable	**(24,307)**	(26,983)
Others	**–**	50,192
	₱421,598,614	₱212,260,323

The principal assumptions used in determining pensions for the Group's plan are shown below:

	2017	2016
Discount rates	**4.90% - 5.60%**	4.90% - 5.60%
Salary increase rates	**5.70% - 7.00%**	5.70% - 7.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to (₱15.64 million), ₱22.67 million and ₱0.19 million in 2017, 2016 and 2015, respectively.

The Group expects to contribute ₱387.50 million to the defined benefit plan in 2018.

Remeasurement effects attributable to the equity holders of the Parent Company follows:

	2017	2016
Balances at the beginning of year	**₱240,395,120**	₱256,530,304
Remeasurement losses during the year	**(3,574,653)**	(16,135,184)
Balances at end of year	**₱236,820,467**	₱240,395,120

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
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**
2016	Salary increase	+1.00%	₱457,814,920
		-1.00%	(225,527,731)
	Discount rates	+1.00%	(227,933,624)
		-1.00%	457,252,429

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:

	2017	2016
Less than 1 year	**₱47,864,692**	₱33,797,916
More than 1 year but less than 5 years	**148,976,023**	134,068,111
More than 5 years but less than 10 years	**416,750,644**	449,279,913
More than 10 years but less than 15 years	**562,283,554**	700,112,262
More than 15 years but less than 20 years	**808,632,826**	1,003,630,395
More than 20 years	**6,213,573,653**	7,570,703,049

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)	
	2017	2016	2015	**2017**	2016
Other affiliates under common control					
a. Trade and other receivables	**–**	–	–	**146,826,951**	185,552,190
Sales	**2,804,711,625**	3,002,659,968	2,657,101,055	**–**	–
Royalty income	**1,261,104,503**	1,250,377,301	1,029,055,789	**–**	–
b. Trade and other payable	**–**	–	–	**(543,615,340)**	(536,842,332)
Purchases - net	**(2,832,232,330)**	(2,731,155,634)	(2,345,176,138)	**–**	–
Rent and utilities	**(3,949,827,999)**	(3,571,891,299)	(3,366,122,925)	**–**	–

Below are the Group's transactions with its related parties:

a. As of December 31, 2017 and 2016, the Group has outstanding balances from its other affiliates amounting to ₱146.83 million and ₱185.55 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 2017, 2016 and 2015, sales of merchandise inventories to related parties amounted to ₱2.80 billion, ₱3.00 billion and ₱2.66 billion, respectively, and royalty income amounted to ₱1.26 billion, ₱1.25 billion and ₱1.03 billion, respectively (Note 29).

b. As of December 31, 2017 and 2016, the Group has outstanding payable to its other affiliates amounting to ₱543.62 million and ₱536.84 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 2017, 2016 and 2015, purchases of merchandise inventories for resale to customers amounted ₱2.83 billion, ₱2.73 billion and ₱2.35 billion, respectively while payment for rent and utilities amounted to ₱3.95 billion, ₱3.57 billion and ₱3.37 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 2017, 2016 and 2015 follow:

	2017	2016	2015
Short-term employee benefits	**₱140,592,485**	₱135,091,073	₱111,913,098
Post-employment benefits	**37,004,324**	30,916,815	43,264,776
	₱177,596,809	₱166,007,888	₱155,177,874

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 has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2017, 2016 and 2015. 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:

	2017	2016	2015
Current	**₱1,785,241,581**	₱1,540,728,580	₱1,288,917,348
Deferred	**(81,928,619)**	(69,454,983)	(17,851,404)
	₱1,703,312,962	₱1,471,273,597	₱1,271,065,944

The components of the net deferred tax assets of the Group as of December 31, 2017 and 2016 pertain to the deferred income tax effects of the following:

	2017	2016
Tax effects of:		
Items recognized in profit or loss:		
NOLCO	**₱110,705,790**	₱75,791,881
Retirement expense	**86,479,433**	106,686,987
Unamortized past service cost	**28,200,002**	–
MCIT	**28,014,595**	11,103,027
Allowance for impairment losses for receivables	**14,119,300**	10,528,096
Allowance for inventory write-down	**10,270,178**	5,111,498
Accrued rent	–	4,652,569
Unrealized forex gains	**(66)**	(3,207)
	277,789,232	213,870,851
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**77,377,017**	76,171,787
	₱355,166,249	₱290,042,638

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, 2017 and 2016 represent deferred income tax effects of the following:

	2017	2016
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱959,671,939**	₱959,671,939
Asset revaluation	**57,471,721**	67,050,341
Unrealized forex gains	**220,229**	4,734,168
	1,017,363,889	1,031,456,448
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**(5,968,117)**	10,649,273
	₱1,011,395,772	₱1,042,105,721

The Group has the following deductible temporary differences, NOLCO and MCIT from the Parent Company and RCSI, allowance for doubtful accounts and allowance for impairment losses from RCSI, that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2017	2016
Tax effects of:		
Allowance for impairment losses	**₱22,739,980**	₱22,739,980
Allowance for doubtful accounts	**19,151,697**	16,451,697
NOLCO	**6,049,390**	188,485,874
MCIT	**–**	8,052,362
	₱47,941,067	₱235,729,913

Details of the Group's NOLCO follow:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Ending Balance	Expiry Year
2017	₱–	₱–	₱170,325,860	₱170,325,860	2020
2016	113,954,603	–	–	113,954,603	2019
2015	104,903,471	–	–	104,903,471	2018
2014	33,781,531	33,781,531	–	–	2017
Total	₱252,639,605	₱33,781,531	₱170,325,860	₱389,183,934	

Details of the Group's MCIT follow:

Inception Year	Beginning Balance	Applied/ Expired	Additions	Ending Balance	Expiry Year
2017	₱–	₱–	₱16,911,569	₱16,911,569	2020
2016	16,078,512	5,445,446	–	10,633,066	2019
2015	2,155,199	1,685,239	–	469,960	2018
2014	921,678	921,678	–	–	2017
Total	₱19,155,389	₱8,052,363	₱16,911,569	₱28,014,595	

The reconciliation of statutory income tax rate to the effective income tax rate follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	**1.74**	0.32	1.69
Investment income	**–**	(0.46)	(0.21)
Dividend income	**(0.46)**	(0.50)	(0.57)
Change in unrecognized deferred tax assets	**(0.77)**	(0.03)	(0.23)
Interest income subject to final tax	**(3.59)**	(3.88)	(4.10)
Effect of OSD	**(3.67)**	(3.38)	(4.85)
Effective income tax rate	**23.25%**	22.07%	21.73%

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 changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will 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 2017, 2016 and 2015 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:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱4,978,039,066**	₱4,830,140,965	₱4,341,794,218
Weighted average number of common shares	**1,385,000,000**	1,385,000,000	1,385,000,000
Basic and Diluted EPS	**₱3.59**	₱3.49	₱3.13

The Parent Company has no dilutive potential common shares in 2017, 2016 and 2015.

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 interest rate risk, liquidity risk, credit risk, foreign currency risk and equity price risk. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

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's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.

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 AFS financial assets.

The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.

The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

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, 2017 and 2016 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

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**	**130,828,912**	**–**	**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	**₱1,865,423,369**	**₱22,225,498,830**	**₱39,135,541,458**

	On Demand	One (1) year	More than One (1) year	Total
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*

2016

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱12,718,000,227	₱–	₱–	₱12,718,000,227
Trade receivables	147,755,850	1,239,362,419	–	1,387,118,269
Nontrade receivables	38,258,328	393,838,397	–	432,096,725
Due from franchisees	–	257,548,511	–	257,548,511
Other noncurrent assets:				
Security and other deposits	–	–	1,396,875,108	1,396,875,108
Construction bond	–	–	33,845,521	33,845,521
AFS financial assets	–	–	20,430,029,363	20,430,029,363
	₱12,904,014,405	₱1,890,749,327	₱21,860,749,992	₱36,655,513,724
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱439,568,412	₱16,143,971,312	₱10,910,000	₱16,594,449,724
Loans payable	–	6,575,698,733	–	6,575,698,733
Other current liabilities	–	269,927,089	–	269,927,089
	₱439,568,412	₱22,989,597,134	₱10,910,000	₱23,440,075,546

**Excluding statutory liabilities amounting ₱202,147,758*

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 tables below show the aging analysis of loans and receivables and AFS financial assets as at December 31, 2017 and 2016.

2017

	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**
	₱17,064,703,538	**₱–**	**₱110,387,770**	**₱17,175,091,308**

2016

	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)	₱12,026,536,651	₱–	₱–	₱12,026,536,651
Trade receivables	1,229,619,835	123,463,818	34,034,616	1,387,118,269
Nontrade receivables	416,279,219	15,817,506	–	432,096,725
Due from franchisees	202,709,522	–	54,838,989	257,548,511
Other noncurrent assets:				
Security and other deposits	1,396,875,108	–	–	1,396,875,108
Construction bond	33,845,521	–	–	33,845,521
	₱15,305,865,856	₱139,281,324	₱88,873,605	₱15,534,020,785

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱17.18 billion and ₱15.53 billion as of December 31, 2017 and 2016, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
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.

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 ₱17.06 billion and ₱15.31 billion as of December 31, 2017 and 2016, respectively are all graded "A" based on the Group's assessment.

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 arise mainly from foreign currency-denominated cash and cash equivalents, interest receivable 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 (₱)**	
	2017	2016	**2017**	2016
USD	**+0.85%**	+0.44%	**₱38,147,107**	₱17,692,567
	-0.85%	-0.44%	**(38,147,107)**	(17,692,567)

The Group used foreign exchange rate of ₱49.93:USD1 and ₱49.72: USD1 as of December 31, 2017, and 2016, 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 0.85% and 0.44% in 2017 and 2016 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 2017 and 2016 are as follows:

	2017		2016	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$6,112,971**	**₱305,220,663**	$6,405,486	₱318,480,764
Receivables	**1,098,779**	**54,862,058**	1,028,165	51,120,364
AFS financial assets	**82,159,892**	**4,102,243,404**	73,440,000	3,651,436,800
Total	**$89,371,642**	**₱4,462,326,125**	$80,873,651	₱4,021,037,928

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, 2017 and 2016. 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 AFS financial assets.

Quoted AFS 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, 2017 and 2016.

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**
2017	**+11.86%**	**₱15,243,594**
	-11.86%	**(15,243,594)**
2016	+2.30%	₱48,760,000
	-2.30%	(48,760,000)

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 11.86% and 2.30% in 2017 and 2016, 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.

<u>Fair Values of Financial Assets and Liabilities</u>
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.
- AFS financial assets amounting to ₱16.54 billion and ₱16.64 billion as at December 31, 2017 and 2016, respectively were carried at fair values. AFS 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.

The following table provides the Company's fair value measurement hierarchy of its assets:

	2017				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets Measured at Fair Value					
AFS financial assets:					
Quoted bonds	**₱16,879,667,094**	**₱16,879,667,094**	**₱16,879,667,094**	**₱–**	**₱–**
Unquoted notes	**1,683,700,000**	**1,683,700,000**	**–**	**–**	**1,683,700,000**
Quoted equity securities	**2,104,000,000**	**2,104,000,000**	**2,104,000,000**	**–**	**–**
	₱20,667,367,094	**₱20,667,367,094**	**₱18,983,667,094**	**₱–**	**₱1,683,700,000**

	2016				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets Measured at Fair Value					
AFS financial assets:					
Quoted bonds	₱16,626,329,363	₱16,626,329,363	₱16,626,329,363	₱–	₱–
Unquoted notes	1,683,700,000	1,683,700,000	–	–	1,683,700,000
Quoted equity securities	2,120,000,000	2,120,000,000	2,120,000,000	–	–
	₱20,430,029,363	₱20,430,029,363	₱18,746,329,363	₱–	₱1,683,700,000

In 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into in and out of Level 3 fair value measurement.

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 2017, 2016 and 2015 amounted to ₱5.49 billion, ₱4.99 billion and ₱4.50 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 statements of comprehensive income (Note 29).

There are no contingent rental income and expense under these operating leases both as lessee and lessor.

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 ₱74.12 million, ₱72.67 million and ₱65.83 million in 2017, 2016 and 2015, respectively (Note 21). Royalty payable to Ministop included under "Nontrade payable" as of December 31, 2017 and 2016 amounted to ₱6.81 million and ₱6.65 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 ₱1.72 billion, ₱1.71 billion and ₱1.54 billion in 2017, 2016 and 2015, respectively.

   As of December 31, 2017 and 2016, amounts due from franchisees amounted to ₱241.54 million and ₱202.72 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱63.84 million and ₱54.83 million as of December 31, 2017 and 2016, 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 ₱7.95 million, ₱6.31 million and ₱4.34 million in 2017, 2016 and 2015, 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 nil, ₱1.26 million and ₱2.43 million in 2017, 2016 and 2015, respectively.

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 ₱82.15 million, ₱75.41 million and ₱67.80 million in 2017, 2016 and 2015, 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 ₱5.52 million, ₱4.17 million and ₱1.26 million in 2017, 2016 and 2015, respectively.

g.) The Group has other licenses and franchises to carry various global brands.

30. Changes in Liabilities Arising from Financing Activities

	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 2017 amounted to ₱127.38 million.

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. Events After the Reporting Date

On February 20, 2018, the Group's BOD approved the appropriation of RRHI amounting to ₱2.80 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion.

On March 7, 2018, the Group's BOD approved the appropriation of ₱3.18 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion.

Entity	Amount
RSC	₱1,250,000,000
RHMI	553,000,000
RI	400,000,000
SSDI	300,000,000
RAC	260,000,000
RTI	150,000,000
RHDDSI	114,000,000
RTSHPI	93,000,000
WHMI	50,000,000
HEMI	7,000,000
	₱3,177,000,000

On March 8, 2018, the BOD approved the appropriation of unrestricted retained earnings of SEWI amounting to ₱180.00 million. The appropriated retained earnings shall be used to augment funds to construct new stores and renovate existing stores in line with the SEWI's nationwide expansion.

On March 23, 2018, the respective Boards of Directors of RRHI and Mulgrave Corporation B.V (MCBV) approved the acquisition by RRHI of MCBV's 100% stake in Rustan Supercenters, Inc. (RSCI) through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI. MCBV is a wholly-owned member of Dairy Farm International Holdings, Ltd. Group of companies.

This transaction is intended to be completed once the necessary approvals are obtained from the shareholders of RRHI, the Philippine Competition Commission and the Securities and Exchange Commission.

33. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 23, 2018.

Corporate Directory

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STOCK TRANSFER AND DIVIDEND PAYING AGENT

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SHISEIDO
benefit
SAN FRANCISCO
DAISO
JAPAN
SAVERS
APPLIANCES
Chic
CENTRE CORPORATION
ROBINSONS
BUILDERS
DOROTHY PERKINS
TOPSHOP
De Oro Pacific
HOME
PLUS
Selfridge
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