# COVER SHEET

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SEC Registration Number

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES (Formerly Robinsons Holdings, Inc. and Subsidiaries)

(Company's Full Name)

110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

(Business Address: No. Street City/Town/Province)

**Diosdado Zapata**

(Contact Person)

**635-0797**

(Company Telephone Number)

**1 2** **3 1**

*Month* *Day*

(Fiscal Year)

**1 7 A**

(Form Type)

*Month* *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**16**

Total No. of Stockholders

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A**

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

1. For the fiscal year ended ........................................31 December 2013

2. SEC Identification Number .....................................A200201756

3. BIR Tax Identification No. .......................................216-303-212-000

4. Exact name of issuer as specified in its charter

   **ROBINSONS RETAIL HOLDINGS, INC.**

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

6. (SEC Use Only)
   Industry Classification Code:

7. **110 E. Rodriguez Jr., Ave, Bagumbayan, Quezon City1226**
   Address of principal office Postal Code

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

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

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common shares | 1,366,028,050 |

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

    Yes [ / ] No [ ]

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ / ] No [ ]

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

Yes [ / ]    No [ ]

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

| Shares Held by Non-Affiliates as of December 31, 2013 | Market Value per Share as of March 31, 2014 | Total Market Value |
|---|---|---|
| 465,778,052 shares | 68.00 | Php31,672,907,536 |

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# PART I – BUSINESS AND GENERAL INFORMATION

## Item 1. Business

### (A) Business Development

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

Robinsons Retail Holdings, Inc. (RRHI) is one of the leading multi-format retail groups in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoy market leading positions across all its business segments. Since the opening of its first Robinsons Department Store in Metro Manila in 1980, RRHI has successfully expanded into five further business segments, entering into the supermarket business in 1985, the Do It Yourself (DIY) business in 1994, the convenience store and specialty store businesses in 2000 and the drug store business in 2012. RRHI operates its supermarkets, department stores and consumer electronics and appliances stores under the Robinsons brand name, and its other store formats are under well-known international and domestic brands such as Handyman Do it Best, True Value, Topshop, Topman, Toys “R” Us and Ministop. RRHI operates one of the broadest ranges of retail formats of any retail group in the Philippines and accordingly, is well-positioned to capture the continuing macroeconomic growth in the Philippines, particularly the increase in disposable income and consumption of the middle-income segment, one of its key target markets.

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

The Company introduced the Robinsons Rewards Card in May 2013. It is believed that the loyalty program, which will eventually allow holders to collect and redeem points across all formats, will enhance the Company’s brand image and also increase customer loyalty. The Company expects that Robinsons Rewards Cards will be accepted in all of its retail formats, including Ministop stores and South Star Drug stores, over the next two years.

On September 14, 2013, Robinsons Supermarket Corporation, a subsidiary, acquired 100% ownership of Eurogrocer Corp., a company incorporated in the Philippines and engage in the business of grocery retailing.

The percentage contribution to the Company’s revenues for each of the three years ended December 2011, 2012, and 2013 by each of the Company’s business segments after elimination are as follows:

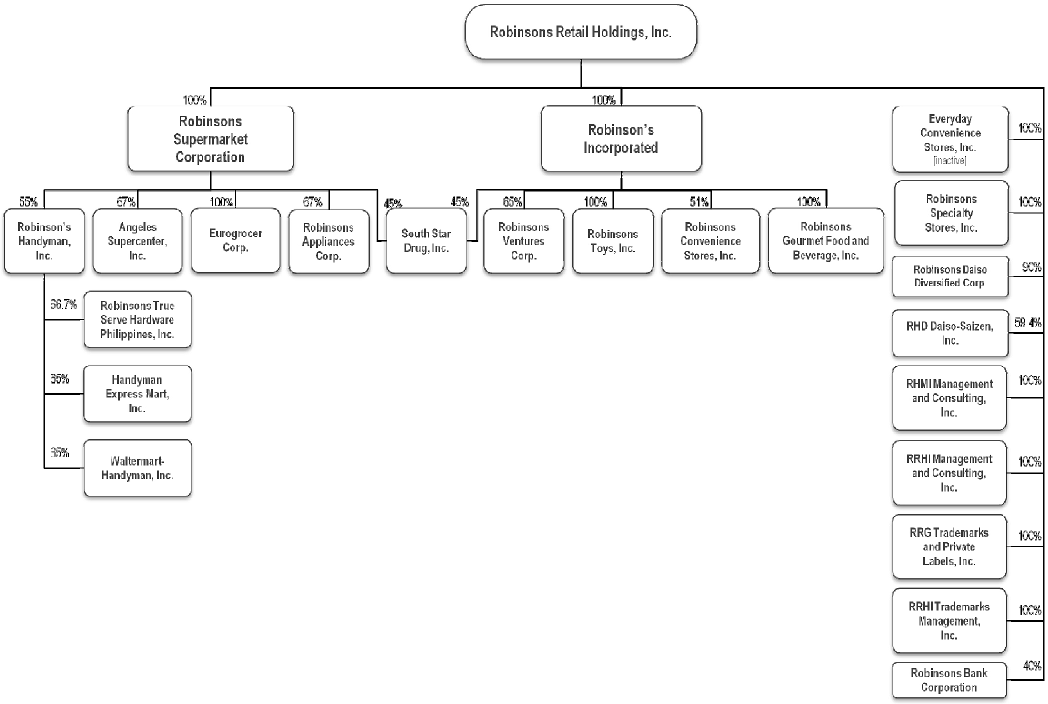
| | For the years ended December 31 | | |
|---|---|---|---|
| | 2011 | 2012 | 2013 |
| Supermarket | 53.1% | 51.0% | 48.3% |
| Department store | 21.4% | 19.8% | 17.7% |
| Hardware | 11.1% | 10.8% | 10.5% |
| Convenience store | 7.2% | 6.7% | 6.3% |
| Drug store* | - | 4.3% | 9.3% |
| Specialty segment | 7.2% | 7.4% | 7.9% |

**Note: South Star Drug was only acquired in July 2012 and consolidated into RRHI beginning August 2012.*

The Company ended 2013 with 1064 stores with total gross floor area of 756,051 square meters.

### (B) Business of Issuer

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




**(a) Description of the Registrant**

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

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

  Robinsons Supermarket currently has five private label brands, namely Robinsons Supersavers, Breeder's Choice Dog Food, Nature's Pure, Healthy You, and Butcher's Choice which carry a range of products manufactured by both local and foreign manufacturers.

  Robinsons Supermarket believes that it is more efficient and competitive to partner with top suppliers in the country with expertise in providing fresh food of high quality on a consistent basis. Accordingly, all fresh food items, such as meat and poultry products, seafood, dairy products, fruit and vegetables in Robinsons Supermarket stores are purchased and sold on consignment basis. Sales from consignment represented 26.0% of supermarket revenues for 2013.

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including health and beauty aid products), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others, focused on catering to middle-income customers. Approximately 94.0% of Robinsons Department Stores' sales for 2013 were on consignment basis.

- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines, and Howards Storage World, of which the Company is the authorized franchisee in the Philippines. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products, True Value positioned as an up market lifestyle home center, and Howards Storage World positioned as a themed concept store focused on storage organizers and space savers. Around 69.0% of DIY store segment revenue was derived from sales of consigned merchandise for 2013.

- *Convenience Stores.* The Company is the exclusive Philippine master franchisee of Ministop Japan.
  Ministop commenced operations in the Philippines in 2000 and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. Revenue is primarily generated through selling of merchandise to franchisees. Ministop's key strength is its ability to provide fresh and ready-to-eat food for its customers within stores.

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

- *Specialty Stores.* Currently, the Company operates four formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us, 2) consumer electronics and appliances stores operated under Robinsons Appliances, 3) international fashion retail stores which carry brands such as Topshop, Topman, and Dorothy Perkins; and 4) one-price-point stores under Daiso Japan.

  The Company at the end of 2013 has 1064 stores; 91 supermarkets, 38 department stores, 126 DIY stores, 386 convenience stores, 239 drug stores and 184 specialty stores. Of the total stores, 45% of these stores are located in Metro Manila, another 44% located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

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

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

The Company manages a strong and efficient supply chain that features just-in-time delivery. Many of its distribution centers employ a cross-docking system, whereby all goods received from suppliers are sorted, consolidated and dispatched to the stores in Metro Manila within one to five days and in Visayas and Mindanao within three to ten days of their receipt, depending on the business segment. This reduces stocking requirements and permits faster delivery of products. Some of its business segments, such as the supermarket, DIY and specialty stores (particularly toys and juvenile products), also employ a stock operation system equipped to handle high turnover and bulk items. For example, the supermarket segment implements a stock operation system for all top-tier vendors. An average of two weeks inventory of goods is ordered to be stocked and stored in the warehouse. Distribution planners make daily plans for replenishment and delivery of the goods to stores to ensure that stores do not run out of the key items supplied by the top-tier vendors. With the stock operation system, the distribution centers are able to supply the stores regularly with top-selling SKUs with expediency at low inventory carrying cost. The Company engages third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from the distribution centers to stores across the Philippines. Certain of the Company's suppliers also deliver products directly to the stores.

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

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

The Company also deploys a POS and Loyalty system from Retalix Ltd., and have a sophisticated supplier portal system that allows them to collaborate with its suppliers, and through which suppliers have access to its database, providing them with the ability to manage their own inventory, helping to ensure consistently high service levels and facilitating more targeted marketing activities.

**(iv)** **New Products and Services.** In May 2013, the Company introduced the Robinsons Rewards Card, a loyalty card that allows holders to redeem accrued points across five of the retail formats or five business units; namely, Robinsons Supermarket, Robinsons Department Store, Toys "R" Us, Howards Storage World and Daiso Japan stores. By the end of 2014, the Company expects the card to be accepted in the other retail formats, excluding Ministop and South Star Drug, for which the card is expected to be accepted in 2015. The Company believes the Robinsons Rewards loyalty program will be a powerful means of increasing customer retention and enhancing customer loyalty across all businesses.

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

- *Supermarkets.* The Philippine food retail market has become increasingly competitive in recent years. Robinsons Supermarket competes with both traditional sari-sari stores and modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, store ambiance, presentation, price, supply chain and additional benefits such as loyalty programs. Main competitors are SM Retail, Rustan's Group, Puregold Price Club and Waltermart Supermarket. Similar to Robinsons Supermarket, these retail chains have an established presence in the Philippines and continue to open supermarkets in the same cities, and often in the same neighborhoods where the Company has opened or intend to open its supermarkets.

- *Department stores.* The Philippines' department stores industry is dominated by a few operators. RDS competes with major department store operators such as SM Retail and Rustans with the same target market of the middle- and upper middle income consumer segments on the basis of location, brand recognition, store image, presentation, price, understanding of fashion trends and market demand and value-added customer services.

Each of the competing department store chains has an established presence in the Philippines and is continuing to open department stores in the same cities, and often in the same neighborhoods, where RDS has opened or intends to open its department stores.

- *DIY stores.* The market for DIY and related products in the Philippines is highly competitive and fragmented. Retailers are largely classified into stand-alone big-box operators, mall-based DIY retailers and traditional hardware retailers. The Company believes that its direct competitor is Ace Hardware, which has a scale of operations that is comparable to theirs. They compete with Ace Hardware primarily on the basis of product selection, price, promotions and customer service. More generally, the Company believes that competition in the DIY market is based broadly on pricing, delivery, brand recognition, quality and availability of products. They also believe that it compete favorably with respect to most of these factors.

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

- *Drug store.* The drug store industry in the Philippines is intensely competitive and highly fragmented. South Star Drug primarily competes with other retail drug store chains, such as Mercury Drug, Watson's and Rose Pharmacy. They do not consider individual drug stores as major competitors of South Star Drug stores, although they compete with them on an aggregate basis. Increasingly, as well, the Company faces competition from discount store, convenience stores and supermarkets as they increase their offerings of non-drug items, such as food and personal care products.

- *Specialty stores.*

  *Toys "R" Us.* Toys "R" Us is the second largest toys retailer after Toy Kingdom. Toys "R" Us competes with Toy Kingdom by strengthening its brand awareness and continuing to develop its private labels.

  *Robinsons Appliances.* Robinsons Appliances competes with SM Appliances and Abenson Appliances primarily on the basis of price. It provides credit card facilities to support its customers' purchases of the products that it offers conveniently. Through credit card programs, it offers its customers longer payment options at interest free installment terms.

  *Daiso Japan.* Daiso Japan and Japan Home Center are currently the major players in the one-price discount stores operators in the Philippines. Daiso Japan competes primarily on the basis of its brand as nearly all the merchandise in the store are sourced from and developed by Daiso Industries Co. Ltd of Japan. With support from Daiso Industries Co. Ltd. of Japan, Daiso Japan is able to offer a broad product line that boasts of product quality and aesthetic appeal while maintaining one-price point.

  *International Fashion Specialty Retail.* The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. Store Specialist Inc., Suyen (Bench) Group, Vogue Concepts and Primer Group are the major competitors of the Company's high-street fashion retail business.

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

*Supermarkets.* With over 1,800 regular suppliers as of 2013, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and URC and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 26.1%, 26.3% and 27.1% of the net sales in 2011, 2012 and 2013, respectively. For smaller local suppliers, Robinsons Supermarket seeks to partner with the best suppliers in each of the provinces. Robinsons Supermarket believes that its business as a whole is not dependent on any single supplier.

*Department stores.* For outright sales, RDS sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of cosmetics and perfumery and health and beauty aid products. RDS' outright sales include a private label named Essentials that carries paper products. As of 2013, L'Oreal, Unilever, Kraft Foods, Procter & Gamble and Johnson & Johnson were RDS' largest outright sales suppliers.

*DIY Stores.* For outright sales, the Company sources the DIY and other products at favorable terms primarily from large-scale local suppliers and from over 200 foreign vendors accredited by Do it Best Corporation, True Value and Howards Storage World. The Company does not believe that it rely on any single supplier or group of suppliers for any of its products.

*Convenience Stores.* To effectively satisfy customer preferences, the Company has established working relationships with over 250 regular suppliers as of 2013. The supplier base is diversified from large local suppliers such as Globe, Universal Robina Corporation (URC) and San Miguel Corp, smaller local suppliers for Ministop's ready-to-eat and private label products, to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop select its suppliers using a number of criteria, including customer preferences, suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with the Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

*Drug Stores.* The Company sources pharmaceutical products from over 190 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, ATC Healthcare, Johnson and Johnsons, Intermed Marketing and Sanofi. SSD top five largest pharmaceutical suppliers accounted for 35.7% of the total purchases in 2012 and 36.7% in 2013, respectively. The Company only accepts products which are FDA-certified in the Philippines and ensure that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 380 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

**(vii)** **Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 13.0% of consolidated net sales in 2013, 13.3% in 2012, 13.7% in 2011. The Company is not relying on a single or few customers but to the buying public in general.

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

The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2013.

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

Following are the marks of the subsidiaries of RRHI as of December 31, 2013:

RSC had six registered trademarks covering various goods, as enumerated in the following table. It also has pending application for registration of one trademark.

| Trade name / Name of Trademark | Symbol of Trademark | Expiry Date of the Registration |
|---|---|---|
| 1. HEALTHY YOU | Healthy You | April 27, 2019 |
| 2. VALUE PLUS ADD VALUE TO YOUR SHOPPING | Value Plus | February 10, 2021 |
| 3. ROBINSONS SUPERMARKET FIT & FUN WELLNESS BUDDY RUN | Fit & Fun Wellness Buddy Run | February 10, 2021 |
| 4. NATURE`S PURE | Nature's Pure | December 24, 2017 |
| 5. BREEDER`S CHOICE DOG FOOD | Breeder's Choice Dog Food | October 13, 2018 |
| 6. ROBINSONS SUPERSAVERS | Supersavers | November 6, 2016 |
| 7. ROBINSONS SUPERSAVERS | Robinsons SUPERSAVERS | Pending application for registration |

Robinsons Inc has 26 registered trademarks under its name as enumerated in the following table, while eight trademarks have pending registration. The list excludes private label trademarks exclusively made for Robinsons Department Store.

| Trade name / Name of Trademark | Symbol of trademark | Registration expiry date |
|---|---|---|
| 1. EXECUTIVE BY ROBINSONS | EXECUTIVE BY ROBINSONS | July 2, 2019 |

| | | |
|---|---|---|
| 2. | PLAYGROUND | December 3, 2020 |
| 3. | PLAYGROUND | May 26, 2021 |
| 4. | PORTSIDE | July 2, 2019 |
| 5. | NITELITES | July 2, 2019 |
| 6. | BRIDGET`S CLOSET | December 3, 2020 |
| 7. | LOADED | July 2, 2019 |
| 8. | JULIA PLUS | July 2, 2019 |
| 9. | JULIA | July 2, 2019 |
| 10. | HOME ESSENTIALS | September 24, 2019 |
| 11. | ESSENTIALS | February 18, 2020 |
| 12. | B+ACTIVE | July 2, 2019 |
| 13. | ALL ABOUT KIDS | July 2, 2019 |
| 14. | RAFAEL | September 29, 2018 |
| 15. | GRAB A TEE | May 3, 2022 |
| 16. | WORKSHOP | September 1, 2021 |
| 17. | NEVER BEEN KISSED | August 12, 2020 |
| 18. | JUMPING BEANS | August 12, 2020 |
| 19. | DAZED & CONFUSED | August 26, 2020 |
| 20. | SIMPLY ME | September 29, 2018 |
| 21. | PUNKBERRY | August 12, 2020 |
| 22. | PRIVILEGED | June 2, 2021 |
| 23. | HIP ACTIVE WEAR | December 22, 2018 |

| | | |
|---|---|---|
| 24. FELICITY | | July 2, 2019 |
| 25. SUN KISSED | | September 8, 2021 |
| 26. MARJOLAINE | | November 1, 2022 |
| 27. LIBERTE | | Pending application for registration |
| 28. STELLA | | Pending application for registration |
| 29. TED MOSS | | Pending application for registration |
| 30. VANITY | | Pending application for registration |
| 31. ICANDY | | Pending application for registration |
| 32. PORTSIDE ACTIVE | | Pending application for registration |
| 33. MALEBOX | | Pending application for registration |
| 34. BELLA | | Pending application for registration |

Five trademarks were registered by Robinson's Handyman Inc. and/ or Robinsons True Serve Hardware Philippines, Inc., as enumerated in the following table. It also has pending application for registration of one trademark.

| **Trade name / Name of Trademark** | **Symbol of trademark** | **Registration expiry date** |
|---|---|---|
| 1. THUNDER | | March 2, 2019 |
| 2. HIGH GEAR | | September 29, 2018 |
| 3. WISHY WASHY | | December 29, 2018 |
| 4. BOW WOW | | June 25, 2019 |

| | | |
|---|---|---|
| 5. SUPER CHOW | | April 20, 2019 |
| 6. BATH BASICS | | Pending application for registration |

The following trademarks were registered by RCSI.

| Trade name / Name of Trademark | Symbol of trademark | Registration expiry date |
|---|---|---|
| CHILLZ | | April 3, 2019 |
| MY CHOICE (NON-FOOD) | | May 23, 2021 |
| MY CHOICE (FOOD) | | Pending application for registration |

The following trademark was registered by SSDI. The Group's trademark was acquired through business combination in 2012 from the acquisition of SSD and was recognized at fair value at the date of acquisition. This has indefinite useful life.

| Trade name / Name of Trademark | Symbol of trademark | Registration expiry date |
|---|---|---|
| MANSON DRUG TUNAY AT MURA ANG GAMOT | | September 23, 2020 |
| SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY | | Pending application for registration |

The specialty stores business segment had three registered trademarks as enumerated in the following table.

| Trade name / Name of Trademark | | Symbol of trademark | Registration expiry date |
|---|---|---|---|
| 1. ROBINSONS APPLIANCES | Robinsons Appliances Corp. | | August 9, 2022 |
| 2. ROBINSONS SPECIALTY STORES, INC.* | Robinsons Specialty Stores Inc. | | February 9, 2022 |
| 3. SAIZEN | Robinsons Daiso Diversified Corp. | | May 8, 2022 |

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

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

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

**(xii)** **Research and Development**

None during the year

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

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

**(xiv)** **Employees.** As of December 31, 2013, the Group had 7,414 employees. The following table sets out certain details of the Company's employees by business segment, as follows:

| | |
|---|---|
| **Supermarket** ………………………… | **2,049** |
| **Department stores**…………………… | **744** |
| **DIY stores**……………………………. | **979** |
| **Convenience stores**…………………... | **270** |
| **Drug stores**…………………………… | **2,403** |
| **Specialty stores**………………………. | **969** |

The Company anticipates that it will have approximately 10,110 employees within the next 12 months for the planned store openings in 2014. The Company's management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

**(xv)** **Risks**

***The Company may experience difficulty in implementing its growth strategy.***

The Company's growth is dependent on the execution of its strategy to continue to establish and successfully operate stores in new locations in the Philippines. There are a number of factors affecting the ability to implement the Company's growth strategy, including, among others:

- favorable economic conditions and regulatory environment;
- its ability to identify suitable sites for store locations;
- its ability to purchase or lease appropriate real estate for store locations;
- its ability to bear the increase in logistics costs when regional expansion occurs;
- its ability to open new stores in a timely manner;
- its ability to introduce new brands to the market;
- its ability to continue to attract customers to the stores;
- its ability to obtain new franchises;
- its ability to obtain financing and other support from its business partners for expansion;
- its ability to maintain the scale and stability of information technology systems to support current operations and continuous business growth;
- the hiring, training and retention of skilled store personnel;
- the identification and relocation of experienced store management personnel;
- the effective management of inventory to meet the needs of stores on a timely basis;
- the availability of sufficient levels of cash flow or necessary financing to support expansion; and
- its ability to successfully address competitive merchandising, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

Failure by the Company to successfully implement its growth strategy due to the absence of, or its inability to carry out, any of the above mentioned factors, or otherwise, its business, financial condition and results of operations may be materially and adversely affected.

In addition, if the Company unable to successfully manage the potential difficulties associated with store growth, it may not be able to capture the scale efficiencies that is expected from expansion. If the Company is unable to continue to capture scale efficiencies, improve its systems, continue its cost discipline and enhance its merchandise offerings, it may not be able to achieve its goals with respect to operating margins. Furthermore, the Company does not adequately refine and improve its various ordering, tracking and allocation systems, it may not be able to increase sales or reduce inventory shrinkage, which may also cause its operating margins to stagnate or decline.

***The Company's future store openings may not be successful, and its existing stores may not be able to continue to benefit from the current favorable retail environment.***

A significant part of the Company's expansion strategy entails the opening of new stores in prime locations in various areas of the Philippines. There is no assurance that the Company will be able to identify and procure suitable sites for its new stores. Due to the increased competition for desirable store sites, it may not be able to lease or purchase appropriate real estate for its new store locations, on terms acceptable to them or at all. There is also no assurance that the new stores will be successful or profitable. In addition, it may experience difficulties in expanding into the smaller community areas outside Metro Manila, where the retail market is dominated by independent local operations and where it have relatively limited operational experience. Expansion into new geographical areas will also expose them to additional operational, logistical and other risks. The Company may find it difficult to obtain regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. It may also experience difficulty in building "*Robinsons*" and other brand names in these new areas. Operationally, the Company may experience supply, distribution, transportation and/or inventory management difficulties, due to their lack of familiarity with the suppliers, distribution network and transportation systems in these new geographical areas. In particular, it may experience additional operational difficulties in the smaller community areas outside Metro Manila that it expand into, due to the limited presence of large retailers and the underdevelopment of distribution networks in such areas. Any difficulties the Company experiences with respect to developing its business operations in new geographical areas may materially and adversely affect its business, financial condition and results of operations.

In addition, there is no assurance that its existing stores will be able to operate on a profitable basis if the current retail environment becomes less favorable to the Company. For example, the opening of any new stores by its competitors or any consolidation among its competitors in the geographical areas in which its existing stores are located may result in reduced sales volumes at its existing stores in those geographical areas. Due to the increased competition for desirable store sites, the Company may not be able to renew the leases for the sites of its existing stores upon their expiry, on terms acceptable to the Company or at all. The surrounding environment of its existing stores may also change in terms of consumer demographics, or in terms of store mix, as different businesses move in or out of the surrounding areas. There is no assurance that the Company will have the flexibility to move its existing store locations or to modify its existing stores in response to changes in the surrounding environment and to changes in market and consumer preferences. If the Company fails to predict and respond to changes in the retail environment, its business, financial condition and results of operation may be materially and adversely affected.

***The Company may not be able to expand through acquisitions successfully.***

Managing its growth through acquisitions will result in substantial demands on its management, operational and other resources. There is no assurance that the Company will be able to identify suitable acquisition targets and implement its acquisition plans successfully. The Company may also not be able to obtain new franchise opportunities on acceptable terms or at all. In addition, it may be unable to successfully integrate its new operations and the companies or business that it acquire into its existing operational financial and management systems, procedures and controls. Such acquisitions involve numerous risks and uncertainties, including but not limited to:

- its inability to identify suitable acquisition targets or complete acquisitions at acceptable terms or prices;
- the availability, terms and costs of any financing required to make an acquisition;
- potential ongoing financial obligations and unforeseen or hidden liabilities of acquisition targets;
- its failure to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, of an acquisition;
- the diversion of resources and management attention from its existing businesses;
- the costs of and difficulties in integrating acquired businesses and managing a larger business; and
- delays in or inability to secure necessary governmental approvals, third-party consents and land use rights.

If the Company fails to address or deal with any of the abovementioned risks and uncertainties successfully, the financial condition and results of operations may be materially and adversely affected.

***New stores may place a greater burden on its existing resources and adversely affect its business.***

The Company's proposed expansion will place increased demands on its operational, managerial, financial and administrative resources. These increased demands could cause its business operations to be less efficient, which in turn could cause deterioration in the financial performance of its existing stores. In addition, the Company, or its third-party vendors and suppliers, may not be able to adapt its respective distribution, management information and other operating systems to adequately supply products to its new stores at competitive prices. Any expansion may adversely affect the efficiency of its existing operations and quality of its customer service, and may materially affect its business, financial condition and results of operations.

***The Company faces the risk of market saturation.***

The Company faces the risk of market saturation due to increased competition in its business segments, particularly in the supermarket, convenience store and drug store businesses. In recent years, its key competitors have opened a large number of new retail stores in the Philippines, particularly in Metro Manila. New store openings by the Company or its competitors in catchment areas where they have existing stores may result in reduced demand, sales volumes and earnings at those existing stores. The Company's retail stores in certain geographical areas may have reached or may be close to reaching a point of saturation where the number of such types of stores exceeds demand from consumers. In such cases, it will not be commercially viable to open new stores in those geographical areas, as any such new stores may not be able to operate on a profitable basis. Due to the concentrated population and the relatively high degree of penetration of retail stores, its growth prospects across its business segments are dependent on the future growth of the Philippine economy and its successful acquisitions of existing retail chains, which may or may not occur.

***The Company may face increased competition from other retail companies in the Philippines.***

The retail industry in the Philippines is highly competitive. The intensity of the competition in the Philippine retail industry varies from region to region, but Metro Manila is generally considered to be the most competitive market in the Philippines. Metro Manila is the Company's largest market in terms of net sales. The Company competes principally with national and international operators of retail chains in the Philippines, such as SM Investments, Puregold Price Club Inc., Rustan's, Ace Hardware, Mercury Drug Corporation, 7-Eleven, Family Mart and Bench Group, among others. Each of these competitors competes with the Company on the basis of product selection, product quality, acquisition or development of new brands, customer service, price, store location or a combination of these factors. The Company anticipates competition from new market entrants and joint partnerships between national and international operators. The Company expect that an increasing number of international retailers may enter the Philippine market in the event that the geographical and shareholding restrictions on foreign enterprises engaging in the Philippine retail business are removed. In addition, some of its competitors are also aggressively expanding their number of stores or their product offerings. Some of these competitors may have been in business longer or may have greater financial, distribution or marketing resources than the Company and may be able to devote greater resources to sourcing, promoting and selling their products. There can be no assurance that the Company will be able to compete successfully against current competitors or new entrants. As competition in certain areas intensifies or competitors open stores within close proximity to its stores, the results of operations may be negatively impacted through a loss of sales, reductions in margins from competitive price changes or greater operating costs. In addition, any loss of the Company's market share could be permanent. Competitive pressures, including those arising in connection with the Company's expansion strategy, may have a material adverse effect on its business, financial condition and results of operations.

***The Company depends on RLC and other mall operators for the development of parts of its business.***

Historically, certain of the Company's businesses, particularly its supermarkets, department stores, and specialty stores, has been primarily mall-based. In finding sites for its stores, the Company benefits from its affiliation with RLC and the Company has an anchor tenant status in each of RLC's malls. The Company is also anchor tenants in a number of other third party malls in the Philippines, including Ayala malls, Megaworld lifestyle malls, the Power Plant mall of Rockwell Land Corp., the Shangri-La mall, Federal Land malls, Festival mall of Filinvest Land, and Gaisano malls. A significant amount of its growth will still depend on the growth of RLC and other mall operators. There is no assurance that these mall operators will continue to grow at a rate that is consistent with the Company planned rate of growth. In addition, there is no assurance that the Company will continue to be able to obtain "anchor tenant" status or spaces in new malls whether operated by RLC or third party mall operators, on terms acceptable to the Company or at all. In the event that the Company is unable to obtain "anchor tenant" status or space in a sufficient number of malls, the Company may be unable to fully implement its expansion plans, and its business, financial condition and results of operations may be materially and adversely affected.

***The Company's retail business depends on its ability to source and sell the appropriate mix of products to suit changing consumer preferences.***

The Company's success depends in part on its ability to source and sell products that both meet its standards for quality and appeal to changing customers' preferences. A small number of its employees are primarily responsible for both sourcing products that meet its specifications and identifying and responding to changes in customer preferences. Failure to source and market such products, or to accurately forecast changes in customer preferences, could lead to a decrease in the number of customer transactions at its stores and a decrease in the amount customers spend when they visit the Company's stores.

***The success of its business depends in part on its ability to develop and maintain good relationships with its current and future suppliers and consignors.***

The Company derives substantially all its revenue from direct sales and sales of consigned merchandise, and its success depends on its ability to retain existing, and attract new suppliers on terms favorable to it. The sourcing of its products is dependent, in part, on its relationships with its suppliers. The Company has long-standing working relationships with a broad range of national and multinational suppliers across all business segments. If the Company is unable to maintain these relationships, or if the Company loses suppliers for any reason, the Company may not be able to continue to source products at competitive prices that both meet its standards and appeal to the customers. The loss of any one of these major suppliers would have an adverse effect on its sales. The Company obtains deals, discounts, and rebates from suppliers, which allow it to maintain its competitive pricing. Should changes occur in market conditions or its competitive position, the Company may not be able to maintain or negotiate adequate support, which could have a material adverse effect on its business, financial condition and results of operations.

If the Company is unable to maintain good relationships with its existing suppliers, or if the Company is unable to develop and maintain new supplier relationships, the Company will be unable to carry merchandise and products that are in demand and can generate profit for them. Furthermore, if any of its suppliers changes its distribution methods, the Company may experience a disruption in its product supply. As a result, its market positioning, image and reputation may be adversely affected, and its revenue and profitability may be impaired.

***A deterioration of the value of its brand names and trademarks may have a material adverse effect on its business.***

The Company's "Robinsons" brand name and trademarks are key assets of its business. Maintaining the reputation of its brand names and trademarks is critical to its success. The Company relies on the strength of its brand names to, among other things, attract customers to its stores and attract international brands to partner with them. Substantial erosion in the value of its brand names due to product recalls, customer complaints, health issues, adverse publicity, legal action or other factors may have a material adverse effect on its business, financial condition and results of operations.

***The success of its business depends in part on its ability to develop and maintain good relationships with its franchisors and/or licensors.***

The Company is a holder of several international franchise and licensed stores, including "*Topshop*", "*Warehouse*", "*Coast London*", "*Toys "R" Us*", "*Ministop*" and "*Howards Storage World*", pursuant to individual franchise, license and distribution agreements. The revenue derived from its franchise and licensed distribution operations accounted for 11.2%, 10.5% and 10.2% of its total consolidated net sales (prior to intersegment eliminating adjustments on intersegment revenue) in 2011, 2012 and 2013, respectively. The Company does not have exclusive rights in some of its franchise, license or distribution agreements to be the sole franchisor, licensor or distributor in the country. If any other party is granted the right to franchise, license or distribute the products of its franchisors or licensors, the Company may face significant competition from such other parties and may lose the benefit of the capital and other resources the Company have expended to market the franchise or licensed brands in the country. Additionally, if the Company lose any of its franchisors and/or licensors for any reason including due to changes in the business model of any franchisor and/or licensor, any of its franchisors and/or licensors going out of business or any franchisor and/or licensor declining to extend the term of its franchise and/or license, its business, financial condition and results of operations may be adversely affected.

The Company has entered or may enter into franchise, license or distribution agreements with internationally recognized brands. The agreements generally require the Company to comply with the business plan for the respective franchisor or licensor, which typically covers requirements for the number of stores, sales targets and fit-out requirements. It also have to comply with operating standards which are subject to change over time, in some cases at the direction of the franchisor or licensor, and such standards may restrict ability to make improvements or modifications to a property without the consent of the franchisor or licensor. Failure to comply with the business plan or operating standards can lead to the loss of a franchise or distribution license, which could have a negative effect on reputation and make it more difficult to seize future partnership or franchise opportunities.

In addition, disputes may arise between its franchisors or licensors and the Company. If a dispute cannot be resolved in a timely manner or at all, it may cause disruption to or termination of the relevant franchise or distribution operations, or lead to potential litigation. Its business, financial condition and reputation may be materially and adversely affected as a result of such disputes.

***The Company relies on services rendered by independent contractors that may not always meet its requirements for quality or be available or completed within its budget.***

The Company relies on independent contractors to provide various services, including construction, piling and foundation and building and property fitting-out works. The Company's major independent contractors are, among others, ILO Construction, Stages Construction and Design. The Company generally selects independent contractors by conducting tenders and taking into consideration factors such as experience, reputation for quality, track record and the contractor's relationship with the Company. Although the Company supervises the construction and fit-out progress of its independent contractors, there is no assurance that the services rendered by any of its independent contractors will always be satisfactory or match its requirements for quality, particularly in respect of the fitting-out works in its specialty stores where strict compliance with the relevant franchisor's requirements is required. In addition, the Company may be required to provide additional capital in excess of the contractor's bid to complete construction of a new store or refurbishment of an existing store. Further, the completion of certain construction or renovation projects has been delayed from time to time in the past and may occur again in the future. As a result, the Company may incur additional costs and its sales performance may be negatively affected. Moreover, there is no assurance that the Company will be able to find or engage an independent contractor for any particular project within its budget which could result in costs increases or project delays. Any of these factors could have a material adverse effect on its business, financial condition and results of operations.

***Systems failures and delays in its information technology systems could adversely affect its business operations.***

Its business operations are heavily dependent on the integrity of the information technology systems supporting them. Its information technology systems are vulnerable to damage or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, intentional acts of vandalism, breach of security and similar events. The Company has contingency plans in place to deal with such events which, however, may not be able to prevent its systems from suffering failures or delays that might cause significant losses to its business. Equipment breakdowns may result in productivity losses and potential inoperability of store trading software for significant periods of time. Significant systems failures and delays could also cause unanticipated disruptions in service, loss of inventory, decreased customer service and customer satisfaction and harm to its reputation, which could have a material adverse effect on its business, financial condition and results of operations.

***The Company lease all of its premises and may not be able to continue to renew these leases or to enter into new leases in favorable locations on acceptable terms.***

As of December 31, 2013, the Company leased all of its gross floor space and all of its distribution centers. Of its aggregate leased space, 56.1% is leased from related parties and 43.9% is leased from third parties. There is no assurance that the Company will be able to renew its leases with third parties on acceptable terms or at all upon their expiry. For example, the Company is facing increasing competition across each of its business segments for desirable sites. Leases of premises in large shopping centers may not be available for extension because landlords may decide to change tenants for better commercial arrangements. In addition, if the Company are unable to renew leases with related parties, the Company may have to enter into new agreements with third parties. There is no assurance that the Company will be able to enter into such new agreements with third parties on terms which are acceptable to the Company or at all. Moreover, if rent prices increase significantly throughout the Philippines, or in a particular region, it may cease to be economical to lease stores and the Company may have to discontinue operations at some of its stores. Any inability to renew leases as they expire or acquire new leases in other favorable locations and sites on acceptable terms, termination of the existing leases, or revision of the terms of leases to its detriment may have a material adverse effect on its business, financial condition and results of operations. Further, a number of its landlords are normally granted the right to terminate the leases prior to their expiration. In the event that any of its leases are terminated for any reason prior to their expiration, the Company will need to relocate to alternative premises. Relocation of any of its operations may cause disruptions to its business and may require significant expenditure, and the Company cannot assure that they will be able to find suitable premises on acceptable terms or at all in a timely manner.

***The Company's operations may require significant capital expenditure and financing which they may not be able to secure.***

The Company's growth depends largely on significant capital expenditures for the refurbishment of existing stores and the development and acquisition of new stores. The Company may not be able to fund capital improvements or acquisitions solely from cash from its operating activities or existing cash or proceeds from IPO and the Company may not be able to obtain additional debt or equity financing. For its businesses with minority shareholders, such as its DIY, convenience stores and consumer electronics and appliances businesses, its minority partners may either disagree with its capital expenditure plans or be unable to fund their portion of such expenditures. The Company may also require additional financing to fund day-to-day operational needs and debt service payments. Additional financing may not be available as and when required. If the Company incurs additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on its assets, that would restrict its operations. Without required financing, the Company may not be able to continue its operations, hire, train and retain employees or respond to competitive pressures. There can be no assurance that necessary financing will be available in amounts or on terms acceptable to the Company, or at all.

***Its margins may be affected by increases in its operating and other expenses.***

Its operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in rent;
- increases in construction, repair and maintenance costs for new and existing stores;
- a change in statutory laws, regulations or government policies which increases the cost of compliance with such laws, regulations or policies;
- increases in subcontracted service costs;
- increases in labor costs;
- increases in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increases in insurance premiums;
- increases in the cost of utilities; and
- increases in property taxes and other statutory charges.

Any increase in its operating and other expenses will have an impact on its cash flow. Due to the nature of its retail business and its relationship with suppliers, its margins may be affected by increases in its operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. If its stores do not generate revenue sufficient to meet its operating expenses and debt service and capital expenditure requirements, its business, results of operations and financial condition could be materially and adversely affected.

***Its business is sensitive to changes in purchase and selling prices.***

Its margins are very sensitive to price increases in the merchandise sold in its stores. If these prices do rise, the Company may need to pass all or a portion of these additional costs on to its customers to maintain its gross profit margins. However, it may not be possible for the Company to significantly increase its retail prices to offset price increases by suppliers, particularly if its main competitors choose not to implement such price increases. As competition in the Philippine retail market intensifies, any unilateral price increases may lead to declines in sales, loss of customer traffic, loss of market share and other adverse consequences. Consequently, the Company may be significantly constrained in its pricing policy. In the event that the Company is unable to pass increases in prices charged by its suppliers on to its customers, its financial condition and results of operations may be materially and adversely affected.

In addition, its retail business, by nature, involves high volume and is therefore sensitive to changes in selling prices. The retail sector is very competitive, and one of the principal bases of competition is price. If most or all of its competitors decide to engage in a price war, the Company may be forced to decrease the selling prices of its products substantially, in order to compete effectively with its competitors. In addition, certain of its products are subject to price regulations imposed by the government. Under the Price Act, a price ceiling on basic necessities (including rice, corn, bread, fish and milk) and prime commodities (including flour, pork, beef, poultry meat and other dairy products) may be imposed, in cases of calamities, emergencies, price manipulation or when the prevailing prices have risen to unreasonable levels. In the event any such price restrictions are imposed on any of its products, the Company may be unable to sell such products at prices sufficient to generate a profit or to enable the Company to break even, and this would have a material adverse effect on its business, financial condition and results of operations.

***Product liability claims in respect of defective goods sold in its stores and food safety and food-borne illness concerns could adversely affect its reputation and its financial prospects.***

Its business involves an inherent risk of product liability, product recall, adverse publicity and exposure to public liability claims. The Company does not currently have any product liability insurance and will therefore be subject to the full amount of any product liability the Company may incur. Although each of its consignors and suppliers provides the Company with a written indemnity covering the full extent of any third-party liability the Company incurs through their operations and sales in its stores, there is no assurance that the Company will be successful in obtaining such indemnity payments or that the indemnity payments will fully cover all of its costs associated with the original liability. If the Company is found responsible for damage caused by defective goods sold in its stores, the reputation of its stores may be adversely affected. This could lead to erosion of consumer confidence in its brands and a subsequent reduction in sales. Such an event would be likely to have an adverse effect upon its business, financial condition, results of operations and prospects.

The Company dedicates substantial resources to ensure that its customers enjoy safe and quality food products, particularly fresh and freshly prepared food. Preparation, packaging, transportation, storage and sale of fresh and freshly prepared food products and non-food products entail the inherent risk of product contamination, deterioration or defect, which could potentially lead to product recalls, liability claims and adverse publicity. Food and non-food products may contain contaminants that could, in certain cases, cause illness, injury or death. Any shipment or sale of contaminated, deteriorated or defective products may be grounds for a product liability claim or product recall. The risks of product liability claims or product recall obligations are particularly relevant in the context of its sales of freshly prepared food products. Although its suppliers bear the risk of product liability claims, the Company could incur adverse publicity through its association with such claims, which could have an adverse effect on its business, financial condition and results of operations.

In addition, the Company sells a range of private label products. Any product liability claim brought against the Company regarding its private label products, if successful, could have a material adverse effect on its ability to market private label products successfully and therefore on its brand, business, financial condition and results of operations.

***Its business and operations are dependent upon key executives.***

Its key executives and members of management have greatly contributed to its success with their experience, knowledge, business relationships and expertise. Also, the Company depends on members of the Gokongwei Family to fill certain key executive positions and the Company may not be successful in attracting and retaining executive talent to replace such family members should they leave. If the Company are unable to fill any vacant key executive or management positions with qualified candidates, its business, operating efficiency and financial performance may be adversely affected.

***The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.***

The Company operates its businesses in a regulated environment. Retail establishments are subject to a variety of government ordinances, which vary from one locality to another but typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. The Company must also comply with food safety, consumer quality and pricing regulations.

The primary regulations applicable to its operations include standards regarding:

- the suitability of the store site;
- air pollution;
- price controls;

- food inspection;
- promotional activities;
- packaging safety;
- waste discharge;
- electricity supply;
- construction;
- business permits;
- fire safety;
- sanitation; and
- sale of pharmaceutical products.

All construction and development plans are required to be filed with and approved by the local government unit concerned. The requirements of each local government unit may vary but in general, approval of such plans is conditional upon, among other things, the developer's financial, technical and administrative capabilities and, where the project site is leased, presentation of the lease contract or authority from the registered owner of the land authorizing the construction. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit. There can be no assurance that the Company or its associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked. There can also be no assurance that the Company will continue to pass ongoing consumer safety and quality inspections in all of its store locations.

***Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition.***

The Company is subject to various laws relating to environmental matters. Such laws provide that the Company could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect its operations on such sites and could potentially also result in claims against the owner by private plaintiffs. Additionally, the Company could be held liable if environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems, which are located on contaminated properties or as to which inadequate reserves had been established, are successfully brought against us.

In general, operators of supermarkets with total store areas (including parking) of more than 10,000 sqm and/or operators of supermarkets with food stalls are required to obtain an ECC for each store prior to opening to certify that the project will not have an unacceptable environmental impact from DENR. Operators of supermarkets may also apply for and secure a CNC that exempts them from securing an ECC for their projects. There can be no assurance that there will be no changes in the requirements and exemptions relating to obtaining ECCs or CNCs. There can also be no assurance that the Company will be able to obtain the necessary licenses, permits and other authorizations or that when given, such licenses, permits and other authorization will not be revoked. The Company may incur penalties if they do not secure the ECCs or CNCs or if any of these are revoked.

In addition, the Company cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to its business could have a material adverse effect on its business, financial condition and results of operations.

***The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration.***

The Company is required to maintain licenses, permits and other authorizations, including licenses relating to the operation of pharmacies, the sale of alcohol and certain construction activities. The Company is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. Its licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Company fails to meet the terms of any of its licenses, permits or other authorizations necessary for its operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences. In addition, the Company cannot be certain that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

There can be no assurance that the Company will continue to be able to renew the necessary licenses, permits and other authorizations for its stores as necessary or that such licenses, permits and other authorizations will not be revoked. If the Company are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have a material adverse effect on its business, financial condition and results of operations.

***The sale of counterfeit products may affect its reputation and profitability***

As its brands enjoy consumer recognition, the Company may encounter counterfeiting of its products, such as unauthorized imitation or replication of its designs, trademarks, or labeling by third parties. There can be no assurance that its actions taken to combat against counterfeiting of its products will be successful in prevention of counterfeiting. A significant presence of counterfeit products in the market could have a negative impact on the value and image of its brands, result in a loss of consumer confidence in its brands, and as a consequence, adversely affect its business and results of operations.

***Damage to or other potential losses involving, its assets may not be covered by insurance.***

The Company maintains comprehensive property and liability insurance policies with coverage features and insured limits that the Company believes are consistent with market practice in the wholesale and retail industries in the Philippines. Nonetheless, the scope of insurance coverage that the Company can obtain or its ability to obtain such coverage at reasonable rates may be limited. Design, construction or other latent property or equipment defects or deficiencies in its properties may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties that may not be covered by insurance. In addition, certain types of losses, generally of a catastrophic nature, such as natural disasters, terrorist acts, the outbreak of infectious disease or any resulting losses may be uninsurable or the required insurance premiums may be too expensive to justify obtaining insurance. In addition, in the event of a substantial loss, the insurance coverage the Company carries may not be sufficient to pay the full market value or replacement cost of its lost investment or that of its tenants or in some cases could result in certain losses being uninsured. Accordingly, the Company could lose some or all of the capital the Company has invested in a property, as well as the anticipated future revenue from that property, and the Company could remain obligated for guarantees, debt, or other financial obligations related to such property. The Company does not maintain product liability or business interruption insurance.

Moreover, its insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect its business, financial condition and results of operations.

***Its business, financial performance and results of operations are subject to seasonality.***

The Company experiences seasonal fluctuations in its department stores, supermarkets and specialty stores operations. Sales increase in November, and peaks in December at double the usual monthly sales volume. Sales thereafter slow down in the first quarter of the year, and start to pick up in the second quarter, driven by the summer season, the school break in April and May and the opening of school in June. This is followed by a slowdown in sales in the third quarter due to the rainy season. In preparation for its peak selling periods, the Company incurs additional expenses for the acquisition of additional inventory, particularly in its supermarkets, fashion and, consumer electronics and appliances businesses, and to carry out marketing and advertising activities. If sales during its peak selling periods are significantly lower than the Company expects for any reason, or if there is any prolonged disruption in its operations during its peak selling periods, the Company may be unable to adjust its expenses in a timely manner and may be left with a substantial amount of unsold inventory, especially seasonal merchandise that is difficult to liquidate after the applicable season. This may materially and adversely affect its business, financial condition and results of operations.

***The Company is exposed to certain risks in connection with the substantial use of cash in its operations.***

Due to the nature of its retail business and the demographics of the majority of its customers, the Company processes a large volume of cash transactions in the course of its operations. Its customers usually pay for their purchases in cash. Therefore, the Company is exposed to the risk of cash shortages, petty theft and robbery, which, if substantial in the aggregate, could have a material adverse effect on its business, financial condition and results of operations.

***The Company may be subject to unionization, work stoppages, slowdowns or increased labor costs.***

Its workforce is non-unionized. If its employees unionize, it could result in demands that may increase its operating expenses and adversely affect its profitability. If its employees were to unionize and the Company was unable to reach agreement on the terms of their collective bargaining agreement or the Company was to experience widespread employee dissatisfaction, its business operations could be subject to work slowdowns or stoppages. In addition, the Company may be subject to disruptions by organized labor groups protesting the non-union status of its workforce. Any of these events would be disruptive to its operations and could harm its business.

***The use of third party manpower service providers may expose the Company to liability under the Labor Code.***

As a means of providing for some of its labor requirements, a significant portion of its workforce is outsourced through third party manpower agencies. Outsourcing carries with it certain inherent risks including potential litigation from the employees of its third party manpower service providers who may claim an employer-employee relationship with the Company; and the risk that the current arrangements the Company currently has in place are later on found by the Department of Labor and Employment to be “labor-only contracting” which would have the consequence of effectively making the Company the employer of the relevant employees and thus, obliging the Company to extend to the relevant employees the same salaries and benefits the Company extends to its regular employees, which could have a significant impact on its labor costs. As the principal in the outsourcing arrangement, the Company can also be held jointly and severally liable with its third party manpower service providers to the latter's employees for unpaid wages for work performed under their respective contracts, or for any violation by its manpower service providers of the provisions of the Labor Code.

***The Company are and may be exposed to risks relating to the leasing and sub-leasing of portions of its supermarket space.***

The Company currently leases or sub-lease portions of its supermarket space outside the supermarket selling area to various third parties, including bakeries and food kiosks. The Company intends to procure its own properties and construct its own buildings, and anticipate that as a result its level of leasing and sub-leasing will increase in the future. Certain factors concerning its current and future tenants and sub-tenants could affect its financial condition, including:

- untimely expiration of leases/sub-leases and vacancies of tenants/sub-tenants;
- delays in the payment of rent due to tenant's/sub-tenant's declining sales or slow turnover;
- tenants/sub-tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rental payments;
- its inability to collect rental payments, inability to accept new lease/sub-lease agreements, or termination of the tenant's/sub-tenant's lease/sub-lease;
- tenants/sub-tenants who do not comply with the general terms of the lease/sub-lease, entailing additional expenditures for the Company; and
- changes in laws and governmental regulations relating to real estate including those governing usage, zoning, taxes and government charges, which may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance.

Any unfavorable developments with respect to its tenants or sub-tenants could adversely affect its results of operations.

***Its senior citizen discounts for purchases of prescribed medicines and prime commodities may be subject to abuse or unchecked fraudulent practices by unqualified customers.***

The Company offers senior citizen discounts at *South Star Drug* stores, *Ministop* stores and supermarkets in respect of purchases of certain prescribed medicines and prime commodities, such as rice, cooking oil, sugar, meat, poultry, seafood and laundry products, as required by the Expanded Senior Citizen Act No. 9994. Senior citizens aged 60 or above can enjoy a 20% senior citizen discount for prescribed medicines and are exempt from paying VAT. The Company absorbs most of the cost of the senior citizen discounts. This system may be subject to abuse or unchecked fraudulent practices by unqualified customers which, if significant, could have a significant effect on the operating results of the affected businesses.

***The Company may face difficulty in hiring sufficient pharmacists to meet the demands of its drug store operations due to shortage of registered pharmacists in the Philippines.***

Its ability to continue expanding its drug store operations depends on its ability to attract and retain qualified and skilled staff, especially licensed pharmacists, as the Company is required to have a licensed pharmacist in each drug store that dispenses prescription medicine. Due to the shortage of registered pharmacists in the Philippines, the Company may face difficulty in hiring sufficient pharmacists to meet the demands of its drug store operations. The Company competes for pharmacists with both its direct and indirect competitors in the Philippines and overseas, which include pharmacies, hospitals and manufacturers of pharmaceutical products. In the event that the Company fails to hire sufficient pharmacists to meet the demands of its drug store operations, the Company may face the temporary closure of branches that are not supervised by a registered pharmacist and its drug store operations and its expansion plans with respect to those operations may be materially and adversely affected. In addition, competition for pharmacists could cause the Company to offer higher compensation and other benefits in order to attract and retain them.

**Risks Relating to Its Organization and Structure**

***The Company relies on dividends and distributions from its subsidiaries to fund its cash and financing requirements***

The Company is a holding company with no independent commercial operations or source of revenue. The Company therefore relies on dividends and distributions from its subsidiaries to fund any cash and financing requirements which the Company may have, including the funds necessary to service any debt the Company may incur. If any of its subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict the payment of dividends or other distributions to the Company. Any limitation on the ability of its subsidiaries to pay dividends and distributions to the Company could have a material adverse effect on its business, financial condition and results of operation.

***The Company is controlled by the Gokongwei Family and its interests may differ significantly from the interests of other shareholders.***

The Company is controlled by members the Gokongwei Family who beneficially own approximately 65% of the shares. Members of the Gokongwei Family also serve as its directors and executive officers. Certain members of the Gokongwei Family are also major shareholders of the JG Summit Group, which comprises JG Summit and its subsidiaries and affiliates, and, either individually or collectively, have private interests in a number of other companies. There is nothing to prevent companies that are controlled by the Gokongwei Family or that are part of the JG Summit Group from engaging in activities that compete directly with its retail businesses or activities, which could have a negative impact on its business. The interests of the Gokongwei Family as its controlling shareholders may differ significantly from or compete with its interests or the interests of its other shareholders, and there can be no assurance that the Gokongwei Family will exercise influence over the Company in a manner that is in the best interests of its other shareholders.

***The Company is party to a large number of related party transactions.***

Certain companies controlled by the Gokongwei Family and the JG Summit Group companies have significant commercial transactions with the Company. Its revenue received from its related parties arising from its transactions with them accounted for 1.5%, 2.2% and 2.3% of its total consolidated revenues in 2011, 2012 and for 2013, respectively. Its payables and rent and utilities due to its related parties arising from its transactions with them accounted for 7.5%, 5.4% and 6.0% of its total consolidated trade and other payables in 2011, 2012 and 2013, respectively.

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by the Gokongwei Family or are part of the JG Summit Group could adversely affect its results of operations.

The Company expects that they will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Gokongwei Family. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between the Gokongwei Family and the Company in a number of other areas relating to its businesses, including:

- major business combinations involving the Company, including transfers of affiliated companies into the JG Summit Group or vice versa;
- plans to develop its respective businesses; and
- business opportunities that may be attractive to both the Gokongwei Family and the Company.

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income.

In January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "Transfer Pricing Regulations") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines. The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises.

The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR can make the necessary adjustments to the taxable profits of the related parties so as to reflect the true value that would otherwise be derived on an arm's length basis.

The Company has a number of related party transactions that have been entered into on an arm's length basis. However, the Company has no assurance if the BIR will view these transactions as arm's length on the basis of the Transfer Pricing Regulations.

***Its operating results and financial condition are affected by a significant minority shareholding in Robinsons Bank.***

As of December 31, 2013, the Company own 40% of the total common shares of Robinsons Bank that the Company acquired in March 2010. The remaining of 60% ownership stake is held by JG Summit Capital Services, a wholly-owned subsidiary of JG Summit. The Company does not participate in the management of Robinsons Bank. A significant portion of the bank's income is derived from its earnings on investment securities, the value of which can fluctuate significantly. Any significant fluctuation in the bank's income or its market value may have a significant adverse effect on its net income and the value of its investment in the bank's shares.

**Risks Relating to the Philippines**

***Its operations are concentrated in the Philippines, and therefore any downturn in general economic conditions in the Philippines could have a material adverse impact on its business operations.***

As all of its business operations are conducted in the Philippines and its entire revenue is sourced from the Philippines, the results of operations, financial condition and prospects are subject to a significant degree to the general state of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Peso and the imposition of exchange controls. In addition, the global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. These and other related events have had a significant impact on the global capital markets and the global credit and financial markets as a whole. The related slowdown in the economies of the United States, the European Union and certain Asian countries has affected, and such slowdowns may adversely affect in the future, economic growth in the Philippines. Its financial performance and results of operations are closely tied to the performance of OFW remittances and the increase in BPO business in the Philippines, both of which depend to a significant degree on the performance of the global economy.

Any deterioration in the Philippines economy as a result of these or other factors, including a significant depreciation of the Peso or increase in interest rates, may adversely affect consumer sentiment and lead to a reduction in demand for retail and consumer goods. This, in turn, could materially and adversely affect its financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

***The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt its operations.***

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. In the past, these events have affected its operating results. For example, the recent earthquakes and Typhoon Haiyan that hit the Visayas region has negatively affected the operating results of most segments. There can be no assurance that the occurrence of such catastrophes will not materially disrupt its operations in the future. The Company could experience substantial inventory or property loss as a result of any such catastrophes and might not be able to rebuild or restore operations in a timely fashion. The Company maintains third-party insurance covering only fire, floods and typhoons. The Company does not maintain full third-party insurance to cover other catastrophes, and the Company does not maintain business interruption insurance. Therefore, the occurrence of natural or other catastrophes or severe weather conditions could have a material adverse effect on its business, financial condition and results of operations.

***Any political instability in the Philippines may adversely affect its business operations.***

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the previous administration. No assurance can be given that the political environment in the Philippines will stabilize and any political instability in the future could reduce consumer demand for retail and consumer goods to its disadvantage, or result in inconsistent or sudden changes in regulations and policies that affect its business operations, which could have an adverse effect on its results of operations and financial condition.

***Continued terrorist activities and high-profile violent crime in the Philippines could destabilize the country, adversely affecting its business environment.***

The Philippines has been subject to a number of terrorist attacks in the past several years. This could have a negative impact on its business since department stores, supermarkets and retail stores may be particularly vulnerable to and adversely affected by terrorist attacks and high-profile violent crime because of the pedestrian flow and general public access. The occurrence of a terrorist attack or high-profile violent crime at any one of its department stores, supermarkets or retail stores, in particular, could have a significant adverse effect on its business. There can be no assurance that the Philippines will not be subject to further acts of terrorism in the future, and violent acts arising from, and leading to, instability and unrest may have a material adverse effect on the Company and its financial condition, results of operations and prospects.

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

The Company purchases imported products from the United States and China through its local distributors and imported raw materials are used in some of the locally produced merchandise the Company purchases from its suppliers. Fluctuations in the exchange rate between the Peso against foreign currencies, particularly against the U.S. dollar and Renminbi, will therefore affect its net profit margins and may result in net foreign currency gains or losses. There is no assurance that the exchange rate of the Peso will remain stable against the U.S. dollar, Renminbi or any other foreign currencies in the future. Any significant changes in the exchange rate between the Peso against the U.S. dollar, Renminbi or any other foreign currencies may adversely affect the results of operations. At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Peso to be determined by the supply and demand of foreign exchange

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

| Region | Rental Scheme | Lease Rate | Term |
|---|---|---|---|
| Metro Manila | Fixed | P200 to P2,816 per sqm | 1-15 years |
| | % to sales | 2.0% to 7.2% of sales | 1-10 years |
| | Fixed or % to sales, whichever is higher | P200 to P1,930 per sqm or 1.75% to 6% of sales | 1-10 years |
| | Fixed plus % to sales | P100 to P3,020 per sqm plus 1.5% to 3% of sales | 1-10 years |
| Luzon (outside Metro Manila) | Fixed | P93 to P2,536 per sqm | 1-25 years |
| | % to sales | 2.0% to 7.2% of sales | 1-15 years |
| | Fixed or % to sales, whichever is higher | P200 to P550 per sqm or 1.75% to 6% of sales | 1-15 years |
| | Fixed plus % to Sales | P300 to P700 per sqm plus 2% to 6% of sales | 1-5 years |
| Visayas | Fixed | P114 to P1,000 per sqm | 1-20 years |
| | % to sales | 2.74% to 7.2% of sales | 1-5 years |
| | Fixed plus % to Sales | P300 to P897 per sqm plus 1.5% to 3% of sales | 1-20 years |
| Mindanao | Fixed | P140 to P800 per sqm | 1-15 years |
| | % to sales | 2.74% to 7.2% of sales | 1-3 years |
| | Fixed or % to sales, whichever is higher | P300 to P393 per sqm or 1% to 4% of sales | 1-10 years |
| | Fixed plus % to sales | P500 to P900 per sqm plus 3% to 4% of sales | 1-5 years |

*Supermarket.* The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2013.

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 27 | 90,096 |
| *Luzon* | 42 | 118,104 |
| *Visayas* | 12 | 30,913 |
| *Mindanao* | 10 | 32,328 |
| **Total** | **91** | **271,441** |

*Department stores.* The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2013.

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 11 | 100,805 |
| *Luzon* | 17 | 94,044 |
| *Visayas* | 5 | 33,820 |
| *Mindanao* | 5 | 33,711 |
| **Total** | **38** | **262,380** |

*DIY Stores.* The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2013, all of which are under a lease agreement:

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 43 | 40,603 |
| *Luzon* | 54 | 37,362 |
| *Visayas* | 15 | 10,721 |
| *Mindanao* | 11 | 9,455 |
| **Total** | **126** | **98,141** |

*Convenience Stores.* The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2013, all of which are under a lease agreement:

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 248 | 25,430 |
| *Luzon* | 129 | 13,443 |
| *Visayas* | 9 | 803 |
| **Total** | **386** | **39,676** |

*Drug Stores.* The following table sets out the number of South Star Drug stores by region as December 31, 2013, all of which are under a lease agreement:

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 54 | 4,672 |
| *Luzon* | 178 | 21,878 |
| *Visayas* | 7 | 586 |
| **Total** | **239** | **27,136** |

*Specialty Stores.* The following table sets out the number of stores of *Robinsons Appliances* stores, *Toys "R" Us* stores (including the *Toy "R" Us Toybox* sections located in RDS stores), *Daiso Japan* stores and international fashion specialty retail format as of December 31, 2013, all of which are under a lease agreement:

| | No. of stores | Gross Selling Area in sqm |
|---|---|---|
| *Metro Manila* | 100 | 35,493 |
| *Luzon* | 48 | 15,522 |
| *Visayas* | 19 | 7,737 |
| *Mindanao* | 17 | 6,011 |
| **Total** | **184** | **64,763** |

**Item 3. Legal Proceedings.** As of December 31, 2013, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

**STOCK PRICES**

| | **High** | **Low** |
|---|---|---|
| November 2013 | P60.50 | P53.60 |
| December 2013 | P58.00 | P48.00 |

The stock price of the Company's shares as of April 11, 2014 is P68.00.

**(B) Holders**

The number of shareholders of record as of December 31, 2013 was 16. Common shares outstanding as of December 31, 2013 were1,366,028,050.

List of Top 20 stockholders as of December 31, 2013

| Name of stockholder | Number of shares held | Percent to Total Outstanding |
|---|---|---|
| 1. JE Holdings, Inc. | 484,749,997 | 35.49% |
| 2. PCD Nominee Corporation (Non-Filipino) | 422,117,120 | 30.90% |
| 3. Lance Y. Gokongwei | 126,727,500 | 9.28% |
| 4. Robina Y. Gokongwei-Pe | 105,952,500 | 7.76% |
| 5. PCD Nominee Corporation (Filipino) | 43,659,330 | 3.20% |
| 6. James L. Go | 41,550,000 | 3.04% |
| 7. Lisa Y. Gokongwei-Cheng | 35,317,500 | 2.59% |
| 7. Faith Y. Gokongwei-Lim | 35,317,500 | 2.59% |
| 7. Marcia Y. Gokongwei | 35,317,500 | 2.59% |
| 8. Lance Y. Gokongwei &/or Elizabeth Gokongwei | 35,317,499 | 2.59% |
| 9. Vicente Piccio Mercado | 1,000 | 0.00% |
| 10. Maria Lourdes Medroso Mercado | 600 | 0.00% |
| 11. John L. Gokongwei, Jr. | 1 | 0.00% |
| 11. Hope Y. Gokongwei-Tang | 1 | 0.00% |
| 11. Antonio L. Go | 1 | 0.00% |
| 11. Roberto R. Romulo | 1 | 0.00% |
| Total outstanding | 1,366,028,050 | 100.00% |

**(C) Dividends**

No dividends were declared by the Company during the year.

**(D) Recent Sales of Unregistered Securities**

Not Applicable.

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

**2013 vs 2012**

**(A) Consolidated Operations**

Robinsons Retail Holdings, Inc. recorded net income of P3,117 million for the twelve months ended December 31, 2013, an increase of 131.8% as compared to P1,345 million for the twelve months ended December 31, 2012. The increase was largely due to increased income from operations as a result of new store openings, as well as the consolidation of South Star Drug. Net income attributable to parent amounted to P2,745 million for the twelve months ended December 31, 2013, an increase of 128.8% as compared to P1,200 for the twelve months ended December 31, 2012.

Consolidated revenues increased by 17.2% from P57,393 million for the twelve months ended December 31, 2012 to P67,254 million for the twelve months ended December 31, 2013. The robust growth was largely due to increase in sales volume as a result of the addition of 152 number of stores, as well as the acquisition of South Star Drug and Eurogrocer Corp. Royalty, rent and other income also increased from P1,079 million to P1,321 million or a 22.5% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2013 amounted to P14,312 million, 30.4% higher than P10,979 million for the twelve months ended December 31, 2012. The increase was on the back of increased margins of the supermarket segment, higher vendor volume incentives and discounts.

Operating expenses grew by 9.0% from P10,617 million to P11,569 million for the twelve months ended December 31, 2013 due to higher selling expenses and accelerated store network expansion which was partially offset by the decrease in operating expenses caused by the change in depreciation policy.

Other income and charges decreased by 22.4% from P330 million to P256 million for the twelve months ended December 31, 2013. Last year's other income includes gain on sale of shares in JG summit amounting to P130 million. Interest expense also increased by 32.8% on higher loan balances from the acquisition of South Star Drug.

EBITDA (earnings before interests, taxes, depreciation, amortization and other non-cash items) expanded by 66.5% from P3,040 million for the twelve months ended December 31, 2012 to P5,063 million for the twelve months ended December 31, 2013. The increase was largely due to higher gross profit margins as compared to last year.

**(B) Segment Operations**

(i) ***Supermarket.*** Robinsons Supermarket concluded 2013 with 91 stores generating net sales of P32,491 million, a 10.9% growth from P29,295 million last year. The increase in net sales was primarily due to the continued expansion activities after adding 17 stores in 2013, six of which are the EZ Supermarkets in Northern Luzon that we acquired in September 2013.

Cost of sales grew by 8.2% from P24,439 million last year to P26,452 million this year. Cost of sales increased at a slower rate than net sales due to the additional discounts and supports collaborated with the suppliers in exchange for preferential product distribution, gondola placements and display. The offering of value-added services such as our distribution centers, vendor analytics among others likewise resulted to lower cost of sales. As a result, gross margin expanded by 24.4% from P4,856 million to P6,039 million this year. As a percentage to sales, gross margin jumped 200bps to18.6% this year against 16.6% last year.

Operating expenses, as a percentage of net sales, reached 13.6% and 15.2% in 2013 and 2012, respectively. In 2103, operating expenses as a percentage of net sales significantly decreased primarily due to change in depreciation policy. Taking out the effect of the change in depreciation policy, our operating expenses as a percentage of net sales still registered a decrease from 15.2%last year to 14.8% this year due to better cost control across all supermarket stores particularly on the implementation of energy conservation program and efficient control of store expenses.

As a result of the factors discussed above, EBIT (earnings before interests and income taxes) more than tripled to reach P1,810 million this year against P564 million last year. Accordingly, EBITDA (earnings before interests, taxes, depreciation and amortization) expanded by 75.9% in 2013 to P2,240 million, resulting also to an increase of EBITDA margin from 4.3% last year to 6.9% this year.

**(ii)** ***Department Stores.*** Robinsons Department Store (RDS) registered net sales of P11,877 million for the twelve months ended December 31, 2013, a growth of 4.4% from P11,374 million for the same period last year. This increase in net sales was largely due to the increased volumes of products sold from new stores.

RDS' cost of sales amounted to P8,760 million for the twelve months ended December 31, 2013, an increase of 0.3% from P8,736 million in 2012. This resulted to a gross margin of P3,116 million representing 26.2% of net sales for the twelve months ended

December 31, 2013 against P2,639 million representing 23.2% in 2012. The increase in gross margin was due to an increase in sales with improved margins coming from additional discounts on advertising support and value-added services such as distribution center fees and supplier portal analytics (SPA) fees.

RDS generated EBIT (earnings before interests and taxes) of P830 million representing 7.0% of net sales for the twelve months ended December 31, 2013 against P380 million representing 3.3% of net sales in the same period last year. RDS also generated EBITDA of P987 million representing 8.3% of net sales for the twelve months ended December 31, 2013 against P685 million representing 6.0% of net sales in the same period last year. The increase in EBIT against last year is mainly due to the decrease in depreciation expense as an effect of the change in depreciation period from 5 years to 10 years. Depreciation amounted to P157 million representing 1.3% of net sales for the twelve months ended December 31, 2013 against P304 million representing 2.7% of net sales in the same period last year.

(iii) ***Convenience Stores.*** Convenience stores segment registered a system wide sales and merchandise sales of P6,292 million and P4,208 million, respectively for the twelve months ended December 31, 2013, a 6.9% and 10.0% growth from P5,885 million and P3,826 million in the same period last year. The key drivers for the increase were as follows: (1) increase in the number of operating stores from last year's 336 to this year's 386, and (2) improvement in the average daily sales per store by 1.2% from P49,561 last. Royalty Fee also posted a marked increase from P948 million last year to P1,094 million this year. Royalty Fee is computed as a percentage of system-wide Gross Profit and is about 99% of the total Other Income. Main reason for the growth was the 0.3% addition in the system-wide Gross Margin from 29.4% in 2012 to 29.7% in 2013.

Cost of Sales grew by P357 million or 10.2%, to P3,842 million for the twelve months ended December 31, 2013 from P3,486 million in 2012 due to higher sales volume. Gross Margin slightly decreased from 8.9% last year to 8.7% this year. Convenience stores recorded an EBIT of P194 million this year versus last year's P69 million.

EBITDA generated for the twelve months ended December 31, 2013 was P351 million, 19.3% higher than the P294 million recorded in the same period last year.

Convenience stores will continue its expansion mostly in the central business district areas and will continue to increase the offering of its Ready-to-eat category from 25% to around 28%, the main differentiator with its competitor.

(iv) ***Drug Stores.*** South Star Drug, Inc. (SSD) registered net sales of P6,287 million for the twelve months ended December 31, 2013. Since SSD was acquired in July 2012, only the sales for August to December 2012, amounting to P2,443 million were included in the consolidated financials of the Company last year. Sales for the five months in August to December 2013 amounted to P2,748 million, representing a growth of 12.5% from the same period last year. The growth can be attributed to the 21 stores that opened from January to December 2013. SSD also experienced strong same store sales performance during the five months from August to December 2013, posting a growth of 7.5%, brought about by the several supplier-supported promotions on over-the-counter medicines and food supplements, which are offered exclusively at South Star Drug branches.

SSD's cost of sales for the twelve months ended December 31, 2013 reached P5,274 million, resulting to a gross profit of P1,013 million or 16.1% of sales as against only 14.7% of sales for the five months in August to December 2013. The higher margin was mainly due to the rebates given in the form of free goods or additional inventories with zero cost which are easily convertible to margins and sales.

SSD generated EBITDA of P320 million for the twelve months ended December 31, 2013, representing 5.1% of sales compared to only 4.1% of sales for the five months August to December 2012 period.

SSD will continue to focus on improving its customer service, product assortment and availability to increase its competitive advantages over other drug store chains.

(v) ***DIY Stores.*** DIY segment concluded 2013 with significant increases in growth, gross margins and profitability. Net sales lifted by 14.5% from P6,195 million to P7,095 million for the twelve months ended December 31, 2012 and December 31, 2013, respectively. The improvement was driven primarily by the aggressive store expansion this year with net addition of 15 new stores to 126 stores.

DIY's cost of sales grew at 6.0% from P4,624 million in 2012 to P4,901 million in 2013. The increase was considerably slower as compared to growth in sales primarily due to the additional discounts collaborated with the suppliers and consignors because of scale and the offering of value-added services such as advertising support, product distribution, preferential gondola placements and display and supplier portal analytics. In addition, product offering mix was optimized by stretching the mix of higher margin imported items. Gross profit, as a result, expanded to P2,194 million from P1,571 million in 2012. As a percentage to sales, gross profit was at 30.9% this year against 25.4% last year. Operating expenses, on the other hand, was 21.0% of net sales in 2012 and 21.5% in 2013, it remained relatively constant due to continued implementation of cost control measures. Accordingly, EBIT this year reached a high of P670 million against P273 million last year.

DIY registered EBITDA of P770 million for the twelve months ended December 31, 2013 against P436 million for the same period in 2012. As a percentage to sales, EBITDA reached 10.9% this year, a 3.9 percentage points spread over the EBITDA margin of 7.0% last year.

(vi) ***Specialty Stores.*** The net sales of the Specialty Stores segment increased by 22.1% from P4,762 million to P5,813 million for the twelve months ended December 31, 2012 and December 31, 2013, respectively. The increase in net sales was primarily due to the 24.3% growth in the net sales of Robinsons Appliances, which contributed 49.4% to the total net sales of the Specialty Stores segment. Robinsons Appliances was able to increase its net sales through its strong same stores sales growth at 13.6% and by the higher sales volume of high-end products with higher selling prices. In addition, Robinsons Specialty Stores, Inc. acquired the store assets of Beauty Skinnovations Retail, Inc, which operates eight Shiseido stores and two Benefit stores. The whole Specialty Stores segment opened 47 more stores after December 31, 2012 and the segment's same store sales growth hit 7.39%.

The cost of merchandise sold of Specialty Stores segment increased by 19.2% from P3,549 million for the twelve months ended December 31, 2012 to P4,230 million for the twelve months ended December 31, 2013, which was relative to the increase in the volume of sales. The cost of merchandise increased at a slower rate than net sales mainly due to the additional support from vendors for Robinsons Appliances such as marketing support, sell out rebate support and other forms of subsidies. This led to a 30.5% rise in the Specialty Stores segment gross profit from P1,213 million for the twelve months ended December 31, 2012 to P1,583 million for the twelve months ended December 31, 2013.

As a result of the foregoing, for the twelve months ended December 31, 2013, the Specialty Stores segment generated an EBITDA of P397 million, an increase of 57.9% compared to P251 million for the twelve months ended December 31, 2012. As a percentage to sales, EBITDA improved by 1.5 percentage points from 5.3% to 6.8% for the twelve months ended December 31, 2012 and December 31, 2013, respectively.

**(C) Financial Resources and Liquidity**

As of December 31, 2013, the Company's balance sheet showed consolidated assets of P52,301 million, which was 115.8% higher from the total consolidated assets of P24,232 million as of December 31, 2012.

Cash and cash equivalents significantly increased from P6,052 million as of December 31, 2012 to P30,136 million as of December 31, 2013. Net cash used in operating activities totaled P2,747 million. Net cash used in investing activities amounted to P3,322 million, P2,791 million of which were used to acquire properties and equipments. Net cash generated from financing activities amounted to P24,660 million. The company received P26,269 million as net proceeds from the issuance of capital stock through initial public offering and P1,280 million were used to pay outstanding loans.

Trade and other receivables increased by 50.4% from P737 million to P1,108 million as of end December 2013.

Goodwill increased from P831 million last year to P1,231 million due to the acquisition of Eurogrocer Corp and BSRI.

Other noncurrent assets also increased from P743 million to P959 million due to additional construction bonds and security deposit of additional stores.

Trade and other payables decreased from P12,320 million to P12.075 million as of December 31, 2013.

Current and noncurrent loans payable decreased due to settlement of loans during the period.

Stockholder's equity grew from P8,057 million as of December 31, 2012 to P37,982 million as of December 31, 2013 due to higher net income and increase in the company's paid up capital brought about by the issuance of capital stock through initial public offering.

**2012 vs 2011**

**(A) Consolidated Operations**

Robinsons Retail Holdings, Inc. recorded net income of P1,345 million for the twelve months ended December 31, 2012, an increase of 182.5% as compared to P476 million for the twelve months ended December 31, 2011. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to P1,200 million for the twelve months ended December 31, 2012, an increase of 148.3% as compared to P483 for the twelve months ended December 31, 2011.

Consolidated revenues increased by 18.8% from P48,303 million for the twelve months ended December 31, 2011 to P57,393 million for the twelve months ended December 31, 2012. The robust growth was largely due to increase in sales volume as a result of the addition of stores. Royalty, rent and other income also increased from P854 million to P1,079 million or a 26.3% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2012 amounted to P10,979 million, 26.1% higher than P8,707 million for the twelve months ended December 31, 2011. The increase was on the back of increased margins of the supermarket segment, higher vendor volume incentives and discounts.

Operating expenses grew by 16.3% from P9,126 million to P10,617 million for the twelve months ended December 31, 2012 due to higher selling expenses and accelerated store network expansion which was partially offset by the decrease in operating expenses caused by the change in depreciation policy.

Other income and charges increased by 45.2% from P227 million to P330 million for the twelve months ended December 31, 2012. Other income in 2012 includes gain on sale of shares in JG summit amounting to P130 million. Interest expense also increased by 64.5% on higher loan balances.

EBITDA (earnings before interests, taxes, depreciation, amortization and other non-cash items) expanded by 69.0% from P1,799 million for the twelve months ended December 31, 2011 to P3,040 million for the twelve months ended December 31, 2012. The increase was largely due to higher gross profit margins as compared to last year.

**(B) Segment Operations**

(i) ***Supermarket.*** Robinsons Supermarket concluded 2012 with 74 stores generating net sales of P29,295 million, a 14.2% growth from P25,643 million in 2011. The increase in net sales was primarily due to the continued expansion activities after adding 12 stores in 2012.

Cost of sales grew by 12.0% from P21,816 million in 2011 to P24,439 million in 2012. Cost of sales increased at a slower rate than net sales due to the additional discounts and supports collaborated with the suppliers in exchange for preferential product distribution, gondola placements and display. As a result, gross margin expanded by 26.9% from P3,827 million to P4,856 million in 2012. As a percentage to sales, gross margin jumped 170bps to16.6% in 2012 against 14.9% in 2011.

Operating expenses, as a percentage of net sales, reached 15.2% and 14.6% in 2012 and 2011, respectively.

As a result of the factors discussed above, EBIT this year increased by 161.1% or P564 million against P216 million in 2011. Accordingly, EBITDA expanded by 62.5% in 2012 to P1,273 million, resulting also to an increase of EBITDA margin from 3.1% last year to 4.3% this year.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) registered net sales of P11,374 million for the twelve months ended December 31, 2012, a growth of 10.3% from P10,315 million for the same period in 2011. This increase in net sales was largely due to the increased volumes of products sold from new stores.

RDS' cost of sales amounted to P8,736 million for the twelve months ended December 31, 2012, an increase of 8.9% from P8,019 million in 2011. This resulted to a gross margin of P2,639 million representing 23.2% of net sales for the twelve months ended December 31, 2012 against P2,296 million representing 22.3% in 2011. The increase in gross margin was due to an increase in sales with improved margins coming from additional discounts on advertising support and value-added services such as distribution center fees and SPA fees.

RDS generated EBIT (earnings before interests and taxes) of P380 million representing 3.3% of net sales for the twelve months ended December 31, 2012 against P213 million representing 2.1% of net sales in 2011. RDS also generated EBITDA of P685 million representing 6.0% of net sales for the twelve months ended December 31, 2012 against P455 million representing 4.4% of net sales in the same period in 2011.

(iii) ***Convenience Stores.*** Convenience stores segment registered a system-wide sales and merchandise sales of P5,885 million and P3,826 million, respectively for the twelve months ended December 31, 2012, a 11.8% and 9.9% growth from P5,263 million and P3,481 million in the same period in 2011. The key drivers for the increase were as follows: (1) increase in the number of operating stores and (2) improvement in the average daily sales per store. Other income which mainly consist of Royalty fee also posted a marked increase from P772 million in 2011 to P948 million in 2012. Royalty fee is computed as a percentage of system-wide Gross profit and is about 99% of the total Other income.

Cost of Sales grew by P288 million or 9.0%, to P3,486 million for the twelve months ended December 31, 2012 from P3,198 million in 2011 due to higher sales volume. Gross Margin increased from 8.1% in 2011 to 8.9% in 2012. Convenience stores recorded an EBIT of P69 million in 2012 versus a loss of P114 million in 2011.

EBITDA generated for the twelve months ended December 31, 2012 was P294 million, 76.6% higher than the P167 million recorded in the same period in 2011.

Convenience stores will continue its expansion mostly in the central business district areas and will continue to increase the offering of its Ready-to-eat category.

(iv) ***DIY Stores.*** DIY segment concluded 2012 with significant increases in growth, gross margins and profitability. Net sales lifted by 15.1% from P5,382 million to P6,195 million for the twelve months ended December 31, 2011 and December 31, 2012, respectively. The improvement was driven primarily by the aggressive store expansion this year with net addition of 19 new stores to 111 stores.

DIY's cost of sales grew at 15.2% from P4,012 million in 2011 to P4,624 million in 2012. Gross profit, as a result, expanded to P1,571 million from P1,370 million in 2011. As a percentage to sales, gross profit was at 25.4% for both 2012 and 2011. Operating expenses, on the other hand, decreased at 21.0% of net sales from 22.4% in 2011, due to continued implementation of cost control measures. Accordingly, EBIT in 2012 reached P273 million against P166 million in 2011.

DIY registered EBITDA of P436 million for the twelve months ended December 31, 2013 against P298 million for the same period in 2012. As a percentage to sales, EBITDA reached 7.0% in 2012, a 1.5 percentage points spread over the EBITDA margin of 5.5% in 2011.

(v) ***Specialty Stores.*** The net sales of the Specialty Stores segment increased by 20.2% from P3,962 million to P4,762 million for the twelve months ended December 31, 2011 and December 31, 2012, respectively. The increase in net sales was primarily due to the 24.5% growth in the net sales of Robinsons Appliances, which contributed 48.6% to the total net sales of the Specialty Stores segment.

The cost of merchandise sold of Specialty Stores segment increased by 17.1% from P3,030 million for the twelve months ended December 31, 2011 to P3,549 million for the twelve months ended December 31, 2012, which was relative to the increase in the volume of sales. The cost of merchandise increased at a slower rate than net sales mainly due to the additional support from vendors for Robinsons Appliances such as marketing support, sell out rebate support and other forms of subsidies. This led to a 30.3% rise in the Specialty Stores segment gross profit from P931 million for the twelve months ended December 31, 2011 to P1,213million for the twelve months ended December 31, 2012.

As a result of the foregoing, for the twelve months ended December 31, 2012, the Specialty Stores segment generated an EBITDA of P251 million, an increase of 128.1% compared to P110 million for the twelve months ended December 31, 2011. As a percentage to sales, EBITDA improved by 2.5 percentage points from 2.8% to 5.3% for the twelve months ended December 31, 2011 and December 31, 2012, respectively.

**(D) Financial Resources and Liquidity**

As of December 31, 2012, the Company's balance sheet showed consolidated assets of P24,232 million, which was 42.7% higher from the total consolidated assets of P16,977 million as of December 31, 2011.

Cash and cash equivalents increased from P5,242 million as of December 31, 2011 to P6,052 million as of December 31, 2012. In 2012, net cash provided by operating activities totaled P3,238 million. Net cash used in investing activities amounted to P4,158 million, P1,912 million of which were used to acquire properties and equipments. Net cash generated from financing activities amounted to P1,730 million.

Trade and other receivables increased by 27.3% from P579 million to P737million.

Goodwill increased from P85 million to P831million due to the acquisition of SSD.

Other noncurrent assets also increased from P578 million to P743 million due to additional construction bonds and security deposit of additional stores.

Trade and other payables increased from P9,395 million to P12,320 million.

Current and noncurrent loans payable increased due to acquisition of SSD.

Stockholder's equity grew from P6,489 million as of December 31, 2011 to P8,057 million as of December 31, 2012 due to higher net income.

## Item 7. Financial Statements

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

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

### (A) External Audit Fees and Services

**Audit and Audit - Related Fees**

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

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Audit and Audit-Related Fees** | | | |
| Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements | 4,506,992 | 3,828,672 | 3,318,672 |
| Professional Fees related to the Initial Public Offering | 15,000,000 | None | None |
| Tax Fees | None | None | None |
| All Other Fees | None | None | None |
| **Total** | 19,506,992 | 3,828,672 | 3,318,672 |

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

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

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

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

| Name | Age | Position | Citizenship |
|---|---|---|---|
| John L. Gokongwei, Jr. | 87 | Chairman and Chief Executive Officer | Filipino |
| James L. Go | 74 | Vice Chairman and Deputy Chief Executive Officer | Filipino |
| Lance Y. Gokongwei | 47 | Vice Chairman | Filipino |
| Robina Y. Gokongwei-Pe | 52 | President and Chief Operating Officer | Filipino |
| Lisa Y. Gokongwei-Cheng | 45 | Director | Filipino |
| Faith Y. Gokongwei-Lim | 44 | Director | Filipino |
| Hope Y. Gokongwei-Tang | 44 | Director | Filipino |
| Antonio L. Go* | 73 | Independent Director | Filipino |
| Roberto R. Romulo | 75 | Independent Director | Filipino |

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

All of the above directors have served their respective offices since March 1, 2013, except for Mr. Antonio L. Go and Mr. Roberto R. Romulo who were both appointed on July 4, 2013. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

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

The table below sets forth certain information regarding executive officers.

| Name | Age | Position | Citizenship |
|---|---|---|---|
| Bach Johann M. Sebastian | 52 | Senior Vice President and Chief Strategy Officer | Filipino |
| Diosdado Felix A. Zapata III | 51 | Chief Financial Officer | Filipino |
| Katheryn T. Lim | 39 | Treasurer | Chinese |
| Rosalinda F. Rivera | 43 | Corporate Secretary | Filipino |
| Gilbert S. Millado, Jr. | 40 | Assistant Corporate Secretary | Filipino |

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

*John L. Gokongwei, Jr.*, 87, is the Chairman and Chief Executive Officer of the Company. He is also the Chairman Emeritus and a director of Robinson's Incorporated, Robinsons Convenience Stores, Inc., Robinsons Supermarket Corporation, Robinsons Specialty Stores, Inc., and Robinsons Toys, Inc. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and Singapore Land Limited, and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in

Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

*James L. Go*, 74, is the Vice Chairman and Deputy Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc. He is a director of Handyman Express Mart, Inc., RHD Daiso-Saizen, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc. and Angeles Supercenter, Inc. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Singapore Land Limited, Marina Center Holdings, Inc., UIC and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

*Lance Y. Gokongwei,* 47, is the Vice Chairman of the Company. He is the Chairman and Chief Executive Officer of Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., Robinsons True Serve Hardware Philippines, Inc. and Robinsons Handyman, Inc. He is the Vice Chairman of Robinsons Convenience Stores, Inc. and Vice Chairman and Deputy Chief Executive Officer of Robinsons Handyman, Inc., Robinson's Incorporated and Robinsons Supermarket Corporation. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the President and Chief Executive Officer of Universal Robina Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is also the Chairman of Robinsons Bank, and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited, Singapore Land Limited and Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

*Robina Y. Gokongwei-Pe,* 52, is the President and Chief Operating Officer of the Company. She is a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a Trustee of the Gokongwei Brothers Foundation Inc., Immaculate Conception Academy Scholarship Fund and the Ramon Magsaysay Awards Foundation. She is also a member of the University of the Philippines Centennial Commission. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. Ms. Pe joined the group in 1984 as a management trainee. She is a daughter of Mr. John L. Gokongwei, Jr.

*Lisa Y. Gokongwei-Cheng,* 45, is a Director of the Company. She is also the President of Summit Media, Group General Manager of Jobstreet Philippines, Director and President of Summit Media Informatix Holdings, Inc. and General Manager of GBFI. She graduated from Ateneo de Manila University with a Bachelor of Arts degree (Communications) in 1990 and obtained a Master of Science degree (Journalism) from Columbia University in 1993. She is the daughter of Mr. John L. Gokongwei, Jr.

*Faith Y. Gokongwei-Lim,* 44, is a Director of the Company. She is also the Vice President-Merchandising for Ministop since 2006. She has assumed various key roles in other Robinsons business units as follows: Department Head of Robinsons Department Store and Merchandising Head of Robinsons Supermarket from 1997 to 2006. She is also currently the General Manager of Chic Centre Corporation, a cosmetics business. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She has over 22 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

*Hope Y. Gokongwei-Tang,* 44, is a Director of the Company. She is also the General Manager of Robinsons Appliances, effective as of April 1, 2012. She has been with the Robinsons Department Store for 21 years and was promoted from the Department Head to Vice President of the merchandising department of the Department Store. Ms. Hope graduated from De La Salle University with a Bachelor of Arts degree (English Literature). She has over 22 years of retail experience obtained from our Company. She is a daughter of Mr. John L. Gokongwei, Jr.

*Antonio L. Go,* 73, was elected as an independent director of the Company on July 4, 2013. He also currently serves as director and President of Equitable Computer Services, Inc. and is Chairman of Equicom Savings Bank. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, United Industrial Corporation Limited, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, ALGO Leasing and Finance, Inc., and Cebu Air, Inc. He is also a trustee of Go Kim Pah Foundation and Equitable Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

*Roberto R. Romulo*, 75, was elected as an independent director of the Company on July 4, 2013. He was appointed a Director of SingLand in January 2003. He is the Chairman of AIG Philippines Insurance Inc. (formerly Chartis Philippines Insurance Inc.), PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, and Philippine Long Distance Telephone Co. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

**(i) OFFICERS**

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

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

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

*Bach Johann M. Sebastian,* 52, is the Senior Vice President and Chief Strategy Officer of the Company. He was also appointed as the Senior Vice President - Chief Strategist of JG Summit on June 28, 2007. He is the Senior Vice President of corporate planning of URC and RLC and is Senior Vice President-Chief Strategist of Cebu Air, Inc. Prior to joining JG Summit in 2002, he was the Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also the Chief Economist and Director of the Policy and Planning Group at the DTI. He received a Bachelor of Arts degree (Economics) from the University of the Philippines and his Master of Business Management degree from the Asian Institute of Management.

*Diosdado Felix A. Zapata III,* 51, is the Vice President and Chief Financial Officer for the Company and all of its subsidiaries. He joined the group in 1991. He started his career as a junior auditor of SGV in 1983. He graduated Cum Laude with a Bachelor of Accountancy degree from Polytechnic University of the Philippines. He became a Certified Public Accountant in 1983. He has 22 years of experience in the retail industry, all of which were obtained from the Company.

*Atty. Rosalinda F. Rivera,* 43, is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. Prior to joining the Company, she was a Senior Associate at Puno and Puno Law Offices. She received a Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in

International Banking from the Boston University School of Law. She was admitted to the Philippine Bar in 1995.

*Atty. Gilbert S. Millado Jr.,* 40, is the Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

*Katheryn T. Lim,* 39, is the Assistant Vice President - Treasurer of the Company. Prior to her appointment in Robinsons, she worked with URC China Food Group as Corporate Treasury Manager, Chengdu Ding Feng Real Estate Co., Ltd (a company of JG Summit) as Finance and Administrative Manager. Her previous work experience includes: JG Summit Petrochemical Credit Manager - Treasury Industrial Group from 2003- to 2008 and Head of Treasury Department for SM Prime Holdings, Inc. from 2000- to 2003. She graduated from the University of Santo Tomas with a Bachelor of Commerce degree (Business Administration and Management).

**(B) Significant Employees**

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

**(C) Family Relationships**

Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Hope Y. Gokongwei-Tang is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Lisa Y. Gokongwei-Cheng is the daughter of Mr. John Gokongwei, Jr.
Ms. Celina N. Chua is the niece of Mr. John L. Gokongwei, Jr.
Mr. Bach Johann M. Sebastian is a brother of Mr. Cecil Bien M. Sebastian.

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

As of December 31, 2013, and to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers: (i) have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

**Item 10. Executive Compensation**

Key management personnel of the Group include the Chairman of the BOD, President and Treasurer.

**(A) Summary Compensation Table**

The following table sets out the Company's chief operating officer and four most highly compensated senior officers for the last three years and projected for the ensuing year (2014).

| Name | Position |
|---|---|
| Robina Y. Gokongwei-Pe. . . . . . . . . . . . . . . . | President and Chief Operating Officer |
| Dahlia T. Dy . . . . . . . . . . . . . . . . . . . . . . . . . | Managing Director - SSDI |
| Justiniano S. Gadia . . . . . . . . . . . . . . . . . . . . | General Manager - Robinsons Supermarket |
| Johnson T. Go . . . . . . . . . . . . . . . . . . . . . . . . | General Manager - Robinsons Department Store |
| Roena P. Sarte. . . . . . . . . . . . . . . . . . . . . . . | General Manager - Ministop |

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2014 are as follows:

**ACTUAL**

| | Year | Salaries | Bonuses | Total |
|---|---|---|---|---|
| | | | (in ₱ million) | |
| President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above......................... | 2011 | 25.43 | 2.16 | 27.59 |
| | 2012 | 28,90 | 2.45 | 31.36 |
| | 2013 | 34.45 | 2.37 | 36.82 |
| Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed……….. | 2011 | 24.58 | 2.17 | 26.75 |
| | 2012 | 37.65 | 3.24 | 40.89 |
| | 2013 | 45.06 | 3.29 | 48.35 |

| **PROJECTED 2014 (in ₱ million)** | | | |
|---|---|---|---|
| | Salaries | Bonuses | Total |
| President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above | 36.34 | 2.50 | 38.85 |
| Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed | 47.81 | 3.48 | 51.29 |

**(B) Standard Arrangements**

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

**(C) Other Arrangements**

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

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

Not Applicable

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

Not Applicable

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

**(A) Security ownership of certain record and beneficial owners holding more than 5% of the Company's voting securities as of December 31, 2013**

As of December 31, 2013, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

| Title of Class | Names and addresses of record owners and relationship with the Company | Name of beneficial owner and relationship with record owner | Citizenship | Number of shares held | % to Total Outstanding |
|---|---|---|---|---|---|
| Common | JE Holdings, Inc.<br>43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street<br>Ortigas Center, Pasig City<br>(stockholder) | Same as record owner | Filipino | 484,749,997 | 35.49% |
| Common | PCD Nominee Corporation (Non-Filipino)<br>37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City<br>(stockholder) | PDTC Participants and their clients (See note 1) | Non-Filipino | 422,117,120 (See note 2) | 30.90% |
| Common | Lance Y. Gokongwei<br>43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street<br>Ortigas Center, Pasig City | Same as record owner | Filipino | 126,727,500 | 9.28% |
| Common | Robina Y. Gokongwei-Pe<br>43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street<br>Ortigas Center, Pasig City | Same as record owner | Filipino | 105,952,500 | 7.76% |

Notes:

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

2. Out of the PCD Nominee Corporation (Non-Filipino) account, "Deutsche Bank Manila-Clients A/C" and "The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct." hold for various trust accounts the following shares of the Company as of December 31, 2013:

| | No. of shares | % to Outstanding |
|---|---|---|
| Deutsche Bank Manila-Clients A/C | 116,552,438 | 8.53% |
| The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct. | 276,007,093 | 20.21% |

The securities are voted by the trustee's designated officers who are not known to the Company.

**(B) Security Ownership of Management as of December 31, 2013**

| Title of Class | Name of beneficial Owner | Position | Amount & nature of beneficial ownership (Direct) | Citizenship | % to Total Outstanding |
|---|---|---|---|---|---|
| **Named Executive Officers(Note 1)** | | | | | |
| Common | 1. John L. Gokongwei, Jr. | Director, Chairman and Chief Executive Officer | 1 | Filipino | * |
| Common | 2. Robina Y. Gokongwei-Pe | Director, President and Chief Operating Officer | 105,952,500 | Filipino | 7.76% |
| | Sub-Total | | 105,952,501 | | 7.76% |
| **Other Directors and Executive Officers** | | | | | |
| Common | 3. James L. Go | Director, Vice Chairman and Deputy Chief Executive Officer | 41,550,000 | Filipino | 3.04% |
| Common | 4. Lance Y. Gokongwei | Director and Vice Chairman | 162,044,999 (Note 2) | Filipino | 11.86% |
| Common | 5. Lisa Y. Gokongwei-Cheng | Director | 35,317,500 | Filipino | 2.59% |
| Common | 6. Faith Y. Gokongwei-Lim | Director | 35,317,500 | Filipino | 2.59% |
| Common | 7. Hope Y. Gokongwei-Tang | Director | 1 | Filipino | * |
| Common | 8. Antonio L. Go | Director (Independent) | 1 | Filipino | * |
| Common | 9. Roberto R. Romulo | Director (Independent) | 1 | Filipino | * |
| - | 10. Bach Johann M. Sebastian | Senior Vice President and Chief Strategy Officer | - | Filipino | - |
| - | 11. Diosdado Felix A. Zapata III | Chief Financial Officer | - | Filipino | - |
| Common | 12. Katheryn T. Lim | Treasurer | 12,000 | Chinese | * |
| - | 13. Rosalinda F. Rivera | Corporate Secretary | - | Filipino | - |
| Common | 14. Gilbert S. Millado, Jr. | Assistant Corporate Secretary | 500 | Filipino | * |
| | Sub-Total | | 274,242,502 | | 20.08% |
| All directors and executive officers as a group unnamed | | | 380,195,003 | | 27.83% |

Notes:

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2013.
2. Sum of the shares in the name of "Lance Y. Gokongwei" for 126,727,500 shares and "Lance Y. Gokongwei&/or Elizabeth Gokongwei" for 35,317,499 shares.

* less than 0.01%

**(C) Voting Trust Holders of 5% or more as of December 31, 2013**

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

**(D) Changes in Control**

Not Applicable

**Item 12. Certain Relationships and Related Transactions**

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

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

**PART V – EXHIBITS AND SCHEDULES**

**Item 13. Reports on SEC Form 17-C (Current Report)**

Following is a list of disclosures filed by JGSHI under SEC Form 17-C for the six month period from July 1, 2013 to December 31, 2013

List of Corporate Disclosures / Replies to SEC letters

Under SEC Form 17-C

July 1, 2013 to December 31, 2013

| Date of Disclosure | Description |
|---|---|
| November 18, 2013 | Disclosure statement “Robinsons Retail 9M2013 Net Income Soars 128.5%”. |
| November 18, 2013 | Disclosure statement “Robinsons Retail Acquires a Six-Store Supermarket Chain in Northern Luzon”. |
| November 29, 2013 | Disclosure statement “Robinsons Retail Tops 1,000 Stores”. |
| December 13, 2013 | Disclosure statement “Exercise of over-allotment option”. |
| December 16, 2013 | Disclosure statement “Robinsons Retail Ventures into Cosmetics Retailing”. |
| December 17, 2013 | Disclosure statement “Robinsons Retail Opens its Doors Again to Taclobanos”. |

**Item 14. USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

As disclosed in the Company's prospectus, gross and net proceeds were estimated at Php26.79 billion and Php26.07billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to Php26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional Php0.23 billion from the exercised over-allotment of 3,880,550 shares , and incurred Php745.65 million IPO-related expenses, resulting to actual net proceeds of P26.27 billion.

The net proceeds have not been fully disbursed as of December 31, 2013. For the period covered November 11 to December 31, 2013, the application of the net proceeds is broken down as follows:

| Use of Proceeds | Amount in Pesos |
|---|---:|
| Expansion of store network | 334,100,720 |
| Renovation of existing stores | 106,955,658 |
| Repayment of bank loans | 1,280,000,000 |
| Other corporate purposes | 9,002,941 |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______________________on__________, 20__.

By:

| | |
|---|---|
| **JOHN L. GOKONGWEI, JR.**<br>Chairman of the Board and Chief Executive Officer | **ROBINA Y. GOKONGWEI-PE**<br>President and Chief Operating Officer |
| **DIOSDADO FELIX A. ZAPATA III**<br>Chief Financial Officer | **ROSALINDA F. RIVERA**<br>Corporate Secretary |

APR 15 2014

**SUBSCRIBED AND SWORN** to before me this _____ day of _________ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

| NAMES | RES. CERT. NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |

**Notary Public**

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24655 / TIN NO. 144-519-066
MCLE III - 0013521
COMMISSION NO. 2013-023

DOC. NO. 85
PAGE NO. 9
BOOK NO. 405
SERIES OF 2014

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2013, including the attached components therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members.

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

John L. Gokongwei Jr.
Chairman/CEO

Diosdado A. Zapata III
Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME
ON THIS APR 08 2014 20 ___ AT
QUEZON CITY EXECUTING HIS/HER CTC. NO. ___
ISSUED ON ___ AT ___

ATTY. SOCORRO MARICEL N. NEPOMUCENO
Notary Public until December 31, 2015
PTR No. 9032511 Jan. 02, 2014/Q.C.
IBP No. 943020 Nov. 18, 2013/Roll No. 50756
MCLE No IV-0011378/Appointment #NP- 068
3F Vargas Bldg. #103 Kalayaan Ave. Dil. QC

DOC. NO. 444
PAGE NO. 90
BOOK NO. 56
SERIES OF 14

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

## CONSOLIDATED COMPANY FINANCIAL STATEMENTS



## SUPPLEMENTARY SCHEDULES

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Robinsons Retail Holdings, Inc.
110 E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (formerly Robinsons Holdings, Inc. and Subsidiaries), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Robinsons Retail Holdings, Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-2 (Group A),
March 26, 2014, valid until March 25, 2017
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

April 7, 2014

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
## (Formerly Robinsons Holdings, Inc. and Subsidiaries)
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | **December 31, 2013** | December 31, 2012 (As restated - Notes 3, 20 and 24) | January 1, 2012 (As restated - Notes 3 and 24) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents (Notes 7, 18 and 28) | **₱30,135,581,370** | ₱6,051,728,328 | ₱5,242,208,579 |
| Short-term investments (Notes 8 and 28) | **335,101,613** | 309,852,939 | 303,592,000 |
| Available-for-sale (AFS) financial assets (Notes 9 and 28) | – | 51,800,000 | 52,500,000 |
| Trade and other receivables (Notes 10, 25 and 28) | **1,108,452,139** | 736,797,631 | 579,239,550 |
| Merchandise inventories (Note 11) | **7,028,810,289** | 6,081,812,428 | 3,310,227,402 |
| Other current assets (Note 12) | **1,008,098,342** | 872,569,082 | 604,437,451 |
| Total Current Assets | **39,616,043,753** | 14,104,560,408 | 10,092,204,982 |
| **Noncurrent Assets** | | | |
| Property and equipment - net (Note 13) | **6,896,788,480** | 5,163,589,147 | 4,681,073,801 |
| Investments in shares of stock (Note 14) | **1,803,149,527** | 1,549,423,116 | 1,394,934,606 |
| Intangible assets (Note 15) | **2,906,604,232** | 2,519,178,253 | 85,161,468 |
| Deferred tax assets - net (Note 26) | **119,331,416** | 151,842,112 | 145,546,486 |
| Other noncurrent assets (Notes 16 and 28) | **958,915,358** | 743,277,672 | 578,048,595 |
| Total Noncurrent Assets | **12,684,789,013** | 10,127,310,300 | 6,884,764,956 |
| | **₱52,300,832,766** | ₱24,231,870,708 | ₱16,976,969,938 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables (Notes 17, 25 and 28) | **₱12,075,397,219** | ₱12,319,576,603 | ₱9,395,125,004 |
| Current portion of loans payable (Notes 18 and 28) | **395,555,556** | 411,530,897 | 540,000,000 |
| Income tax payable | **700,641,915** | 336,135,427 | 127,025,029 |
| Other current liabilities (Note 28) | **203,652,278** | 235,231,520 | 210,207,721 |
| Total Current Liabilities | **13,375,246,968** | 13,302,474,447 | 10,272,357,754 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion (Notes 18 and 28) | **111,860,152** | 2,116,666,667 | – |
| Deferred tax liability (Note 26) | **470,075,260** | 470,075,260 | – |
| Net pension liabilities (Note 24) | **361,181,660** | 285,272,547 | 215,414,264 |
| Total Noncurrent Liabilities | **943,117,072** | 2,872,014,474 | 215,414,264 |
| Total Liabilities | **14,318,364,040** | 16,174,488,921 | 10,487,772,018 |

(Forward)

| | December 31, 2013 | December 31, 2012 (As restated - Notes 3, 20 and 24) | January 1, 2012 (As restated - Notes 3 and 24) |
|---|---|---|---|
| **Equity** | | | |
| Capital stock (Note 19) | **₱1,385,000,000** | ₱415,000,000 | ₱415,000,000 |
| Additional paid-in capital (Note 19) | **27,026,913,866** | 141,816,919 | 141,816,919 |
| Treasury shares (Note 19) | **(1,100,373,100)** | – | – |
| Other comprehensive income loss (Notes 9, 14 and 24) | **27,710,882** | (30,049,176) | (3,948,537) |
| Equity reserve (Note 2) | **116,459,430** | 116,459,430 | 98,101,590 |
| Retained earnings (Note 19) | **9,050,943,458** | 6,308,645,466 | 5,109,001,529 |
| Total equity attributable to equity holders of the Parent Company | **36,506,654,536** | 6,951,872,639 | 5,759,971,501 |
| Non-controlling interest in consolidated subsidiaries | **1,475,814,190** | 1,105,509,148 | 729,226,419 |
| Total Equity | **37,982,468,726** | 8,057,381,787 | 6,489,197,920 |
| | **₱52,300,832,766** | ₱24,231,870,708 | ₱16,976,969,938 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
## (Formerly Robinsons Holdings, Inc. and Subsidiaries)
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Notes 3 and 24) | 2011 (As restated - Notes 3 and 24) |
| **SALES** - net of sales discounts and returns (Note 21) | **₱67,254,175,069** | ₱57,393,248,813 | ₱48,303,297,430 |
| **COST OF MERCHANDISE SOLD** (Note 11) | **52,942,470,422** | 46,414,453,179 | 39,596,100,307 |
| **GROSS PROFIT** | **14,311,704,647** | 10,978,795,634 | 8,707,197,123 |
| **ROYALTY, RENT AND OTHER REVENUE** (Notes 29 and 30) | **1,320,743,045** | 1,078,588,155 | 853,968,047 |
| **GROSS PROFIT INCLUDING OTHER REVENUE** | **15,632,447,692** | 12,057,383,789 | 9,561,165,170 |
| **OPERATING EXPENSES** (Note 22) | **(11,568,983,962)** | (10,616,575,044) | (9,126,393,742) |
| **OTHER INCOME (CHARGES)** | | | |
| Investment income (Note 25) | **–** | 129,874,167 | – |
| Interest income (Notes 7 and 8) | **113,390,746** | 114,125,136 | 106,712,251 |
| Dividend income (Note 9) | **3,271,519** | 4,363,038 | 11,455,214 |
| Interest expense (Note 18) | **(77,328,731)** | (58,217,332) | (35,389,303) |
| Unrealized foreign currency exchange gain (loss) | **25,247,402** | (19,404,733) | – |
| Equity in net earnings of an associate (Note 14) | **191,465,985** | 159,023,568 | 144,389,965 |
| | **256,046,921** | 329,763,844 | 227,168,127 |
| **INCOME BEFORE INCOME TAX** | **4,319,510,651** | 1,770,572,589 | 661,939,555 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 26) | | | |
| Current | **1,146,035,321** | 418,763,595 | 201,388,656 |
| Deferred | **56,122,823** | 6,886,046 | (15,517,258) |
| | **1,202,158,144** | 425,649,641 | 185,871,398 |
| **NET INCOME** | **3,117,352,507** | 1,344,922,948 | 476,068,157 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair value and share in change in fair value of AFS financial assets of an associate (Notes 9 and 14) | **103,631,546** | (5,235,058) | 51,991,186 |
| Share in change in translation adjustment of an associate (Note 14) | **(33,984,500)** | – | – |
| Income tax effect | **15,093,540** | 1,570,517 | (15,597,356) |
| *Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:* | | | |
| Share in actuarial losses on pension liability of an associate (Note 14) | **(9,186,621)** | – | – |
| Actuarial losses on net pension liabilities (Note 24) | **(28,395,304)** | (32,051,568) | (67,973,335) |
| Income tax effect | **8,518,591** | 9,615,470 | 20,392,001 |
| | **55,677,252** | (26,100,639) | (11,187,504) |
| **TOTAL COMPREHENSIVE INCOME** | **₱3,173,029,759** | ₱1,318,822,309 | ₱464,880,653 |
| Net income attributable to: | | | |
| Equity holders of the Parent Company | **₱2,744,964,659** | ₱1,199,643,937 | ₱483,057,842 |
| Non-controlling interest in consolidated subsidiaries | **372,387,848** | 145,279,011 | (6,989,685) |
| | **₱3,117,352,507** | ₱1,344,922,948 | ₱476,068,157 |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Notes 3 and 24) | 2011 (As restated - Notes 3 and 24) |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Parent Company | **₱2,802,724,717** | ₱1,173,543,298 | ₱471,870,338 |
| Non-controlling interest in consolidated subsidiaries | **370,305,042** | 145,279,011 | (6,989,685) |
| | **₱3,173,029,759** | ₱1,318,822,309 | ₱464,880,653 |
| **Basic/Diluted Earnings Per Share** (Note 27) | **₱3.79** | ₱2.89 | ₱1.16 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
## (Formerly Robinsons Holdings, Inc. and Subsidiaries)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Capital Stock (Note 19) | Additional Paid-in Capital (Note 19) | Other Comprehensive Income (Loss) | Equity Reserve (Note 2) | Retained Earnings Appropriated (Note 19) | Retained Earnings Unappropriated (Note 19) | Treasury Stock (Note 19) | Total Equity Attributable to Equity Holders of the Parent Company | Non-controlling Interest in Consolidated Subsidiaries | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2013, as restated (Note 3) | ₱415,000,000 | ₱141,816,919 | (₱30,049,176) | ₱116,459,430 | ₱4,716,251,453 | ₱1,592,394,013 | ₱– | ₱6,951,872,639 | ₱1,105,509,148 | ₱8,057,381,787 |
| Issuance of shares | 970,000,000 | 27,630,750,000 | – | – | – | – | – | 28,600,750,000 | – | 28,600,750,000 |
| Transaction costs | – | (745,653,053) | – | – | – | – | – | (745,653,053) | – | (745,653,053) |
| Treasury shares | – | – | – | – | – | – | (1,100,373,100) | (1,100,373,100) | – | (1,100,373,100) |
| Dividends paid | – | – | – | – | – | (2,666,667) | – | (2,666,667) | – | (2,666,667) |
| Appropriation during the year | – | – | – | – | 1,024,000,000 | (1,024,000,000) | – | – | – | – |
| Reversal during the year | – | – | – | – | (1,400,000,000) | 1,400,000,000 | – | – | – | – |
| Net income | – | – | – | – | – | 2,744,964,659 | – | 2,744,964,659 | 372,387,848 | 3,117,352,507 |
| Other comprehensive loss | – | – | 57,760,058 | – | – | – | – | 57,760,058 | (2,082,806) | 55,677,252 |
| Total comprehensive income | – | – | 57,760,058 | – | – | 2,744,964,659 | – | 2,802,724,717 | 370,305,042 | 3,173,029,759 |
| **At December 31, 2013** | **₱1,385,000,000** | **₱27,026,913,866** | **₱27,710,882** | **₱116,459,430** | **₱4,340,251,453** | **₱4,710,692,005** | **(₱1,100,373,100)** | **₱36,506,654,536** | **₱1,475,814,190** | **₱37,982,468,726** |
| At January 1, 2012, as restated (Note 3) | ₱415,000,000 | ₱141,816,919 | (₱3,948,537) | ₱98,101,590 | ₱4,716,251,453 | ₱392,750,076 | ₱– | ₱5,759,971,501 | ₱729,226,419 | ₱6,489,197,920 |
| Acquisition of a subsidiary (Note 20) | – | – | – | – | – | – | – | – | 202,697,558 | 202,697,558 |
| Effect of decrease in ownership interest in subsidiaries (Note 2) | – | – | – | 18,357,840 | – | – | – | 18,357,840 | 28,306,160 | 46,664,000 |
| Net income, as restated (Note 3) | – | – | – | – | – | 1,199,643,937 | – | 1,199,643,937 | 145,279,011 | 1,344,922,948 |
| Other comprehensive loss | – | – | (26,100,639) | – | – | – | – | (26,100,639) | – | (26,100,639) |
| Total comprehensive income | – | – | (26,100,639) | – | – | 1,199,643,937 | – | 1,173,543,298 | 145,279,011 | 1,318,822,309 |
| **At December 31, 2012** | ₱415,000,000 | ₱141,816,919 | (₱30,049,176) | ₱116,459,430 | ₱4,716,251,453 | ₱1,592,394,013 | ₱– | ₱6,951,872,639 | ₱1,105,509,148 | ₱8,057,381,787 |
| At January 1, 2011 | ₱214,285,714 | ₱141,816,919 | ₱7,238,967 | ₱– | ₱2,850,919,810 | ₱1,780,023,877 | ₱– | ₱4,994,285,287 | ₱600,087,094 | ₱5,594,372,381 |
| Subscription (Note 19) | 200,714,286 | – | – | – | – | – | – | 200,714,286 | – | 200,714,286 |
| Incorporation of a subsidiary (Note 2) | – | – | – | – | – | – | – | – | 8,230,600 | 8,230,600 |
| Effect of decrease in ownership interest in subsidiaries (Note 2) | – | – | – | 98,101,590 | – | – | – | 98,101,590 | 127,898,410 | 226,000,000 |
| Dividends paid | – | – | – | – | – | (5,000,000) | – | (5,000,000) | – | (5,000,000) |
| Appropriation during the year | – | – | – | – | 1,865,331,643 | (1,865,331,643) | – | – | – | – |
| Net income (loss), as restated | – | – | – | – | – | 483,057,842 | – | 483,057,842 | (6,989,685) | 476,068,157 |
| Other comprehensive loss | – | – | (11,187,504) | – | – | – | – | (11,187,504) | – | (11,187,504) |
| Total comprehensive income | – | – | (11,187,504) | – | – | 483,057,842 | – | 471,870,338 | (6,989,685) | 464,880,653 |
| **At December 31, 2011** | ₱415,000,000 | ₱141,816,919 | (₱3,948,537) | ₱98,101,590 | ₱4,716,251,453 | ₱392,750,076 | ₱– | ₱5,759,971,501 | ₱729,226,419 | ₱6,489,197,920 |

*See accompanying Notes to Consolidated Financial Statements.*

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
## (Formerly Robinsons Holdings, Inc. and Subsidiaries)
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Notes 3 and 24) | 2011 (As restated - Notes 3 and 24) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱4,319,510,651** | ₱1,770,572,589 | ₱661,939,555 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 13, 15 and 22) | **999,878,389** | 1,577,933,781 | 1,259,128,565 |
| Interest expense (Note 18) | **77,328,731** | 58,217,332 | 35,389,303 |
| Provision for impairment losses - property and equipment (Notes 13 and 22) | **–** | 21,474,843 | 75,799,932 |
| Provision for impairment losses - receivables (Notes 10 and 22) | **–** | – | 29,461,011 |
| Loss on asset retirement/derecognition | **–** | 1,159,725 | 399,018 |
| Unrealized foreign currency exchange loss (gain) - net | **(25,247,402)** | 19,404,733 | – |
| Dividend income (Note 9) | **(3,271,519)** | (4,363,038) | (11,455,214) |
| Interest income (Notes 7 and 8) | **(113,390,746)** | (114,125,136) | (106,712,251) |
| Investment income (Note 25) | **–** | (129,874,167) | – |
| Equity in net earnings of an associate (Note 14) | **(191,465,985)** | (159,023,568) | (144,389,965) |
| Operating income before working capital changes | **5,063,342,119** | 3,041,377,094 | 1,799,559,954 |
| Increase in: | | | |
| Trade and other receivables | **(195,855,452)** | (97,987,870) | (99,567,410) |
| Merchandise inventories | **(1,023,856,670)** | (1,423,157,427) | (535,236,158) |
| Other current assets | **(279,134,408)** | (207,265,461) | (80,520,915) |
| Short-term investments | **(1,272)** | (25,665,672) | – |
| Increase (decrease) in: | | | |
| Trade and other payables | **(252,250,054)** | 2,011,969,559 | 1,195,486,115 |
| Other current liabilities | **(31,579,242)** | 19,738,909 | 70,855,737 |
| Net pension liability | **47,513,813** | 20,794,303 | 18,675,593 |
| Net cash flows generated from operations | **3,328,178,834** | 3,339,803,435 | 2,369,252,916 |
| Interest received | **56,317,604** | 112,741,087 | 108,151,896 |
| Income tax paid | **(637,923,685)** | (214,787,204) | (202,858,573) |
| Net cash flows provided by operating activities | **2,746,572,753** | 3,237,757,318 | 2,274,546,239 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Dividends received (Note 9) | **3,271,519** | 4,363,038 | 11,455,214 |
| Proceeds from disposals of: | | | |
| Property and equipment | **36,790,803** | 12,859,083 | 9,034,853 |
| AFS financial assets | **50,000,000** | – | 100,000,000 |
| Shares of stocks (Note 25) | – | 141,667,700 | – |
| Acquisitions of: | | | |
| Property and equipment (Note 13) | **(2,790,698,668)** | (1,911,949,758) | (1,651,086,267) |
| License (Note 15) | – | (121,212,122) | – |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | 2012 (As restated - Notes 3 and 24) | 2011 (As restated - Notes 3 and 24) |
| Acquisition through business combination - net of cash received (Note 20) | **(₱408,722,500)** | (₱2,152,086,495) | ₱– |
| Increase in other noncurrent assets | **(213,136,081)** | (132,040,038) | (87,905,324) |
| Net cash flows used in investing activities | **(3,322,494,927)** | (4,158,398,592) | (1,618,501,524) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from stock issuance (Notes 2 and 19) | **28,600,750,000** | 46,664,000 | 299,230,600 |
| Acquisition of treasury shares | **(1,100,373,100)** | – | – |
| Payment of transaction costs | **(745,653,053)** | – | – |
| Proceeds from loan availments (Note 18) | **100,000,000** | 2,003,516,791 | – |
| Payment of loans (Note 18) | **(2,120,781,856)** | (261,802,436) | – |
| Interest paid (Note 18) | **(71,500,108)** | (58,217,332) | (35,389,303) |
| Dividends paid | **(2,666,667)** | – | (5,000,000) |
| Net cash flows provided by financing activities | **24,659,775,216** | 1,730,161,023 | 258,841,297 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **24,083,853,042** | 809,519,749 | 914,886,012 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **6,051,728,328** | 5,242,208,579 | 4,327,322,567 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 7) | **₱30,135,581,370** | ₱6,051,728,328 | ₱5,242,208,579 |

*See accompanying Notes to Consolidated Financial Statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

Robinsons Retail Holdings, Inc. (formerly Robinsons 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 35.49% owned by JE Holdings, Inc., 34.1% 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 110 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

On March 26, 2013, the SEC approved the change of the Parent Company's corporate name from Robinsons Holdings, Inc. to Robinsons Retail Holdings, Inc.

## 2. 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 Group's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

The Group's management opted to change the presentation of its consolidated statements of comprehensive income. "Gross profit" and "Gross profit including other revenue" have been presented to assist users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes and computation of financial ratios. The Group's management believes that the inclusion of "Gross profit" and "Gross profit including other revenue", which included the "royalty, rent and other revenue" line item, for the years ended December 31, 2013, 2012 and 2011 would be more useful to the users of the consolidated financial statements. The 2012 and 2011 line items were presented to conform with the 2013 presentation.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). An additional consolidated statement of financial position as at January 1, 2012 is presented in the consolidated financial statements due to retrospective application of accounting policies as a result of the adoption of the new accounting standards (Note 3).

In 2013, the Group finalized the purchase price allocation and the fair value computation of trademark and goodwill from its acquisition of South Star Drug, Inc. (SSDI), a subsidiary, through business combination on July 4, 2012. The December 31, 2012 comparative information was restated to reflect the adjustment to the provisional amounts (Note 20).

Basis of Consolidation
The consolidated financial statements as of December 31, 2013, 2012 and 2011 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

| | **2013** | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | **Percentage of Ownership** | | | | | |
| Investee Companies | **Direct** | **Indirect** | Direct | Indirect | Direct | Indirect |
| Robinsons, Inc. (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% |
| Robinsons Distribution Center, Inc. (RDCI) | – | – | – | – | – | 100.00% |
| SSDI | – | **45.00%** | – | 45.00% | – | – |
| Robinsons Gourmet Food and Beverages, Inc. (RGFBI) | – | **100.00%** | – | – | – | – |
| Robinsons Supermarket Corporation (RSC) | **100.00%** | – | 100.00% | – | 100.00% | – |
| Angeles Supercenter, Inc. (ASI) | – | **67.00%** | – | 67.00% | – | 67.00% |
| Eurogrocer Corp. (EC) | – | **100.00%** | – | – | – | – |
| Robinsons Appliances Corp. (RAC) | – | **67.00%** | – | 67.00% | – | 67.00% |
| SSDI | – | **45.00%** | – | 45.00% | – | – |
| Robinsons Handyman, Inc. (RHMI) | – | **55.00%** | – | 55.00% | – | 55.00% |
| Handyman Express Mart, Inc. (HEMI) | – | **65.00%** | – | 65.00% | – | 65.00% |
| Waltermart Handyman, Inc. (WHI) | – | **65.00%** | – | 65.00% | – | 65.00% |
| Robinsons True Serve Hardware Philippines, Inc. (RTSHPI) | – | **66.67%** | – | 66.67% | – | 66.67% |
| 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 (RHDDS) | **59.40%** | – | 59.40% | – | 81.00% | – |
| RHMI Management and Consulting, Inc. | **100.00%** | – | – | – | – | – |
| RRHI Management and Consulting, Inc. | **100.00%** | – | – | – | – | – |
| RRG Trademarks and Private Labels, Inc. | **100.00%** | – | – | – | – | – |
| RRHI Trademarks Management, Inc. | **100.00%** | – | – | – | – | – |

All subsidiaries were incorporated in the Philippines.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

*Establishments and Acquisitions of New Companies*
On September 14, 2013, RSC acquired 100% ownership of EC, a Company engaged in the business of grocery retailing (Note 20).

On July 8, 2013, RGFBI, wholly-owned subsidiary of RI, was incorporated to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. RI provided equity funding to RGFBI amounting ₱100 million.

On May 23, 2013, RRG Trademarks and Private Labels, Inc., wholly-owned subsidiary of the Parent Company, was incorporated to administer and own marks that are registered to companies with shareholding owned by third parties. The Parent Company provided equity funding to RRG Trademarks and Private Labels, Inc. amounting ₱0.19 million.

On May 23, 2013, RRHI Trademarks Managements, Inc., wholly-owned subsidiary of the Parent Company, was incorporated to administer and own marks that are registered to companies that are wholly-owned by the Parent Company. The Parent Company provided equity funding to RRHI Trademarks Management, Inc. amounting ₱0.19 million.

On May 27, 2013, RHMI Management and Consulting, Inc., wholly-owned subsidiary of the Parent Company, was incorporated to handle management agreements in relation to companies with shareholdings owned by third parties. The Parent Company provided equity funding to RHMI Management and Consulting, Inc. amounting ₱0.19 million.

On May 27, 2013, RRHI Management and Consulting, Inc., wholly-owned subsidiary of the Parent Company, was incorporated to handle management agreements that are registered to companies that are wholly-owned by the Parent Company. The Parent Company provided equity funding to RRHI Management and Consulting, Inc. amounting ₱0.19 million.

On July 4, 2012, RSC and RI, wholly-owned subsidiaries of RRHI, each acquired 45% interest in SSDI, aggregating to 90% (Note 20).

*Merger Between RDCI and RCSI*
On May 24, 2012, the SEC approved the Plans and Articles of Merger (Merger) between RDCI and RCSI, the latter being the surviving entity. The merger was approved and ratified by the respective Board of Directors (BOD) and stockholders on April 10, 2012. Under the approved merger, the entire assets and liabilities of RDCI as of December 31, 2011 were merged and absorbed by RCSI with effective date of January 1, 2012.

The merger was undertaken to enhance and promote operating efficiencies and economies, and increase financial strength through pooling of resources to achieve more favorable financing and greater credit facilities.

No RCSI shares were issued in exchange for the net assets of the RDCI, considering that the latter is a wholly-owned subsidiary of the former. The total retained earnings of RDCI amounting ₱4,374,368 as of December 31, 2010 was recognized as a reduction from RCSI's deficit.

*Subscription to RCSI's Increase in Authorized Capital Stock*
On April 1, 2011, the BOD approved the increase in the authorized capital stock of RCSI from 600,000,000 common shares with par value of ₱1.00 per share to 1,000,000,000 common shares with par value of ₱1.00 per share. The SEC approved the increase in authorized capital stock on September 12, 2011.

Of the said increase in the authorized capital stock of 400,000,000 common shares, 174,000,000 shares have been subscribed by RI.

The transaction resulted in an increase in the non-controlling interest amounting ₱127,898,410. The difference between the increase in non-controlling interest and consideration paid amounting ₱98,101,590 was also recognized directly in equity under "Equity Reserve". The Parent Company maintains the same number of common shares it held in RCSI prior to the transaction.

*Subscription to RHDDS' Voting Shares*
In 2011, the Parent Company subscribed to 81% of the voting shares of RHDDS. RHDDS was organized and registered with the SEC on November 29, 2011. RHDDS has started commercial operations only in 2013.

In 2012, RHDDS issued an additional 15,764,000 shares, thereby increasing the issued and outstanding shares from 43,336,000 shares as of December 31, 2011 to 59,100,000 shares as of December 31, 2012, at ₱1 par value.

The Parent Company did not subscribe to the additional issuance of shares during the year which resulted to the decrease in the direct interest in RHDDS from 81% to 59.40%.

The transaction resulted in an increase in the non-controlling interest amounting ₱28,306,160. The difference between the increase in non-controlling interest and consideration paid amounting ₱18,357,840 was also recognized directly in equity under "Equity Reserve". The Parent Company maintains the same number of common shares it held RHDDS prior to the transaction.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group 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.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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 non-controlling interests 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 Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- 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's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

## 3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2013. Except as otherwise stated, the adoption of these new and amended Standards and Philippine Interpretations did not have any impact on the consolidated financial statements:

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012)
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and the Group's consolidated financial statements showed the grouping in the consolidated statement of comprehensive income.

- Revised PAS 19, *Employee Benefits* (effective for annual periods beginning on or after January 1, 2013)
  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses immediately to profit or loss while past service cost, if any, is recognized immediately to profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost is amortized on a straight-line basis over the vesting period. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur. Moving forward, the Group will retain the recognized actuarial gains and losses in OCI and will not be reclassified to profit or loss in subsequent period but permanently in equity.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

| | As at December 31, 2012 | As at January 1, 2012 |
|---|---|---|
| Consolidated statement of financial position | | |
| Increase (decrease) in: | | |
| Net plan assets | ₱– | ₱– |
| Deferred tax assets | 30,696,247 | 22,821,985 |
| Net pension liabilities | 106,147,340 | 79,899,798 |
| Other comprehensive loss (income) | 70,017,432 | (12,715,519) |
| Retained earnings | (9,232,912) | (70,581,166) |
| Noncontrolling interest | (263,567) | 787,834 |

| | 2012 |
|---|---|
| Consolidated statement of comprehensive income | |
| Increase (decrease) in: | |
| Net pension expense | (₱5,804,026) |
| Provision for income tax | 1,741,208 |
| Net income | 4,062,818 |
| Other comprehensive loss for the period, net of tax | 22,436,098 |

There is no material impact on the consolidated statement of cash flow and to the basic and diluted earnings per share (EPS).

Restatement in Prior Year's Consolidated Financial Statements
The consolidated statements of financial position as at December 31, 2012 and January 1, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2012 have been restated to effect the retrospective application of Revised PAS 19.

The effects of the above restatements on the deferred tax assets, net pension liabilities, retained earnings, net income, other comprehensive income (loss) and non-controlling interests (NCI) follow:

As at January 1, 2012

| | Deferred tax assets (Note 26) | Pension liabilities (Note 24) | Retained earnings | Other comprehensive loss | NCI |
|---|---|---|---|---|---|
| As previously reported | ₱122,724,501 | ₱135,514,466 | ₱5,179,582,695 | (₱16,664,056) | ₱728,438,585 |
| Effect of change on accounting for employee benefits: | | | | | |
| Actuarial losses transferred to other comprehensive income | – | 79,899,798 | (70,581,166) | 18,165,027 | 787,834 |
| Deferred tax asset on the beginning balance of pension liability | 2,429,984 | – | – | – | – |
| Deferred tax asset on actuarial losses transferred to other comprehensive income | 20,392,001 | – | – | (5,449,508) | – |
| | 22,821,985 | 79,899,798 | (70,581,166) | 12,715,519 | 787,834 |
| As restated | ₱145,546,486 | ₱215,414,264 | ₱5,109,001,529 | (₱3,948,537) | ₱729,226,419 |

As at December 31, 2012

| | Deferred tax assets (Note 26) | Pension liabilities (Note 24) | Retained earnings | Net income | Other comprehensive loss | NCI |
|---|---|---|---|---|---|---|
| As previously reported | ₱121,145,865 | ₱179,125,207 | ₱6,317,878,378 | ₱1,340,860,130 | ₱39,968,256 | ₱1,105,772,715 |
| Effect of change on accounting for employee benefits: | | | | | | |
| Actuarial losses transferred to other comprehensive income | – | – | – | – | (100,024,903) | (263,567) |
| Adjustments on: | | | | | | |
| Net pension liabilities | 2,429,984 | 106,147,340 | (13,295,730) | – | – | – |
| Pension expense | 7,874,262 | – | 5,804,026 | 5,804,026 | – | – |
| Actuarial losses recognized as part of pension expense | – | – | (1,741,208) | – | – | – |
| Deferred tax asset on adjustment to pension expense | – | – | – | (1,741,208) | – | – |
| Deferred tax asset on actuarial losses transferred to other comprehensive income | 20,392,001 | – | – | – | 30,007,471 | – |
| | 30,696,247 | 106,147,340 | (9,232,912) | 4,062,818 | (70,017,432) | (263,567) |
| As restated | ₱151,842,112 | ₱285,272,547 | ₱6,308,645,466 | ₱1,344,922,948 | (₱30,049,176) | ₱1,105,509,148 |

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments - Presentation.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in Philippine Accounting Standards (PAS) 32 when determining the net amounts presented in the consolidated statement of financial position;
  c) The net amounts presented in the consolidated statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (c) from the amounts in (d) above.

  As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Group.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - *Special Purpose Entities.* PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes

introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 had no impact on the consolidated financial statements of the Group.

- PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of PFRS 11 had no impact on the Group's financial position and performance as the Group has no interest in joint venture.

- PFRS 12, *Disclosures of Interests with Other Entities* (effective for annual periods beginning on or after January 1, 2013)
  This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group provides these disclosures in Notes 2 and 14.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The amendments affect disclosures and the valuation of the Group's investments in AFS financial assets and preferred stock of Robinsons Bank Corporation. The changes in the valuation are reflected in the OCI (Notes 9 and 14).

- Revised PAS 27, *Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2013)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- Revised PAS 28, *Investment in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2013)
  As a consequence of the issuance of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, and describes the application of the equity method to investments in joint ventures in addition to associates. The application of this new standard did not significantly impact the consolidated financial statements of the Group.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

*Annual Improvements to PFRS* (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year. Except as otherwise indicated, the following new and amended PFRS and Philippine Interpretations did not have significant impact on the consolidated financial statements of the Group:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment is not relevant to the Group.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information* (effective for annual periods beginning on or after January 1, 2013)
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendment affects presentation only and the Group's financial statements showed the grouping in the consolidated statement of comprehensive income.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The Group has no spare parts, stand-by equipment and servicing equipment.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The adoption did not impact the consolidated financial statements.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating

decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The adoption did not have material impact in the consolidated financial statements.

Future Changes in Accounting Policies
The Group will adopt the following standards, interpretations and amendments to standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations from IFRIC to have significant impact on the Group's consolidated financial statements.

*Effective 2014*

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will affect disclosures only and will have no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies* (effective for annual periods beginning on or after January 1, 2014)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in the consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*(effective for annual periods beginning on or after January 1, 2014)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Group does not expect that these amendments will have material financial impact in the consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)* (effective for annual periods beginning on or after January 1, 2014)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that these amendments will have material financial impact in the consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Group's financial position or performance.

*Effective 2015*

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  The Group will assess the impact of PFRS 9 in its consolidated financial statements upon completion of all phases of PFRS 9.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This Philippine Interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation is not relevant to the Group as it is not involved in real estate business.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after July 1, 2014)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service.

Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be applied retrospectively. The amendments will have no significant impact on the Group's financial position or performance.

*Annual Improvements to PFRS* (2010-2012 cycle)
The *Annual Improvements to PFRS* (2010-2012 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after July 1, 2014. Except as otherwise indicated, the Group does not expect the adoption of these new standards to have significant impact on the Group's consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. The amendment is to be applied prospectively. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are to be applied retrospectively. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying

amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are to be applied retrospectively. The amendments affect disclosures only and will have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance.

*Annual Improvements to PFRS* (2011-2013 cycle)
The *Annual Improvements to PFRS* (2011-2013 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied prospectively. Except as otherwise indicated, the Group does not expect the adoption of these new standards to have significant impact on the Group's consolidated financial statements.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations  Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment will have no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. The amendment will have no impact on the Group's financial position or performance.

## 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:

*Sales revenue*
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*
Lease 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, cash equivalents and short-term cash investments is recognized as the interest accrues using the effective interest method.

*Dividend income and other income*
Dividend income and other 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 of financial instruments*
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. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at cost or amortized cost.

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.

*Determination of fair value*
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.

As of December 31, 2013 and 2012, the financial instruments of the Group are classified as loans and receivables, AFS financial assets and other financial liabilities. AFS financial assets were sold in 2013 (Note 9).

*Day 1 profit*
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’ profit) in the consolidated statement of comprehensive income. In cases where 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’ profit amount.

*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 measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as OCI in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is recognized in the consolidated statement of 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. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

This accounting policy relates primarily to the Group's investments in equity securities and non-voting preferred shares.

*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, the loans and receivables are subsequently 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 effective interest rate (EIR).

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

*Receivables*
Receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition, and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. Gains and losses are recognized in profit or loss, when the receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy applies primarily to the Group's trade and other receivables (Note 10).

*Financial liabilities*
Issued financial instruments or their components, which are not designated 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 subsequently 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, loans payable and other current liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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.

The Group has no financial instruments that contain both liability and equity elements.

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. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statement of financial position.

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

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

In 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 the consolidated statement of changes in equity and recognized in the consolidated statement of comprehensive income.

Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

*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 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, 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 rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its 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.

Embedded Derivative

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments designated at FVPL; when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts; and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or liabilities at FVPL. Changes in fair values are included in the profit and loss.

As of December 31, 2013 and 2012, the Group's interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either gain or loss on embedded derivative.

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, excluding cash on hand, are classified and accounted for as loans and receivables.

Merchandise Inventories

Merchandise inventories are stated at the lower of cost or net realizable value (NRV). Cost is determined using the retail inventory method. Under the retail inventory method, which approximates the lower of cost or NRV, inventory is valued by applying a cost-to-retail ratio to the ending retail value of inventory. 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 an Associate

Investment in an associate is accounted for under the equity method of accounting.
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the investee company 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 investee company, less any impairment in value. The profit or loss reflects the share of the results of the operations of the investee company reflected as "Equity in net earnings of an associate" under "Other income (charges)" in the consolidated statement of comprehensive income. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investee's post acquisition movements in the investee's equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the investee company are eliminated to the extent of the interest in the investee company 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 their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company 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 investee company and the Group are identical and the investee companies' 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 its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount under "Other expenses" in the consolidated statement of income.

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

Business Combination and Goodwill

PFRS 3 provides that 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 acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve 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 acquirer 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 acquirer 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 loss. 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 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 income any excess remaining after reassessment.

<u>Property and Equipment</u>
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 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. Construction in-progress 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 are as follows:

| | Years |
|---|---|
| Leasehold improvements | 10 |
| Store furniture and fixtures | 10 |
| Office furniture and fixtures | 10 |
| Transportation equipment | 10 |
| Building and other equipment | 20 |
| 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.

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 useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 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.

*License*

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 statement of comprehensive income under "Operating expenses" account.

*Trademark*

Trademark was acquired through business combination in 2012 and was recognized at fair value at the date of acquisition. This has indefinite useful life. Following initial recognition, the trademark is carried at cost and subject to annual impairment testing.

Impairment of Nonfinancial Assets

This accounting policy primarily applies to the Group's property and equipment, investment in an associate 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 an associate*
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 the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in an associate 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 investee company and recognizes the difference in profit or loss.

*Impairment of goodwill*
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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.

<u>Pension Cost</u>
*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. 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 high quality corporate 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.

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 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.

<u>Income Tax</u>
*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 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 profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss 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 19). 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.

Retained Earnings
Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries (Note 19).

Treasury Shares
Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance. The retained earnings account is restricted to payment of dividends to the extent of the cost of treasury shares (Note 19).

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 was initially included in the lease term;
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 and 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.

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, 2013, 2012 and 2011 (Note 27).

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.

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 notes when material.

## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS 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:

*Going concern*

The management of the Group has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Group is not aware of any material uncertainties that may cast significant doubts upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

*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 determine 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.

*Operating lease commitments - Group as lessor*
The Group has entered into lease agreements to provide store facilities and equipment (Note 29). The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

*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).

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations (Note 31).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and 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.

*Determining fair values of financial assets and liabilities*
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. Fair value disclosures are provided in Note 28.

*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 collectibility 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 judgments or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

The related balances follow (Note 10):

| | **2013** | 2012 |
|---|---|---|
| Trade and other receivables | **₱1,138,494,240** | ₱766,839,732 |
| Allowance for impairment losses | **30,042,101** | 30,042,101 |

*Impairment of AFS financial assets*
The Group determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value of the investment below its cost or whether other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' greater than six (6) months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of AFS financial assets amounted to ₱51,800,000 as of December 31, 2012 (Note 9). The AFS financial assets were sold in 2013. In 2012, no impairment losses on AFS financial assets have been recognized by the Group.

*Allowance for impairment losses on merchandise inventories*
The Group uses the retail method of inventory valuation. Under the retail method, inventory markdowns are considered in determining the cost of inventories. The Group has made assumptions in determining the amount of markdown to be recognized based on the information available.

No provision for impairment losses on merchandise inventories was recognized in 2013 and 2012.

Merchandise inventories amounted to ₱7,028,810,289 and ₱6,081,812,428 as of December 31, 2013 and 2012, respectively (Note 11).

*EUL of property and equipment*
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The EUL of property and equipment are reviewed annually, considering factors such as asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

In 2013, the management concluded its reassessment of the EUL of its property and equipment items to reflect the appropriate pattern of economic benefits. The changes in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by ₱780.64 million for the year ended December 31, 2013 (Note 13).

The related balances follow (Notes 13 and 22):

| | **2013** | 2012 |
|---|---|---|
| Property and equipment - cost | **₱15,940,122,419** | ₱13,425,687,017 |
| Accumulated depreciation and amortization | **8,967,534,007** | 8,164,823,095 |
| Depreciation and amortization | **987,128,720** | 1,575,865,596 |

*Evaluation of impairment of nonfinancial assets*
The Group reviews property and equipment, investment in an associate and intangible assets for impairment of value.

The Group estimates the recoverable amount as the higher of the fair value les 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 an associate 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 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, 2013 and 2012, no indicators of impairment exist for property and equipment, investment in an associate and intangible assets.

The related carrying values as at December 31 follow (Notes 13, 14 and 15):

| | **2013** | 2012 |
|---|---:|---:|
| Property and equipment - net | **₱6,896,788,480** | ₱5,163,589,147 |
| Investment in an associate | **333,066,088** | 498,272,711 |
| Trademark | **1,566,917,532** | 1,566,917,532 |
| Licenses | **109,090,910** | 121,212,122 |

*Impairment of goodwill*
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimate of the recoverable amounts which is the net selling price or value in use of the CGUs to which the goodwill is allocated. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGUs and choose a suitable discount rate in order to calculate the present value of those cash flows.

As of December 31, 2013 and 2012, the Group has determined that goodwill is recoverable as there were no indications that it is impaired. Goodwill amounted to ₱1,230,595,790 and ₱831,048,599 as of December 31, 2013 and 2012, respectively (Note 15).

*Pension and other retirement benefits*
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24, and include, among others, discount rate and salary rates increase.

The related amounts as at and for the year ended December 31 follow (Note 24):

| | **2013** | 2012 |
|---|---:|---:|
| Net pension liabilities | **₱361,181,660** | ₱285,272,547 |
| Pension expense | **52,543,936** | 44,021,711 |
| Present value of defined benefit obligation | **378,150,409** | 301,606,425 |
| Actuarial losses recognized in OCI | **28,395,304** | 32,051,568 |

*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 profit 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 profit against which recognized deferred tax assets will be realized.

As of December 31, 2013 and 2012, the Group has deferred tax assets amounting ₱119,331,416 and ₱151,842,112, respectively (Note 26).

*Purchase price allocation*
Acquisition of SSDI
In December 2013, the Group finalized the purchase price allocation and the fair value computation of trademark and goodwill. The December 31, 2012 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, trademark, deferred tax liability and non-controlling interest increased by ₱1,566,917,532, ₱470,075,260 and ₱109,684,227, respectively (Note 20).

The final purchase price allocation resulted in goodwill of ₱745,887,131(Notes 15 and 20).

Acquisition of EC and Beauty Skinnovations Retail, Inc. (BSRI)
As of December 31, 2013, the purchase price allocation relating to the Group's business acquisitions have been prepared on a preliminary basis. The provisional fair values of the assets acquired and liabilities assumed as of date of acquisition, as of September 14, 2013 and December 5, 2013, respectively, were based on the net book values of the identifiable assets and liabilities since these approximate the fair values (Note 20). The difference between the total consideration and the net assets is recognized as goodwill, as follows (Note 15):

| | EC | BSRI |
|---|---|---|
| Total consideration | ₱318,722,500 | ₱90,000,000 |
| Net assets | 2,500,000 | 6,675,309 |
| Goodwill | ₱316,222,500 | ₱83,324,691 |

## 6. **Operating Segment**

Business Segment
The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including interest income, dividend income and interest expense) and income taxes are managed on a group basis and are not allocated to operating segments. The Group evaluates performance based on earnings before interest and taxes, and earnings before interest and taxes, depreciation and amortization. The Group does not report its results based on geographical segments because the Group operates only in the Philippines.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Cost and expenses exclude interest, taxes, depreciation and amortization.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statement of financial position which is in accordance with PFRS.

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  The first major retailer to promote health and wellness. Robinson's Supermarket commits to bring together healthy options and affordable prices in a refreshingly clean and organized shopping destination. It makes a bold lifelong commitment to educate and empower its customers to make healthy choices.

- *Department Store Division*
  Robinson's department store is one of the premier shopping destinations in the country today. It offers an exceptional selection of merchandise from top international and local brands. From the trendiest fashion pieces, the most coveted lifestyle products, the latest items for the home, to playthings and necessities for the little ones. It provides experience that goes beyond ordinary shopping.

- *Hardware Division*
  Handyman has grown to be one of the most aggressive hardware and home improvement centers in the country. It aims to cover the Philippine landscape with more branches in key commercial centers to promote self reliance among do-it yourselfers.

- *Convenience Store Division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd., one 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*
  South Star Drug Store offers over a thousand brands from food and pharmaceuticals to personal care products.

- *Specialty Store Division*
  Robinsons Specialty Stores Inc. is the lifestyle retail arm of the Group. It is committed to bringing the best loved international lifestyle brands, top entertainment systems, and unparalleled selection of toys and games.

**2013**

| | Supermarket Division | Department Store Division | Hardware Division | Convenience Store Division | Drug store Division | Specialty Store Division | Parent Company | Intersegment Eliminating Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Segment net sales | ₱32,491,221,803 | ₱11,876,966,278 | ₱7,094,945,148 | ₱4,207,766,150 | ₱6,287,383,823 | ₱5,295,891,867 | ₱– | ₱– | ₱67,254,175,069 |
| Intersegment net sales | – | – | – | – | – | 517,554,978 | – | (517,554,978) | – |
| **Total net sales** | 32,491,221,803 | 11,876,966,278 | 7,094,945,148 | 4,207,766,150 | 6,287,383,823 | 5,813,446,845 | – | (517,554,978) | 67,254,175,069 |
| Segment cost of merchandise sold | 26,452,111,484 | 8,242,931,142 | 4,900,551,174 | 3,842,421,540 | 5,274,408,704 | 4,230,046,378 | – | – | 52,942,470,422 |
| Intersegment cost of merchandise sold | – | 517,554,978 | – | – | – | – | – | (517,554,978) | – |
| **Total cost of merchandise sold** | 26,452,111,484 | 8,760,486,120 | 4,900,551,174 | 3,842,421,540 | 5,274,408,704 | 4,230,046,378 | – | (517,554,978) | 52,942,470,422 |
| **Gross profit** | 6,039,110,319 | 3,116,480,158 | 2,194,393,974 | 365,344,610 | 1,012,975,119 | 1,583,400,467 | – | – | 14,311,704,647 |
| Segment other income | 85,549,016 | 36,222,180 | – | 1,093,674,442 | 88,821,412 | 16,475,995 | | | 1,320,743,045 |
| Intersegment other income | 94,687,981 | – | – | – | – | – | – | (94,687,981) | – |
| **Total other income** | 180,236,997 | 36,222,180 | – | 1,093,674,442 | 88,821,412 | 16,475,995 | – | (94,687,981) | 1,320,743,045 |
| **Gross profit including other income** | 6,219,347,316 | 3,152,702,338 | 2,194,393,974 | 1,459,019,052 | 1,101,796,531 | 1,599,876,462 | – | (94,687,981) | 15,632,447,692 |
| Segment operating expenses | 3,979,650,769 | 2,112,052,811 | 1,404,861,640 | 1,107,833,455 | 771,557,942 | 1,192,570,430 | 578,526 | – | 10,569,105,573 |
| Intersegment operating expenses | – | 54,072,680 | 19,411,630 | – | 10,433,968 | 10,769,703 | – | (94,687,981) | – |
| **Total operating expenses** | 3,979,650,769 | 2,166,125,491 | 1,424,273,270 | 1,107,833,455 | 781,991,910 | 1,203,340,133 | 578,526 | (94,687,981) | 10,569,105,573 |
| **Earnings before interest, taxes and depreciation and amortization** | 2,239,696,547 | 986,576,847 | 770,120,704 | 351,185,597 | 319,804,621 | 396,536,329 | (578,526) | – | 5,063,342,119 |
| Depreciation and amortization | 429,917,633 | 156,697,678 | 100,167,026 | 157,367,231 | 36,917,657 | 118,811,164 | – | – | 999,878,389 |
| **Earnings before interest and taxes** | 1,809,778,914 | 829,879,169 | 669,953,678 | 193,818,366 | 282,886,964 | 277,725,165 | (578,526) | – | 4,063,463,730 |
| Interest expense | (27,452,902) | (19,876,725) | – | (7,698,451) | (16,086,652) | (6,214,001) | – | – | (77,328,731) |
| Interest income | 3,625,401 | 15,673,289 | 14,947,577 | 4,633,347 | 6,023,053 | 5,446,387 | 63,041,692 | – | 113,390,746 |
| Dividend income | 3,271,519 | – | – | – | – | – | 600,000,000 | (600,000,000) | 3,271,519 |
| Unrealized forex gain (loss) | – | – | – | – | – | – | 25,247,402 | – | 25,247,402 |
| Equity in net earnings of an associate | – | – | – | – | – | – | 191,465,985 | – | 191,465,985 |
| **Income before income tax** | ₱1,789,222,932 | ₱825,675,733 | ₱684,901,255 | ₱190,753,262 | ₱272,823,365 | ₱276,957,551 | ₱879,176,553 | (₱600,000,000) | ₱4,319,510,651 |
| **Assets and Liabilities** | | | | | | | | | |
| Segment assets | 8,916,781,572 | 3,585,222,266 | 3,119,843,992 | 1,965,131,397 | 2,471,831,550 | 3,277,220,905 | 29,681,084,428 | (716,283,344) | 52,300,832,766 |
| Investment in subsidiaries - at cost | 1,326,328,033 | 1,834,770,374 | – | – | – | – | 1,676,874,134 | (4,837,972,541) | – |
| **Total segment assets** | ₱10,243,109,605 | ₱5,419,992,640 | ₱3,119,843,992 | ₱1,965,131,397 | ₱2,471,831,550 | ₱3,277,220,905 | ₱31,357,958,562 | (₱5,554,255,885) | ₱52,300,832,766 |
| **Total segment liabilities** | ₱6,844,207,761 | ₱3,174,876,168 | ₱1,567,961,888 | ₱1,237,499,026 | ₱1,288,897,318 | ₱2,737,821,786 | ₱57,161,317 | (₱2,590,061,224) | ₱14,318,364,040 |
| **Other segment information:** | | | | | | | | | |
| **Capital expenditures** | ₱1,256,619,038 | ₱424,889,966 | ₱215,550,405 | ₱315,365,266 | ₱78,615,191 | ₱505,704,047 | ₱– | ₱– | ₱2,796,743,913 |

**2012**

| | Supermarket Division | Department StoreDivision | Hardware Division | Convenience Store Division | DrugStore Division | SpecialtyStore Division | Parent Company | Intersegment Eliminating Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Segment net sales | ₱29,294,898,956 | ₱11,374,217,351 | ₱6,194,963,277 | ₱3,825,530,134 | ₱2,442,556,867 | ₱4,261,082,228 | ₱– | ₱– | ₱57,393,248,813 |
| Intersegment net sales | – | – | – | – | – | 501,068,295 | – | (501,068,295) | – |
| Total net sales | 29,294,898,956 | 11,374,217,351 | 6,194,963,277 | 3,825,530,134 | 2,442,556,867 | 4,762,150,523 | – | (501,068,295) | 57,393,248,813 |
| Segment cost of merchandise sold | 24,438,672,246 | 8,234,478,000 | 4,623,741,579 | 3,485,644,893 | 2,083,140,089 | 3,548,776,372 | – | – | 46,414,453,179 |
| Intersegment cost of merchandise sold | – | 501,068,295 | | – | | | – | (501,068,295) | – |
| Total cost of merchandise sold | 24,438,672,246 | 8,735,546,295 | 4,623,741,579 | 3,485,644,893 | 2,083,140,089 | 3,548,776,372 | – | (501,068,295) | 46,414,453,179 |
| Gross profit | 4,856,226,710 | 2,638,671,056 | 1,571,221,698 | 339,885,241 | 359,416,778 | 1,213,374,151 | – | – | 10,978,795,634 |
| Segment other income | 60,012,804 | 8,636,640 | – | 947,775,202 | 48,583,357 | 13,580,152 | | – | 1,078,588,155 |
| Intersegment other income | 94,452,707 | – | – | – | – | – | – | (94,452,707) | – |
| Total other income | 154,465,511 | 8,636,640 | – | 947,775,202 | 48,583,357 | 13,580,152 | | (94,452,707) | 1,078,588,155 |
| Gross profit including other income | 5,010,692,221 | 2,647,307,696 | 1,571,221,698 | 1,287,660,443 | 408,000,135 | 1,226,954,303 | | (94,452,707) | 12,057,383,789 |
| Segment operating expenses | 3,737,259,477 | 1,899,590,296 | 1,117,673,208 | 993,367,374 | 303,218,920 | 966,001,166 | 55,978 | – | 9,017,166,419 |
| Intersegment operating expenses | – | 63,104,601 | 17,846,723 | – | 3,608,937 | 9,892,446 | – | (94,452,707) | – |
| Total operating expenses | 3,737,259,477 | 1,962,694,897 | 1,135,519,931 | 993,367,374 | 306,827,857 | 975,893,612 | 55,978 | (94,452,707) | 9,017,166,419 |
| Earnings before interest, taxes and depreciation and amortization | 1,273,432,744 | 684,612,799 | 435,701,767 | 294,293,069 | 101,172,278 | 251,060,691 | (55,978) | – | 3,040,217,370 |
| Depreciation and amortization* | 709,740,940 | 304,453,587 | 162,919,190 | 225,535,609 | 23,096,030 | 173,663,269 | – | – | 1,599,408,625 |
| Earnings before interest and taxes | 563,691,804 | 380,159,212 | 272,782,577 | 68,757,460 | 78,076,248 | 77,397,422 | (55,978) | | 1,440,808,745 |
| Interest expense | (15,545,833) | (10,659,444) | – | (19,981,130) | (5,184,216) | (6,846,709) | – | – | (58,217,332) |
| Interest income | 9,801,335 | 29,419,689 | 21,572,499 | 9,080,572 | 4,029,990 | 13,494,576 | 26,726,475 | – | 114,125,136 |
| Dividend income | 4,363,038 | – | – | – | – | – | – | – | 4,363,038 |
| Investment income | – | 129,874,167 | – | – | – | – | – | – | 129,874,167 |
| Unrealized forex gain (loss) | – | – | – | – | – | – | (19,404,733) | – | (19,404,733) |
| Equity in net earnings of an associate | – | – | – | – | – | – | 159,023,568 | – | 159,023,568 |
| Income before income tax | ₱562,310,344 | ₱528,793,624 | ₱294,355,076 | ₱57,856,902 | ₱76,922,022 | ₱84,045,289 | ₱166,289,332 | ₱– | ₱1,770,572,589 |
| Assets and Liabilities | | | | | | | | | |
| Segment assets | ₱7,000,611,015 | ₱3,992,747,419 | ₱2,614,931,910 | ₱1,736,225,785 | ₱2,325,383,829 | ₱2,370,573,837 | ₱1,955,433,184 | ₱2,235,763,729 | ₱24,231,670,708 |
| Investment in subsidiaries - at cost | 1,326,328,033 | 1,734,770,374 | – | – | – | – | 1,676,124,134 | (4,737,222,541) | – |
| Total segment assets | ₱8,326,939,048 | ₱5,727,517,793 | ₱2,614,931,910 | ₱1,736,225,785 | ₱2,325,383,829 | ₱2,370,573,837 | ₱3,631,557,318 | (₱2,501,458,812) | ₱24,231,670,708 |
| Total segment liabilities | ₱5,933,317,905 | ₱3,697,880,183 | ₱1,543,649,855 | ₱1,148,796,633 | ₱1,335,027,794 | ₱2,153,351,538 | ₱30,279,168 | ₱332,185,845 | ₱16,174,488,921 |
| Other segment information: | | | | | | | | | |
| Capital expenditures | ₱934,376,571 | ₱445,658,996 | ₱237,504,497 | ₱91,589,710 | ₱205,753,858 | ₱178,990,961 | ₱– | ₱– | ₱2,093,874,593 |

*includes impairment losses amounting ₱21,474,843.

**2011**

| | Supermarket Division | Department Store Division | Hardware Division | Convenience Store Division | Drug Store Division | Specialty Store Division | Parent Company | Intersegment Eliminating Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| Segment net sales | ₱25,642,964,644 | ₱10,314,647,643 | ₱5,381,804,456 | ₱3,480,980,715 | ₱– | ₱3,482,899,972 | ₱– | ₱– | ₱48,303,297,430 |
| Intersegment net sales | 60,035,331 | – | – | – | – | 478,628,714 | – | (538,664,045) | – |
| Total net sales | 25,702,999,975 | 10,314,647,643 | 5,381,804,456 | 3,480,980,715 | – | 3,961,528,686 | – | (538,664,045) | 48,303,297,430 |
| Segment cost of merchandise sold | 21,815,627,269 | 7,540,010,765 | 4,012,140,783 | 3,197,989,773 | – | 3,030,331,717 | – | – | 39,596,100,307 |
| Intersegment cost of merchandise sold | – | 520,559,350 | 12,404,286 | – | – | 5,700,408 | – | (538,664,044) | – |
| Total cost of merchandise sold | 21,815,627,269 | 8,060,570,115 | 4,024,545,069 | 3,197,989,773 | – | 3,036,032,125 | – | (538,664,044) | 39,063,136,671 |
| Gross profit | 3,887,372,706 | 2,254,077,528 | 1,357,259,387 | 282,990,942 | – | 925,496,561 | – | – | 9,240,160,759 |
| Segment other income | 63,632,236 | 9,333,942 | – | 771,751,722 | – | 9,250,147 | | – | 853,968,047 |
| Intersegment other income | – | – | – | – | – | – | – | – | – |
| Total other income | 63,632,236 | 9,333,942 | – | 771,751,722 | – | 9,250,147 | – | – | 853,968,047 |
| Gross profit including other income | 3,951,004,942 | 2,263,411,470 | 1,357,259,387 | 1,054,742,664 | – | 934,746,708 | – | – | 10,094,128,806 |
| Segment operating expenses | 3,167,510,118 | 1,808,032,779 | 1,059,523,271 | 888,073,841 | – | 824,693,681 | 14,170,545 | – | 7,762,004,235 |
| Intersegment operating expenses | – | – | – | – | – | – | – | – | – |
| Total operating expenses | 3,167,510,118 | 1,808,032,779 | 1,059,523,271 | 888,073,841 | – | 824,693,681 | 14,170,545 | – | 7,762,004,235 |
| Earnings before interest, taxes and depreciation and amortization | 783,494,824 | 455,378,691 | 297,736,116 | 166,668,823 | – | 110,053,027 | (14,170,545) | – | 1,799,160,936 |
| Depreciation and amortization* | 567,571,512 | 242,028,157 | 131,582,375 | 280,738,346 | – | 142,469,118 | – | – | 1,364,389,508 |
| Earnings before interest and taxes | 215,923,312 | 213,350,534 | 166,153,741 | (114,069,523) | – | (32,416,091) | (14,170,545) | – | 434,771,428 |
| Interest expense | – | – | – | (28,251,595) | – | (7,137,708) | – | – | (35,389,303) |
| Interest income | 29,188,576 | 40,046,509 | 17,611,312 | 6,229,428 | – | 12,154,996 | 1,481,430 | – | 106,712,251 |
| Dividend income | 11,455,214 | – | – | – | – | – | – | – | 11,455,214 |
| Investment income | – | – | – | – | – | – | – | – | – |
| Equity in net earnings of an associate | | | | | | | 144,389,965 | | 144,389,965 |
| Income before income tax | ₱256,567,102 | ₱253,397,043 | ₱183,765,053 | (₱136,091,690) | ₱– | (₱27,398,803) | ₱131,700,850 | ₱– | ₱661,939,555 |
| Assets and Liabilities | | | | | | | | | |
| Segment assets | ₱6,079,876,907 | ₱3,734,834,265 | ₱2,027,251,316 | ₱1,792,487,243 | ₱– | ₱1,844,915,824 | ₱1,790,293,188 | (₱292,688,805) | ₱16,976,969,938 |
| Investment in subsidiaries - at cost | 41,245,456 | 449,687,797 | – | – | – | – | 1,676,124,134 | (2,167,057,387) | – |
| Total segment assets | ₱6,121,122,363 | ₱4,184,522,062 | ₱2,027,251,316 | ₱1,792,487,243 | ₱– | ₱1,844,915,824 | ₱3,466,417,322 | (₱2,459,746,192) | ₱16,976,969,938 |
| Total segment liabilities | ₱4,113,329,378 | ₱2,559,214,529 | ₱1,164,838,522 | ₱1,245,522,289 | ₱– | ₱1,728,460,004 | ₱30,134,331 | (₱353,727,035) | ₱10,487,772,018 |
| Other segment information: | | | | | | | | | |
| Capital expenditures | ₱791,860,232 | ₱370,861,500 | ₱264,167,327 | ₱104,773,402 | ₱– | ₱119,423,806 | ₱– | ₱– | ₱1,651,086,267 |

*includes impairment losses amounting ₱105,260,943.

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱517,554,978, ₱501,068,295 and ₱538,664,045 in 2013, 2012 and 2011, respectively, are eliminated on consolidation.

No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment.

The Group has no significant customer which contributes 10.00% or more to the revenues of the Group.

## 7. Cash and Cash Equivalents

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Cash on hand | **₱828,833,889** | ₱496,827,741 |
| Cash in banks and cash equivalents | **29,306,747,481** | 5,554,900,587 |
| | **₱30,135,581,370** | ₱6,051,728,328 |

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 0.25% to 3.88%, 1.20% to 4.75% and 1.50% to 8.00% in 2013, 2012 and 2011, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱105,598,470 and ₱112,440,014 and ₱104,664,418 in 2013, 2012 and 2011, respectively.

## 8. Short-Term Investments

This account consists of dollar-denominated investments with a period of (1) year.

Short-term investments are made for varying periods of up to one (1) year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates based on annual interest rates ranging from 2.31%, 1.50% to 4.06% and 1.70% to 3.70% in 2013, 2012 and 2011, respectively.

Interest income arising from short-term investments amounted to ₱7,792,276 in 2013, ₱1,685,122 in 2012 and ₱2,047,833 in 2011.

## 9. Available-for-Sale Financial Assets

This account consists of investment in equity securities as follows:

Movements in AFS financial assets follow:

| | **2013** | 2012 |
|---|---|---|
| **Cost** | | |
| At January 1 | **₱50,000,000** | ₱50,000,000 |
| Disposals | **(50,000,000)** | – |
| At December 31 | – | 50,000,000 |
| **Change in fair value of AFS financial assets** | | |
| At January 1 | **1,800,000** | 2,500,000 |
| Changes in fair value during the year | – | (700,000) |
| Transfer to income due to disposals | **(1,800,000)** | – |
| At December 31 | – | 1,800,000 |
| Total | **₱–** | ₱51,800,000 |

The disposal represents sale of shares in stock.

Dividend income received from investments in 2013, 2012 and 2011 amounted to ₱3,271,519, ₱4,363,038 and ₱11,455,214, respectively.

## 10. Trade and Other Receivables

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Trade | **₱753,337,097** | ₱612,831,447 |
| Due from lessees/franchisees (Note 30) | **138,109,712** | 118,347,415 |
| Nontrade | **247,047,431** | 35,660,870 |
| | **1,138,494,240** | 766,839,732 |
| Less allowance for impairment losses (Notes 21 and 29) | **30,042,101** | 30,042,101 |
| | **₱1,108,452,139** | ₱736,797,631 |

Trade receivables are noninterest-bearing and are generally on a one to thirty (1-30) days' term.

Nontrade receivables consist mainly of receivable from insurer amounting ₱143,791,936. Receivable from insurer represents amounts recoverable from the insurance company for properties that were damaged due to fire and typhoon (Notes 11 and 13). The remaining balance consists of advances to officers and employees, cashier shortages and interest receivable arising from short-term investments.

As of December 31, 2013 and 2012, the allowance from impairment losses amounting ₱30,042,101, pertains to the provision for the amounts due from lessees/franchisees.

The movement in the allowance for doubtful accounts follows:

| | **2013** | 2012 |
|---|---|---|
| At January 1 | **₱30,042,101** | ₱29,461,011 |
| Provision during the year (Note 22) | – | 581,090 |
| At December 31 | **₱30,042,101** | ₱30,042,101 |

## 11. Merchandise Inventories

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Beginning inventory | **₱6,081,812,428** | ₱3,310,227,402 |
| Add: Purchases - net of purchase discounts and allowances | **53,889,468,283** | 49,186,038,205 |
| Cost of goods available for sale | **59,971,280,711** | 52,496,265,607 |
| Cost of merchandise sold | **52,942,470,422** | 46,414,453,179 |
| Ending inventory | **₱7,028,810,289** | ₱6,081,812,428 |

In 2013, the Group had written-down inventory costs amounting ₱76,858,809 which were damaged during a typhoon. These amounts are fully recoverable from the insurance company (Note 10).

Also, during the year the Group had written down inventory costs amounting ₱11,338,176 which were damaged due to a fire.

There are no merchandise inventories pledged as security for liabilities.

The cost of merchandise inventories charged to the statements of comprehensive income amounted to ₱52,942,470,422 in 2013, ₱46,414,453,179 in 2012 and ₱39,596,100,307 in 2011.

## 12. Other Current Assets

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Input value added tax (VAT) - net | **₱765,941,924** | ₱593,669,866 |
| Prepayments | **234,044,428** | 269,562,973 |
| Others | **8,111,990** | 9,336,243 |
| | **₱1,008,098,342** | ₱872,569,082 |

Input VAT will be applied against output VAT in the succeeding periods. Management believes that the amount is fully realizable.

Prepayments consist mainly of creditable withholding taxes (CWT) which will be applied against income tax payable in future periods. Management believes that the amount is fully realizable.

## 13. Property and Equipment

The rollforward analysis of this account follows:

**2013**

| | Leasehold Improvements | Store Furniture and Fixtures | Office Furniture and Fixtures | Transportation Equipment | Building and Other Equipment | Computer Equipment | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1 | ₱5,898,150,930 | ₱5,008,462,446 | ₱153,578,746 | ₱85,661,445 | ₱1,290,007,404 | ₱984,071,634 | ₱5,754,412 | ₱13,425,687,017 |
| Additions through business combination (Note 20) | 3,545,245 | – | – | – | 2,500,000 | | – | 6,045,245 |
| Additions | 1,525,244,369 | 749,682,716 | 210,812,924 | 12,002,964 | 49,865,723 | 243,089,972 | – | 2,790,698,668 |
| Disposals and write-off | (125,774,973) | (86,739,397) | (1,236,503) | – | (32,089,572) | (36,468,066) | – | (282,308,511) |
| Transfers | 5,754,412 | 18,168,636 | (43,857,809) | – | – | 25,689,173 | (5,754,412) | – |
| At December 31 | 7,306,919,983 | 5,689,574,401 | 319,297,358 | 97,664,409 | 1,310,283,555 | 1,216,382,713 | – | 15,940,122,419 |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| At January 1 | 3,459,227,451 | 3,048,782,106 | 90,846,952 | 57,393,902 | 740,154,822 | 768,417,862 | – | 8,164,823,095 |
| Depreciation and amortization (Note 22) | 591,913,396 | 379,124,000 | 21,837,243 | 7,480,937 | (125,902,668) | 112,675,812 | – | 987,128,720 |
| Reversals | 6,700,798 | 24,147,150 | (31,583,673) | 202,806 | – | 22,007,761 | | 21,474,842 |
| Disposals | (82,236,760) | (69,784,764) | (1,087,725) | – | (24,691,224) | (28,092,177) | – | (205,892,650) |
| At December 31 | 3,975,604,885 | 3,382,268,492 | 80,012,797 | 65,077,645 | 589,560,930 | 875,009,258 | – | 8,967,534,007 |
| **Allowance for impairment losses** | | | | | | | | |
| At January 1 | 56,268,472 | 39,172,943 | 205,491 | 202,806 | – | 1,425,063 | – | 97,274,775 |
| Reversals | (6,700,799) | (13,289,957) | (205,491) | (202,806) | – | (1,075,790) | – | (21,474,843) |
| At December 31 | 49,567,673 | 25,882,986 | – | – | – | 349,273 | – | 75,799,932 |
| **Net Book Value** | ₱3,281,747,425 | ₱2,281,422,923 | ₱239,284,561 | ₱32,586,764 | ₱720,722,625 | ₱341,024,182 | ₱– | ₱6,896,788,480 |

2012

| | Leasehold Improvements | Store Furniture and Fixtures | Office Furniture and Fixtures | Transportation Equipment | Building and Other Equipment | Computer Equipment | Construction in-Progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1 | ₱4,940,424,539 | ₱4,338,667,914 | ₱116,705,244 | ₱72,826,326 | ₱1,178,241,300 | ₱893,526,108 | ₱– | ₱11,540,391,431 |
| Additions due to business combination (Note 20) | 144,144,954 | 16,316,208 | – | 5,161,200 | – | 6,736,349 | 9,566,124 | 181,924,835 |
| Additions | 894,419,573 | 745,679,179 | 55,454,680 | 7,673,919 | 112,391,904 | 96,330,503 | – | 1,911,949,758 |
| Disposals | (17,506,325) | (67,190,842) | – | – | (625,800) | (11,473,179) | – | (96,796,146) |
| Transfers | 21,325,006 | – | (17,513,294) | – | – | – | (3,811,712) | – |
| Retirement | (84,656,817) | (25,010,013) | (1,067,884) | – | – | (1,048,147) | – | (111,782,861) |
| At December 31 | 5,898,150,930 | 5,008,462,446 | 153,578,746 | 85,661,445 | 1,290,007,404 | 984,071,634 | 5,754,412 | 13,425,687,017 |
| **Accumulated Depreciation and Amortization** | | | | | | | | |
| At January 1 | 2,819,903,540 | 2,548,565,348 | 75,740,414 | 48,744,865 | 604,134,451 | 686,429,080 | – | 6,783,517,698 |
| Depreciation and amortization (Note 22) | 730,349,063 | 589,534,652 | 16,174,422 | 8,649,037 | 136,648,314 | 94,510,108 | – | 1,575,865,596 |
| Disposals | (6,368,335) | (64,310,024) | – | – | (625,800) | (11,473,179) | – | (82,777,338) |
| Retirement | (84,656,817) | (25,007,870) | (1,067,884) | – | (2,143) | (1,048,147) | – | (111,782,861) |
| At December 31 | 3,459,227,451 | 3,048,782,106 | 90,846,952 | 57,393,902 | 740,154,822 | 768,417,862 | – | 8,164,823,095 |
| **Allowance for impairment losses** | | | | | | | | |
| At January 1 | 49,567,673 | 25,882,986 | – | – | – | 349,273 | – | 75,799,932 |
| Provision during the year (Note 22) | 6,700,799 | 13,289,957 | 205,491 | 202,806 | – | 1,075,790 | – | 21,474,843 |
| At December 31 | 56,268,472 | 39,172,943 | 205,491 | 202,806 | – | 1,425,063 | – | 97,274,775 |
| **Net Book Value** | ₱2,382,655,007 | ₱1,920,507,397 | ₱62,526,303 | ₱28,064,737 | ₱549,852,582 | ₱214,228,709 | ₱5,754,412 | ₱5,163,589,147 |

There are no items of property and equipment as of December 31, 2013, 2012 and 2011 that are pledged as security for liabilities.

In 2013, the Group had written down property and equipment with net book values amounting ₱39,625,054 which were damaged during a typhoon. These amounts are fully recoverable from the insurance company (Note 10).

Also during the year, the Group had written down property and equipment with net book values amounting ₱9,661,656 which were damaged due to a fire.

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

Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2012, the Group's capitalized payments as construction in-progress amounted to ₱5,754,412. There are no capitalized payments as of December 31, 2013.

In 2013, the management concluded its reassessment of the EUL of its property and equipment items to reflect the appropriate pattern of economic benefits. In general, the revised average EUL of property and equipment follows (in years):

| | Revised | Old |
|---|---|---|
| Leasehold improvements | 10 | 5 |
| Store furniture and fixtures | 10 | 5 |
| Office furniture and fixtures | 10 | 5 |
| Transportation equipment | 10 | 5 |
| Building and other equipment | 20 | 10 |
| Computer equipment | 10 | 5 |

The change in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by ₱780.64 million for the year ended December 31, 2013.

## 14. Investments in Shares of Stock

This account consists of investments in shares of stock of Robinsons Bank Corporation (RBC):

| | **2013** | 2012 |
|---|---|---|
| Investment in preferred stock | **₱1,470,083,439** | ₱1,051,150,405 |
| Investment in an associate | **333,066,088** | 498,272,711 |
| | **₱1,803,149,527** | ₱1,549,423,116 |

The preferred stock has the following features:

a. Preferred stockholders are entitled to receive preferential but non-cumulative dividends at the rate to be determined by the Board of Directors (BOD) of RBC.

b. Preferred stocks are redeemable at the option of RBC at any time provided that the redemption price shall not be lower than the par value or higher than 110.00% of said par value.

c. In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the said shares equivalent to 110.00% of the par value plus any unpaid but declared dividends thereon. If the net assets of RBC shall be insufficient to pay in full the liquidation value of all the preferred stock, then such net resources shall be distributed among such preferred stock ratably in accordance with the respective liquidation value of the shares they are holding.

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

| | **2013** | 2012 |
|---|---|---|
| At January 1 | **₱1,051,150,405** | ₱1,051,150,405 |
| Change in fair value of investment in preferred stocks | **418,933,034** | – |
| At December 31 | **₱1,470,083,439** | ₱1,051,150,405 |

The details of the investment in common stock in an associate follow:

| | **2013** | 2012 |
|---|---|---|
| Shares of stock - at equity: | | |
| Acquisition cost | **₱124,933,383** | ₱124,933,383 |
| Accumulated equity in net earnings: | | |
| Beginning balance | **320,077,533** | 161,053,965 |
| Equity in net earnings for the year | **191,465,985** | 159,023,568 |
| Ending balance | **511,543,518** | 320,077,533 |
| Share in fair value changes of AFS financial assets of RBC: | | |
| Beginning balance | **53,261,795** | 57,796,853 |
| Share in fair value changes during the year | **(356,672,608)** | (4,535,058) |
| Ending balance | **(303,410,813)** | 53,261,795 |
| | **₱333,066,088** | ₱498,272,711 |

The Group has 40% ownership in RBC.

No dividends have been declared by RBC in 2013, 2012 and 2011.

Financial information of RBC follows:

| | **2013** | 2012 |
|---|---|---|
| Total assets | **₱46,004,484,780** | ₱39,099,939,112 |
| Total liabilities | **40,739,791,501** | 33,360,871,812 |
| Net income | **442,422,513** | 397,558,919 |

The consolidated statement of comprehensive income follows:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Total operating income | **₱2,230,301,395** | ₱1,816,664,593 | ₱1,668,204,321 |
| Total operating expenses and tax | **1,787,878,882** | 1,419,105,674 | 1,307,229,408 |
| Net income | **₱442,422,513** | ₱397,558,919 | ₱360,974,913 |

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

| | **2013** | 2012 |
|---|---|---|
| Net assets of an associate | **₱110,590,655** | ₱523,607,213 |
| Proportionate ownership in the associate | **40%** | 40% |
| Share in net identifiable assets of common stocks | **44,236,262** | 209,442,885 |
| Difference | **288,829,826** | 288,829,826 |
| | **₱333,066,088** | ₱498,272,711 |

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

15. **Intangible Assets**

This account consists of:

| | 2013 | 2012 (As restated- Note 20) |
|---|---|---|
| Trademark (Note 20) | **₱1,566,917,532** | ₱1,566,917,532 |
| Goodwill (Note 20) | **1,230,595,790** | 831,048,599 |
| Licenses | **109,090,910** | 121,212,122 |
| | **₱2,906,604,232** | ₱2,519,178,253 |

The trademark was acquired through business combination in 2012 and was recognized at fair value at the date of acquisition (Note 20).

The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of SSDI, EC, RTSHPI and BSRI as follows:

| | 2013 | 2012 (As restated- Note 20) |
|---|---|---|
| SSDI | **₱745,887,131** | ₱745,887,131 |
| EC | **316,222,500** | – |
| RTSHPI | **85,161,468** | 85,161,468 |
| BSRI | **83,324,691** | – |
| | **₱1,230,595,790** | ₱831,048,599 |

*Acquisition of EC by RSC*
EC was acquired by RSC on September 14, 2013. The acquisition represents 100% ownership interest on the shares of stock of EC.

*Acquisition of RTSHPI by RHMI*
RTSHPI was acquired by RHMI on February 19, 2007. The acquisition represents 66.67% ownership interest on the shares of stock of RTSHPI.

*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 ₱121,212,122. 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 ₱12,121,212 for the year ended December 31, 2013 (Note 22). No amortization expense was recognized in 2012 and 2011.

*Acquisition of BSRI by RSSI*
On December 5, 2013, RSSI entered into an agreement to acquire the assets of BSRI. The assets acquired consist of stores which constitute a business. The transaction was accounted for as a business combination.

The Group performed its annual impairment test on its goodwill and trademark with indefinite useful life as of reporting date. The Group compared the recoverable amount against the book value of the CGU. The recoverable amount of the CGU is determined based on a fair value less cost to sell calculation using the EV/EBITDA multiple for impairment testing of goodwill while value in use calculation using cash flows projections from financial budgets approved by management covering a five (5) year period for impairment testing of trademark. As a result of the impairment test as of December 31, 2013 and 2012, the Group did not identify any impairment on its CGU to which intangible assets are allocated.

*Acquisition of SSDI by RSC and RI*
SSDI was acquired by RSC and RI in July 4, 2012. The acquisition represents 90% ownership interest on the shares of stock of SSDI (Note 20).

16. **Other Noncurrent Assets**

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Security and other deposits | **₱925,750,023** | ₱698,489,313 |
| Construction bond | **28,091,950** | 18,340,532 |
| Others | **5,073,385** | 26,447,827 |
| | **₱958,915,358** | ₱743,277,672 |

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

Others include franchises to carry various global brands.

17. **Trade and Other Payables**

This account consists of:

| | **2013** | 2012 |
|---|---|---|
| Trade | **₱10,702,966,697** | ₱10,067,207,821 |
| Nontrade (Note 25) | **1,158,307,271** | 2,085,887,330 |
| Others | **214,123,251** | 166,481,452 |
| | **₱12,075,397,219** | ₱12,319,576,603 |

Trade payables are noninterest-bearing and are normally settled on forty five (45) to sixty (60) days' term.

This account represents trade payables arising mainly from purchases of merchandise inventories.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties. For the terms and conditions of related party transactions, please refer to Note 25.

Others consist of taxes and licenses payable and salaries payable.

18. **Loans Payable**

The rollforward analysis of this account follows:

| | 2013 | 2012 |
|---|---|---|
| At January 1 | **₱2,528,197,564** | ₱540,000,000 |
| Addition through business combination (Note 20) | **–** | 246,483,209 |
| Availments | **100,000,000** | 2,003,516,791 |
| Payments | **(2,120,781,856)** | (261,802,436) |
| At December 31 | **507,415,708** | 2,528,197,564 |
| Less current portion | **395,555,556** | 411,530,897 |
| Noncurrent portion | **₱111,860,152** | ₱2,116,666,667 |

The loans were obtained by the following:

| | 2013 | 2012 |
|---|---|---|
| RAC | **₱240,000,000** | ₱140,000,000 |
| SSDI | **167,415,708** | 223,197,564 |
| RCSI | **100,000,000** | 215,000,000 |
| RI | **–** | 960,000,000 |
| RSC | **–** | 990,000,000 |
| | **₱507,415,708** | ₱2,528,197,564 |

a.) On August 8, 2012, a local commercial bank (Metrobank) granted ₱1,000,000,000 each to RSC and RI for a total amount of ₱2,000,000,000. The proceeds of the loan were used to acquire SSDI (Note 20). The clean loan bears annual interest rate of 3.88%. The loans were fully paid in 2013.

b.) The RAC loans payable represents a secured short-term promissory notes obtained from a local commercial banks and which are payable within twelve (12) months after reporting date with interest rates ranging from 4.12% to 7.0% per annum. The short-term note was obtained to support working capital requirements which mainly include store expansion and renovation of existing stores. As of December 31, 2013 and 2012, RSC acts as a guarantor for RAC's loans in which the bank restricts ₱40,000,000 from the guarantor's bank accounts as guarantee for the said loan (Note 25).

c.) The SSDI loans payable represents a five-year unsecured loan at a floating rate benchmark, based on 12M PDST-F. SSDI also entered into an interest rate swap agreement with the lender bank to coincide with the changes in notional amount, amortization schedule, and floating rate spread with fixed interest rate at 5.34% per annum. The interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either a gain or loss on embedded derivative.

d.) RCSI has outstanding loans amounting ₱100,000,000 and ₱215,000,000 as of December 31, 2013 and 2012, respectively. The interest on the loans is computed at prevailing market interest rates. As of December 31, 2013, RHMI acts as a guarantor for RCSI's loan in which the bank restricts ₱100,000,000 from the guarantor's bank accounts as guarantee for the said loan. As of December 31, 2012, RSC and RI act as guarantors for RCSI's loan in which the bank restricts ₱100,000,000 and ₱115,000,000, respectively, from the guarantors' bank accounts as guarantee for the said loan (Note 25).

Total interest expense charged to operations amounted to ₱77,328,731, ₱58,217,332 and ₱35,389,303 in 2013, 2012 and 2011, respectively.

## 19. Equity

*Capital Stock*
The details of this account follows:

| | **2013** | | 2012 | | 2011 | |
|---|---|---|---|---|---|---|
| | **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** | ₱500,000,000 | 500,000,000 | ₱500,000,000 | 500,000,000 |
| Issued shares | **1,385,000,000** | **1,385,000,000** | 415,000,000 | 415,000,000 | 415,000,000 | 214,285,714 |
| Treasury shares | **(1,100,373,100)** | **(18,971,950)** | – | – | – | – |

The rollforward of issued shares account follows:

| | No. of Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | **2013** | 2012 | 2011 |
| At January 1 | **415,000,000** | 415,000,000 | 214,285,714 | **₱415,000,000** | ₱415,000,000 | ₱214,285,714 |
| Issuance | **970,000,000** | – | 200,714,286 | **970,000,000** | – | 200,714,286 |
| At December 31 | **1,385,000,000** | 415,000,000 | 415,000,000 | **₱1,385,000,000** | ₱415,000,000 | ₱415,000,000 |

*Capital Stock*
On May 6, 2011, the BOD of the Parent Company approved the issuance of additional 200,714,286 shares or ₱200,714,286 out of the authorized capital stock of 500,000,000 shares or ₱500,000,000. The deposits for future stock subscriptions amounting ₱135,714,286 was applied to the subscription of shares while the remaining subscription of ₱65,000,000 was paid in cash. The excess of subscription price over paid-up capital was recognized as APIC.

<u>Increase in authorized capital stock</u>
As approved by the BOD on June 7, 2013, the Parent Company increased its authorized capital stock from ₱500,000,000 divided into 500,000,000 common shares with par value of ₱1.00 per share to ₱2,000,000,000 divided into 2,000,000,000 common shares with par value of ₱1.00 per share.

Of the said increase in the authorized capital stock, 485,250,000 shares have been subscribed amounting ₱485,250,000 on the same date.

The increase in authorized capital stock was approved by the SEC on July 3, 2013.

<u>Registration Track Record</u>
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. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745,653,053, which is charged against "Additional paid-in capital" in the consolidated statement of financial position.

<u>Treasury Shares</u>
On June 7, 2013 the BOD of the Parent Company approved the buyback of its common shares sold during the IPO. Of the total shares sold to the public, 18,971,950 common shares were reacquired by the Parent Company at ₱58 per share or an aggregate cost of ₱1,100,373,100.

*Retained Earnings*
In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2013 amounted to ₱960,020,955. For purposes of determining the excess retained earnings over paid-up, the APIC is considered. Accordingly, there is no excess of retained earnings over paid-up totaling ₱27,311,540,766.

The income of the subsidiaries and associates that are recognized in the consolidated statement of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries and an associate included in retained earnings amounted to ₱6,453,758,483 as at December 31, 2013.

Also, retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of to ₱1,100,373,100 as of and for the year ended December 31, 2013.

Appropriation of Retained Earnings
On November 25, 2011, the Parent Company's BOD authorized and approved the appropriation of the retained earnings in the amount of ₱1,400,000,000 for continuing investment in subsidiaries. These shall be used to augment funds of subsidiaries to renovate the Group's existing stores and construct new stores in line with the Group's expansion various locations nationwide.

On July 4, 2013, the BOD approved the reversal of the appropriated retained earnings amounting ₱1,400,000,000. The appropriation was made in 2011 for continuing investment in subsidiaries.

On March 8, 2013, the Group's BOD approved the appropriation of ₱1,024,000,000. The appropriated retained earnings shall be used to augment funds to construct 41 new stores and renovate 4 stores during the year in line with the Group's nationwide expansion. Details follow:

| | |
|---|---|
| RI | ₱400,000,000 |
| RSC | 390,000,000 |
| RHMI | 145,000,000 |
| WHMI | 34,000,000 |
| RSSI | 20,000,000 |
| RTSHPI | 20,000,000 |
| RVC | 10,000,000 |
| HEMI | 5,000,000 |
| Total | ₱1,024,000,000 |

Declaration of Dividends of the Subsidiaries
On July 17, 2013, the BOD of the subsidiaries of the Parent Company approved the declaration of cash dividends as follows:

| | |
|---|---|
| RI | ₱360,000,000 |
| RSC | 240,000,000 |
| RTI | 150,000,000 |
| RTSHPI | 8,000,000 |
| Total | ₱758,000,000 |

Capital Management
The primary objective of the Group's capital management policy is to ensure that it maintains a 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 during the years ended December 31, 2013, 2012 and 2011.

The Group considers its equity as follows:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Capital stock | **₱1,385,000,000** | ₱415,000,000 | ₱415,000,000 |
| Additional paid-in capital | **27,026,913,866** | 141,816,919 | 141,816,919 |
| Other comprehensive income (loss) | **27,710,882** | (30,049,176) | (3,948,537) |
| Equity reserve | **116,459,430** | 116,459,430 | 98,101,590 |
| Treasury shares | **(1,100,373,100)** | – | – |
| Retained earnings | **9,050,943,458** | 6,308,645,466 | 5,109,001,529 |
| | **₱36,506,654,536** | ₱6,951,872,639 | ₱5,759,971,501 |

The Group is not subject to externally-imposed capital requirements.

## 20. Business Combinations

*Acquisition of SSDI*

On July 4, 2012, RSC and RI, wholly-owned subsidiaries of RRHI, each acquired 45% interest in SSDI, aggregating to 90%, for a total consideration amounting ₱2,570,165,155.

The Group elected to measure the non-controlling interest in SSDI at the proportionate share of its interest in SSDI's identifiable net assets.

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

| | Fair Values recognized on acquisition (Restated) |
|---|---|
| **Assets** | |
| Cash | ₱418,078,660 |
| Trade and other receivables | 59,002,918 |
| Inventories | 1,348,427,599 |
| Other current assets | 60,866,170 |
| Property and equipment (Note 13) | 181,924,835 |
| Trademark | 1,566,917,532 |
| Other noncurrent assets | 37,252,913 |
| | 3,672,470,627 |
| **Liabilities** | |
| Trade and other payables | 906,773,885 |
| Income tax payable | 5,134,007 |
| Loans payable (Note 18) | 246,483,209 |
| Deferred tax liability | 470,075,260 |
| Pension liability (Note 24) | 17,028,684 |
| | 1,645,495,045 |
| **Net assets before non-controlling interest** | 2,026,975,582 |

(Forward)

| | Fair Values recognized on acquisition (Restated) |
|---|---|
| Non-controlling interest measured at share of net assets (10%) | ₱202,697,558 |
| **Net assets** (90%) | 1,824,278,024 |
| Goodwill arising on acquisition | 745,887,131 |
| Acquisition cost | ₱2,570,165,155 |

The net assets recognized in the 2012 consolidated financial statements were based on a provisional assessment of fair value. The valuation had not been completed when the 2012 financial statements were approved for issue by management.

In 2013, the Group finalized the price allocation and the fair value computation of trademark and goodwill. Adjustments to provisional amounts that were made during the measurement period were recognized as if the accounting for the business combination had been completed on July 4, 2012, the acquisition date. Accordingly, the December 31, 2012 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, trademark, deferred tax liability and non-controlling interest increased by ₱1,566,917,532, ₱470,075,260 and ₱109,684,227, respectively. The final purchase price allocation resulted in goodwill of ₱745,887,131 from the previous determined provisional amount of ₱1,733,045,176. The retrospective restatement has no effect on the information in the consolidated statement of financial position as at January 1, 2012 or the December 31, 2011 as the acquisition occurred in 2012.

From the date of acquisition in 2012, the Group's share in SSDI's revenue and net income amounted to ₱2,242,026,198 and ₱48,041,824, respectively. If the combination had taken place at the beginning of the year in 2012, the Group's share in SSDI's 2012 total revenue and net income would have been ₱5,201,621,559 and ₱87,685,812, respectively.

*Acquisition of EC*
On September 14, 2013, RSC acquired 100% ownership of EC for a total consideration of ₱318,722,500.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Below are the preliminary fair values of the identifiable assets acquired:

| | |
|---|---|
| **Assets** | |
| Property and equipment | ₱2,500,000 |
| Goodwill (Note 15) | 316,222,500 |
| Acquisition cost | ₱318,722,500 |

From the date of acquisition in 2013, the Group's share in EC's 2013 revenue and net loss amounted to ₱173,851,195 and (₱2,893,785), respectively. EC only started commercial operations on September 14, 2013.

*Acquisition of BSRI*
On December 5, 2013, the RSSI, entered into an agreement and it acquired the assets of BSRI for a total consideration of ₱90,000,000. The assets acquired consisted of stores which constitute a business. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. Below are the preliminary fair values of the identifiable assets acquired:

| | |
|---|---|
| **Assets** | |
| Property and equipment | ₱3,545,245 |
| Security deposits | 3,130,064 |
| **Net assets** | 6,675,309 |
| Goodwill (Note 15) | 83,324,691 |
| Acquisition cost | ₱90,000,000 |

From the date of acquisition, no revenues have been recognized since the acquired stores have not started operations. If the combination had taken place at the beginning of the year 2013, the Group's estimated share in total revenue and net income would have been ₱89.0 million and ₱4.7 million, respectively.

## 21. 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 ₱1,532,430,214, ₱1,326,345,166 and ₱1,037,823,229 in 2013, 2012 and 2011, respectively.

## 22. Operating Expenses

This account consists of:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Rental and utilities (Notes 25, 29 and 30) | **₱5,385,958,794** | ₱4,634,596,573 | ₱4,137,257,420 |
| Personnel costs and contracted services (Note 23) | **3,224,610,213** | 2,622,508,253 | 2,086,139,895 |
| Depreciation and amortization (Notes 13 and 15) | **999,878,389** | 1,577,933,781 | 1,259,128,565 |
| Transportation and travel | **481,481,164** | 407,351,904 | 347,006,743 |
| Supplies | **402,626,656** | 338,730,267 | 308,161,706 |
| Advertising | **291,115,534** | 261,375,050 | 226,973,186 |
| Bank and credit charges | **257,875,109** | 265,719,157 | 232,060,391 |
| Repairs and maintenance | **190,210,999** | 205,087,239 | 157,088,108 |
| Royalty (Note 30) | **101,535,797** | 78,419,485 | 69,352,814 |
| Provision for impairment losses (Notes 10 and 13) | **–** | 22,055,933 | 105,260,943 |
| Others | **233,691,307** | 202,797,402 | 197,963,971 |
| | **₱11,568,983,962** | ₱10,616,575,044 | ₱9,126,393,742 |

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment, amortization of franchise fee and license fee amounting ₱987,128,720 and ₱12,749,670, respectively in 2013, ₱1,575,865,596 and ₱2,068,185, respectively, in 2012, and ₱1,258,916,837 and ₱211,728, respectively, in 2011.

Others consist mainly of taxes and licenses, insurance and professional fees.

## 23. Personnel Costs and Contracted Services

This account consists of:

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Salaries, allowances and benefits (Notes 22 and 24) | **₱1,676,726,038** | ₱1,393,462,906 | ₱1,215,812,058 |
| Contracted services (Note 22) | **1,547,884,175** | 1,229,045,347 | 870,327,837 |
| | **₱3,224,610,213** | ₱2,622,508,253 | ₱2,086,139,895 |

## 24. Employee Benefits

The Group has a defined benefit plan, covering substantially all of its employees. The defined benefit plan is partly funded in 2013 and 2012 and unfunded in 2011. The latest retirement valuation was issued on February 24, 2014.

The following tables summarize the components of net pension expense recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position for the plan:

Pension expense

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Current service cost | **₱36,117,176** | ₱29,397,758 | ₱12,552,171 |
| Net interest cost | **16,426,760** | 14,623,953 | 13,245,157 |
| Pension expense | **₱52,543,936** | ₱44,021,711 | ₱25,797,328 |

Net pension liabilities

| | **2013** | 2012 |
|---|---|---|
| Pension obligation | **₱378,150,409** | ₱301,606,425 |
| Fair value of plan assets | **(16,968,749)** | (16,333,878) |
| Net pension liabilities | **₱361,181,660** | ₱285,272,547 |

Remeasurement effects recognized in OCI

| | **2013** | 2012 | 2011 |
|---|---|---|---|
| Actuarial loss | **(₱28,024,008)** | (₱33,326,571) | (₱67,973,335) |
| Return on assets excluding amount included in net interest cost | **(371,296)** | 1,275,003 | – |
| Net pension liabilities | **(₱28,395,304)** | (₱32,051,568) | (₱67,973,335) |

The movements in pension liability recognized in the consolidated statements of financial position follow:

| | 2013 | 2012 |
|---|---|---|
| At January 1 | **₱285,272,547** | ₱215,414,264 |
| Pension expense | **52,543,936** | 44,021,711 |
| Recognized in OCI | **28,395,304** | 32,051,568 |
| Additions from business combination | **–** | 6,024,363 |
| Benefits paid | **(5,030,127)** | (12,239,359) |
| At December 31 | **₱361,181,660** | ₱285,272,547 |

Movements in the fair value of plan assets follow:

| | 2013 | 2012 |
|---|---|---|
| At January 1 | **₱16,333,878** | ₱– |
| Addition arising from business combination | **–** | 14,206,486 |
| Interest income included in net interest cost | **1,006,167** | 852,389 |
| Actual return excluding amount in net interest cost | **(371,296)** | 1,275,003 |
| At December 31 | **₱16,968,749** | ₱16,333,878 |

Changes in the present value of defined benefit obligation follow:

| | 2013 | 2012 |
|---|---|---|
| At January 1 | **₱301,606,425** | ₱215,414,264 |
| Current service cost | **36,117,176** | 29,397,758 |
| Interest cost | **17,432,927** | 15,476,342 |
| Actuarial losses on: | | |
| Changes in financial assumptions | **25,989,200** | (3,266,700) |
| Experience adjustments | **2,034,808** | 45,565,782 |
| Changes in demographic assumptions | **–** | (8,972,511) |
| Additions from business combination | **–** | 20,230,849 |
| Benefits paid | **(5,030,127)** | (12,239,359) |
| At December 31 | **₱378,150,409** | ₱301,606,425 |

Amounts of the current and previous periods follow:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Defined benefit obligation | **₱378,150,409** | ₱301,606,325 | ₱215,414,264 | ₱128,765,336 | ₱102,552,066 |
| Experience adjustments on plan liabilities | **2,034,808** | 46,418,171 | (13,840,865) | – | 967,223 |

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

| | 2013 | 2012 |
|---|---|---|
| Discount rates | **5.58%-10.04%** | 4.17%-5.57% |
| Salary increase rates | **5.50%-5.70%** | 5.50% |

The Group does not expect to contribute to the fund in 2014.

The distribution of the plan assets at year end follows:

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Cash | **₱1,834,144** | ₱3,702,697 |
| Investments in government securities | **14,241,734** | 10,898,419 |
| Investments in funds - AFS financial assets | **868,034** | 854,544 |
| Receivables | **45,165** | 897,234 |
| | **₱16,989,077** | ₱16,352,894 |
| **Liabilities** | | |
| Trust fee payable | **₱20,328** | ₱19,016 |

The carrying amounts disclosed above reasonably approximate fair value at year-end. The actual return on plan assets amounted to ₱371,296 and ₱2,127,392 in 2013 and 2012, respectively.

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.

| | | | PVO |
|---|---|---|---|
| Salary increase | 5.62% | +1.00% | ₱431,825,800 |
| | | -1.00% | (326,495,600) |
| Discount rates | 5.77% | +1.00% | ₱325,512,800 |
| | | -1.00% | (434,338,900) |

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Metrobank's current strategic investment strategy consists of 4% of debt instruments, 5% of equity instruments, and 11% for cash and receivables. 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.

Salaries, allowances and benefits (Note 23):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Salaries, wages and allowances | **₱1,624,182,102** | ₱1,349,441,195 | ₱1,190,014,730 |
| Net pension expense | **52,543,936** | 44,021,711 | 25,797,328 |
| | **₱1,676,726,038** | ₱1,393,462,906 | ₱1,215,812,058 |

## 25. **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

(1) The Group, in the regular conduct of business, has receivables from/payables to related parties arising from the normal course of operations.

Outstanding operational due from (to) related parties follow (Note 17):

**2013**

| **Related parties** | **Sales** | **Royalty fee** | **Purchases - net** | **Rent and Utilities** | **Outstanding balance** | **Terms** | **Conditions** |
|---|---|---|---|---|---|---|---|
| **Other entities under common control** | | | | | | | |
| Consolidated Global Imports, Inc. | **₱1,108,382,339** | **₱457,202,328** | **₱–** | **₱–** | **₱108,684,239** | **Noninterest bearing; payable in 30 days** | **Unsecured, Unimpaired** |
| Universal Robina Corporation | **–** | **–** | **(1,464,559,437)** | **–** | **(104,819,249)** | **Noninterest bearing; payable in 30 days** | **Unsecured** |
| Robinsons Land Corporation | **–** | **–** | **–** | **(2,572,832,546)** | **(133,415,748)** | **Noninterest bearing; payable in 30 days** | **Unsecured** |
| JG Summit Holdings, Inc. | **–** | **–** | **–** | **(21,391,170)** | **270,099** | **Noninterest bearing; payable in 30 days** | **Unsecured** |
| **Total** | **₱1,108,382,339** | **₱457,202,328** | **(₱1,464,559,437)** | **(₱2,594,223,716)** | **(₱129,280,659)** | | |

2012

| Related parties | Sales | Royalty fee | Purchases - net | Rent and Utilities | Outstanding balance | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Other entities under common control | | | | | | | |
| Consolidated Global Imports, Inc. | ₱929,558,921 | ₱336,171,723 | ₱– | ₱– | ₱68,883,197 | Noninterest bearing; payable in 30 days | Unsecured, Unimpaired |
| Universal Robina Corporation | – | – | (1,389,842,771) | (19,692,993) | (127,798,881) | Noninterest bearing; payable in 30 days | Unsecured |
| Robinsons Land Corporation | – | – | – | (2,529,782,731) | (156,219,112) | Noninterest bearing; payable in 30 days | Unsecured |
| JG Summit Holdings, Inc. | – | – | – | – | (454,283,254) | Noninterest bearing; payable in 30 days | Unsecured |
| Total | ₱929,558,921 | ₱336,171,723 | (₱1,389,842,771) | (₱2,549,475,724) | (₱669,418,050) | | |

Affiliates are related parties by the Group by virtue of common ownership and representations to management where significant influence is apparent.

In 2012, RI received ₱141,667,700 from JG Summit Holdings, Inc. (JGSHI) representing proceeds on sale of investments of JGSHI. RI recognized corresponding investment income amounting ₱129,847,167.

As discussed in Note 18, RHMI and RSC act as guarantors for RCSI's and RAC's loans, respectively, in which the banks restrict ₱100,000,000 and ₱40,000,000, respectively, from the guarantors' bank accounts as guarantee for the said loans in 2013. No fees are charged for these guarantee agreements.

2011

| Related parties | Sales | Royalty fee | Purchases - net | Rent and Utilities | Outstanding balance | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| **Other entities under common control** | | | | | | | |
| Consolidated Global Imports, Inc. | ₱550,776,529 | ₱193,633,923 | ₱– | ₱– | ₱49,413,873 | Noninterest bearing; payable in 30 days | Unsecured, Unimpaired |
| Universal Robina Corporation | – | – | (1,173,414,910) | (18,940,352) | (99,098,968) | Noninterest bearing; payable in 30 days | Unsecured |
| Robinsons Land Corporation | – | – | – | (2,144,323,035) | (216,419,228) | Noninterest bearing; payable in 30 days | Unsecured |
| JG Summit Holdings, Inc. | – | – | – | – | (439,971,717) | Noninterest bearing; payable in 30 days | Unsecured |
| **Total** | ₱550,776,529 | ₱193,633,923 | (₱1,173,414,910) | (₱2,163,263,387) | (₱706,076,040) | | |

(2) Key management personnel of the Group include the Chairman of the BOD, President and Treasurer. These officers do not receive any form of compensation or benefits from the Group.

*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, 2012, 2011 and 2010. 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.

## 26. Income Tax

Provision for income tax for the year ended December 31 follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Current | **₱1,146,035,321** | ₱418,763,595 | ₱201,388,656 |
| Deferred | **56,122,823** | 6,886,046 | (15,517,258) |
| | **₱1,202,158,144** | ₱425,649,641 | ₱185,871,398 |

The components of the Group's deferred tax assets follow:

| | 2013 | 2012 |
|---|---|---|
| Tax effects of: | | |
| Pension liability | **₱108,492,828** | ₱85,581,764 |
| MCIT | – | 44,732,962 |
| NOLCO | **4,747,472** | 18,117,731 |
| Allowance for inventory write-down | **1,923,125** | 1,923,125 |
| Accrued rent | **3,715,943** | 4,160,408 |
| Unrealized foreign exchange loss | **(8,067,985)** | 5,648,208 |
| Allowance for impairment losses | **6,771,446** | 6,771,445 |
| Fair value adjustment on available for sale financial assets and investment in an associate | **1,748,587** | (15,093,531) |
| | **₱119,331,416** | ₱151,842,112 |

The deferred tax liability of the Group amounting ₱470,075,260 pertains to the deferred tax attributable to the trademark acquired in a business combination (Note 20).

Details of the Group's NOLCO follows:

| Inception Year | Beginning Balance | Applied/ Expired | Addition | Ending Balance | Expiry Year |
|---|---|---|---|---|---|
| 2013 | ₱– | ₱– | ₱762,684,174 | ₱762,684,174 | 2016 |
| 2012 | 13,746,481 | – | – | 13,746,481 | 2015 |
| 2011 | 70,836,587 | 55,883,818 | – | 14,952,769 | 2014 |
| 2010 | 36,241,091 | 36,241,091 | – | – | 2013 |
| Total | ₱120,824,159 | ₱92,124,909 | ₱762,684,174 | ₱791,383,424 | |

Details of the Group's MCIT follow:

| Inception Year | Beginning Balance | Applied/ Expired | Addition | Ending Balance | Expiry Year |
|---|---|---|---|---|---|
| 2013 | ₱– | ₱– | ₱– | ₱– | 2016 |
| 2012 | 18,369,636 | 18,369,636 | – | – | 2015 |
| 2011 | 14,740,165 | 14,740,165 | – | – | 2014 |
| 2010 | 11,740,023 | 11,740,023 | – | – | 2013 |
| Total | ₱44,849,824 | ₱44,849,824 | ₱– | ₱– | |

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

| | **2013** | 2012 |
|---|---|---|
| Statutory income tax rate | **30.00%** | 30.00% |
| Add (deduct) tax effects of: | | |
| Change in unrecognized deferred tax assets | **(0.08)** | 0.50 |
| Nondeductible interest expense | **0.09** | 0.28 |
| MCIT | **(0.05)** | 0.08 |
| Dividend income | **(0.02)** | (0.07) |
| Interest income subject to final tax | **(0.78)** | (1.84) |
| Gain on sales of stocks | **–** | (2.21) |
| Investment income | **(1.33)** | (2.70) |
| Effective income tax rate | **27.83%** | 24.04% |

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling of such expenses.

## 27. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net income attributable equity holder of the Parent Company | **₱2,744,964,659** | ₱1,199,643,937 | ₱483,057,842 |
| Weighted average number of common shares | **724,315,563** | 415,000,000 | 415,000,000 |
| Adjusted weighted average number of common shares for diluted EPS | **724,315,563** | 415,000,000 | 415,000,000 |
| Basic EPS | **₱3.79** | ₱2.89 | ₱1.16 |
| Diluted EPS | **₱3.79** | ₱2.89 | ₱1.16 |

The Parent Company has no dilutive potential common shares in 2013, 2012 and 2011.

## 28. 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.

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the noncurrent loans payable as of December 31, 2013 and 2012:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Liabilities** | | | | |
| Other financial liability | | | | |
| Loans payable* (Note 18) | **₱167,415,708** | **₱174,867,343** | ₱223,197,564 | ₱231,980,622 |

**Includes current portion*

*Loans payable:* Are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 0.42% to 5.65% in 2013 and 0.88% to 5.90% in 2012 using the remaining terms to maturity.

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.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

As of December 31, 2013 and 2012, the Group has AFS financial assets valued under Level 1 amounting nil and ₱51,800,000, respectively (Note 9). These financial assets are measures at fair value.

As of December 31, 2013 and 2012, the Group has loans payable for which fair values are disclosed under level 3 amounting ₱174,867,343 and ₱231,980,622, respectively.

There were no transfers among levels 1, 2 and 3 in 2013 and 2012.

Financial Risk

*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 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.

*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, 2013, 2012 and 2011 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

**2013**

| | On Demand | 1 year | More than 1 year | Total |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| **Loans and receivables** | | | | |
| Cash and cash equivalents (excluding cash on hand) | **₱29,306,747,480** | **₱–** | **₱–** | **₱29,306,747,480** |
| Short term investments | – | **335,101,613** | – | **335,101,613** |
| Trade and other receivables | – | **1,108,452,139** | – | **1,108,452,139** |
| Other noncurrent assets | | | | |
| Security and other deposits | – | – | **925,750,023** | **925,750,023** |
| Construction bond | – | – | **28,091,950** | **28,091,950** |
| | **₱29,306,747,480** | **₱1,443,553,752** | **₱953,841,973** | **₱31,704,143,205** |
| **Financial Liabilities** | | | | |
| **Other financial liabilities** | | | | |
| Trade and other payables* | **₱–** | **₱11,954,443,309** | **₱–** | **₱11,954,443,309** |
| Loans payable | – | **395,555,556** | **111,860,152** | **507,415,708** |
| Other current liabilities | – | **203,652,278** | – | **203,652,278** |
| | **₱–** | **₱12,553,651,143** | **₱111,860,152** | **₱12,665,511,295** |

**excluding statutory liabilities amounting ₱120,953,907*

2012

| | On Demand | 1 year | More than 1 year | Total |
|---|---|---|---|---|
| Financial Assets | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents (excluding cash on hand) | ₱5,554,900,587 | ₱– | ₱– | ₱5,554,900,587 |
| Short term investments | – | 309,852,939 | – | 309,852,939 |
| Trade and other receivables | – | 736,797,631 | – | 736,797,631 |
| Other noncurrent assets | | | | |
| Security and other deposits | – | – | 698,489,313 | 698,489,313 |
| Construction bond | – | – | 18,340,532 | 18,340,532 |
| AFS financial assets | – | – | 51,800,000 | 51,800,000 |
| | ₱5,554,900,587 | ₱1,046,650,570 | ₱768,629,845 | ₱7,370,181,002 |
| Financial Liabilities | | | | |
| Other financial liabilities | | | | |
| Trade and other payables* | ₱– | ₱12,232,150,723 | ₱– | ₱12,232,150,723 |
| Loans payable | – | 411,530,897 | 2,116,666,667 | 2,528,197,564 |
| Other current liabilities** | – | 206,585,012 | – | 206,585,012 |
| | ₱– | ₱12,850,266,632 | ₱2,116,666,667 | ₱14,966,933,299 |

**excluding statutory liabilities amounting ₱87,425,880*
***excluding statutory liabilities amounting ₱28,646,508*

As of December 31, 2013 and 2012, the Group has outstanding loans from Robinsons Savings Bank and Metrobank and Trust Company amounting ₱507,415,708 and ₱2,528,197,564, respectively (Note 18).

*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.

As of December 31, 2013 and 2012, all trade and other receivables are expected to be settled within one (1) year.

The Group's maximum exposure in financial assets are equal to their carrying amounts. These financial assets have a maturity of up to one (1) year only, and have a high credit rating. This was determined based on the nature of the counterparty and the Group's experience.

*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 manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency. The table below summarizes the Group's exposure to currency risk on foreign currency-denominated financial assets and their Philippine Peso (PHP) equivalents:

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **USD** | **PHP[1]** | USD | PHP[2] |
| Cash in banks | **$156,379** | **₱6,942,434** | $2,065,176 | ₱84,775,475 |
| Short-term investments | **7,548,184** | **335,101,613** | 7,548,184 | 309,852,939 |
| Total | **$7,704,563** | **₱342,044,047** | $9,613,360 | ₱394,628,414 |

[1] The exchange rate used was ₱44.39 to US$1.
[2] The exchange rate used was ₱41.05 to US$1.
[3] The exchange rate used was ₱43.84 to US$1.

*Sensitivity analysis*
The following table demonstrates sensitivity to a reasonably possible change in the Philippine Peso exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2013, 2012 and 2011. There is no other impact on the Group's equity other than those already affecting the income.

| | **Currency** | **Increase (decrease) in Philippine Peso rate** | **Effect on income before income tax** |
|---|---|---|---|
| **2013** | **USD** | **+1.64** | **₱125,988** |
| | | **-1.64** | **(125,988)** |

| | Currency | Increase (decrease) in Philippine Peso rate | Effect on income before income tax |
|---|---|---|---|
| 2012 | USD | +0.41 | ₱1,718,298 |
| | | -0.41 | (1,718,298) |

| | Currency | Increase (decrease) in Philippine Peso rate | Effect on income before income tax |
|---|---|---|---|
| 2011 | USD | +0.62 | ₱2,403,672 |
| | | -0.62 | (2,403,672) |

*Equity price risk*
Equity price risk is the risk that the fair values of equities will decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The Group's equity price risk exposure relates to quoted equity shares classified as AFS financial assets.

The table below shows the equity impact of reasonably possible change of Philippine Stock Exchange Composite Index (PSEi) as of December 31, 2012 and 2011.

| | Percentage increase (decrease) in equity prices | Effect on equity |
|---|---|---|
| 2012 | +26% | ₱9,563,566 |
| | -26% | (9,563,566) |

| | Percentage increase (decrease) in equity prices | Effect on equity |
|---|---|---|
| 2011 | +28% | ₱10,449,954 |
| | -28% | (10,449,954) |

## 29. **Lease Commitments**

*Group as lessee*
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to fifteen (15) 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. Rent expense for the years ended December 31, 2013, 2012 and 2011amounted to ₱3,155,378,453, ₱2,745,120,983 and ₱2,453,423,425, respectively (Notes 22 and 25).

*Group as lessor*
Lease agreements mainly include agreements entered into by RCSI to provide store facilities and equipment. Other services rendered by RCSI consist of providing personnel and utilities to its lessees. The lease fee is based on a certain percentage of the gross profit of the lessee. The related lease fee income derived from these transactions included under “Royalty, rent and other income” amounted to ₱1,078,033,467, ₱941,336,384 and ₱770,401,722 in 2013, 2012 and 2011, respectively.

## 30. Agreements

Among the Group’s outstanding agreements during the year are as follows:

a) The Group has exclusive right to use the Ministop System in the Philippines 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 ₱52,538,597, ₱35,160,595 and ₱31,055,970 in 2013, 2012 and 2011, respectively (Note 17). Royalty payable to Ministop included under “Nontrade payable” as of December 31, 2013, 2012 and 2011 amounted to ₱1,078,033,467, ₱35,160,595 and ₱31,055,970, respectively (Note 17).

b) The Group has franchise/lease 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 fee amounted to ₱941,336,384, ₱770,401,722 and ₱726,872,539 in 2013, 2012 and 2011, respectively (Note 29).

   As of December 31, 2013, 2012 and 2011, amounts due from franchisees amounted to ₱49,780,316, ₱64,289,458 and ₱59,117,242, respectively. These amounts are net of allowance for impairment losses amounting ₱29,461,011, ₱29,461,011 and nil as of December 31, 2013, 2012 and 2011, respectively (Note 10).

c) The Group obtained a license to use the Daiso Business Model in the Philippines that was granted to RDDC by Daiso Industries Co., Ltd. (DICL) in Japan. In accordance with the license agreement, RDDC agrees to pay, among others, royalties to DICL based on a certain percentage of monthly net sales.

   Royalty expense amounted to ₱1,925,425, ₱1,246,640 and ₱733,510 in 2013, 2012 and 2011, respectively.

d.) On September 21, 2012, RSSI paid ₱121,212,122 in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. Upon acquisition, the trademarks were surrendered that granted the Group a license to operate a brand in the Philippines. The ₱121,212,122 it paid allows the Group to use the brand and operate its stores.

e.) The Group is a sub-licensee of Toys R Us in the Philippines. Royalty expense amounted to ₱47,392,695, ₱42,012,250 and ₱37,563,334 in 2013, 2012 and 2011, respectively.

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

## 31. Contingencies

The Group is currently involved in various 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 on these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, 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.

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations.

## 32. Subsequent Events

Acquisition
On January 29, 2014 RSC acquired 100% ownership of JAS 8 Retailing Management Corporation for a total consideration of ₱131,714,375. The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. The preliminary fair values of the net assets acquired amounted to ₱2,500,000. Based on the provisional basis of purchase price allocation, goodwill amounting ₱129,214,375 is recognized.

Appropriation of Retained Earnings
On February 6, 2014, the Group's BOD approved the appropriation of ₱1,742,000,000. The appropriated retained earnings shall be used to augment funds to construct 69 new stores and renovate 3 stores in 2014 in line with the Group's nationwide expansion. Details follow:

| | |
|---|---:|
| RSC | ₱1,000,000,000 |
| RHMI | 325,000,000 |
| RI | 200,000,000 |
| RTSHPI | 80,000,000 |
| WHMI | 55,000,000 |
| RAC | 47,000,000 |
| RSSI | 25,000,000 |
| RTI | 10,000,000 |
| Total | ₱1,742,000,000 |

## 33. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on April 7, 2014.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Robinsons Retail Holdings, Inc.
110 E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated April 7, 2014. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. Thus, schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, as amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-1 (Group A),
March 11, 2011, valid until March 10, 2014
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225212, January 2, 2014, Makati City

April 7, 2014

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)

**DECEMBER 31, 2013**

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Value based on market quotation at end of reporting period | Income received and accrued |
|---|---|---|---|---|
| RBC | ₱335,101,613 | ₱335,101,613 | ₱335,101,613 | ₱7,792,276 |

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)**
**DECEMBER 31, 2013**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

**DECEMBER 31, 2013**

| Entity with Receivable Balance | Balance at Beginning of Period | Net Movement | Write-offs | Current | Noncurrent | Balance at end of period |
|---|---|---|---|---|---|---|
| Robinsons Retail Holdings Inc. | ₱76,429,133 | ₱2,351,211,329 | ₱– | ₱2,429,640,462 | ₱– | ₱2,429,640,462 |
| Robinsons Toys Inc. | 134,134,047 | 3,291,693 | – | 137,425,740 | – | 137,425,740 |
| Robinsons Convenience Stores Inc. | 39,106,088 | – | – | 39,106,088 | – | 39,106,088 |
| Robinsons Supermarket Corp. | 13,883,749 | 11,623,961 | – | 25,507,709 | – | 25,507,709 |
| Robinson's Incorporated | 5,982,699 | 12,428,188 | – | 18,410,886 | – | 18,410,886 |
| Robinson's Handyman Inc. | 2,258,940 | 1,879,384 | – | 4,138,324 | – | 4,138,324 |
| RHD Daiso- Saizen Inc. | – | 1,925,425 | – | 1,925,425 | – | 1,925,425 |
| | ₱271,794,656 | ₱2,382,359,980 | ₱– | ₱2,656,154,634 | ₱ | ₱2,656,154,634 |

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE D: INTANGIBLE ASSETS

### DECEMBER 31, 2013

| Description | Beginning balance | Additions at cost | Charged to costs and expenses | Charged to other accounts | Other changes | Ending balance |
|---|---|---|---|---|---|---|
| Trademark | ₱1,566,917,532 | ₱– | ₱– | ₱– | ₱– | ₱1,566,917,532 |
| Goodwill | 831,048,599 | 399,547,191 | – | – | – | ₱1,230,595,790 |
| License | 121,212,122 | – | (12,121,212) | – | – | ₱109,090,910 |
| | ₱2,519,178,253 | ₱399,547,191 | (₱12,121,212) | ₱– | ₱– | ₱2,906,604,232 |

See Note 15 of the Consolidated Financial Statements.

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE E: SHORT TERM AND LONG TERM DEBT

### DECEMBER 31, 2013

| Title of issue and type of obligation | Amount authorized by indenture | Interest rates | Current portion | Noncurrent portion |
|---|---|---|---|---|
| Floating rate bank loans | ₱167,415,708 | 5.3% | ₱55,555,556 | ₱111,860,152 |
| Commercial bank loans | 40,000,000 | 6% | 40,000,000 | – |
| Commercial bank loans | 200,000,000 | 4% | 200,000,000 | – |
| Commercial bank loans | 100,000,000 | 3.75%-6.37% | 100,000,000 | – |
| | ₱507,415,708 | | ₱395,555,556 | ₱111,860,152 |

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

**DECEMBER 31, 2013**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Universal Robina Corporation | ₱127,798,881 | ₱104,819,249 |
| Robinsons Land Corporation | 156,219,112 | 133,415,748 |
| | ₱284,017,993 | ₱238,234,997 |

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

**DECEMBER 31, 2013**

| Name of issuing entity of securities guaranteed by the company for which this statements is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount of owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|

**NOT APPLICABLE**

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE H: CAPITAL STOCK

**DECEMBER 31, 2013**

| Title of issue | Number of shares authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by | | |
|---|---|---|---|---|---|---|
| | | | | Related parties | Directors, officers and employees | Others |
| Common stock - ₱1 par value | 2,000,000,000 | 1,366,028,050 | – | 520,067,497 | 380,182,503 | 465,778,050 |
| | 2,000,000,000 | 1,366,028,050 | – | 520,067,497 | 380,182,503 | 465,778,050 |

See Note 19 of the Consolidated Financial Statements

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

**List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2013:**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | ✓ | | |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | ✓ | | |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 8** | Operating Segments | ✓ | | |
| **PFRS 9** | Financial Instruments* | | ✓ | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | | ✓ | |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | ✓ | | |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| **PAS 2** | Inventories | ✓ | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Period | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | ✓ | | |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27** | Consolidated and Separate Financial Statements | ✓ | | |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 28** | Investments in Associates | ✓ | | |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | ✓ | | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | ✓ | | |
| | Amendment to PAS 32: Classification of Rights Issues | ✓ | | |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | ✓ | |
| **PAS 33** | Earnings per Share | ✓ | | |
| **PAS 34** | Interim Financial Reporting | ✓ | | |
| **PAS 36** | Impairment of Assets | ✓ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | ✓ | | |
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | ✓ | | |
| | Amendment to PAS 39: Eligible Hedged Items | ✓ | | |
| **PAS 40** | Investment Property | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | *Determining Whether an Arrangement Contains a Lease* | | | ✓ |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment* | | | ✓ |
| **IFRIC 7** | *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies* | | | ✓ |
| **IFRIC 8** | *Scope of PFRS 2* | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | *Interim Financial Reporting and Impairment* | | | ✓ |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine* | | | ✓ |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **SIC-13** | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| **SIC-15** | Operating Leases - Incentives | | | ✓ |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| **SIC-29** | Service Concession Arrangements: Disclosures | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2013.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2013. The Group will adopt the Standards and Interpretations when these become effective.

## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS

### FOR THE YEAR ENDED DECEMBER 31, 2013

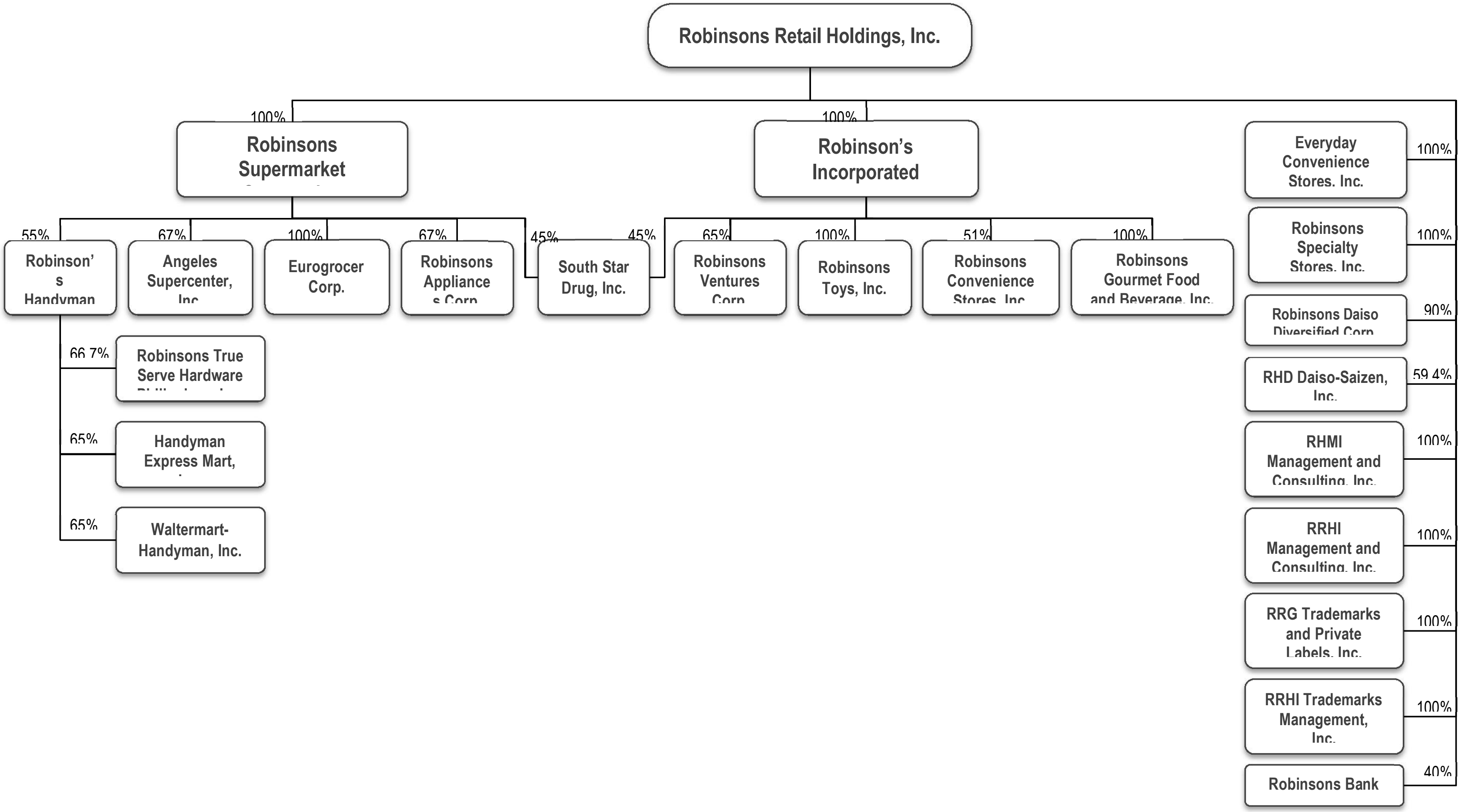
| | | |
|---|---|---|
| Unappropriated Retained Earnings, beginning | | ₱11,301,158 |
| Add (deduct): | | |
| Net income | 674,340,299 | |
| Unrealized foreign exchange gain | (25,247,402) | |
| Net income actually earned during the year | | 649,092,897 |
| Reversal of appropriation during the year | 1,400,000,000 | |
| Treasury shares | (1,100,373,100) | |
| | | 299,626,900 |
| | | 948,719,797 |
| Unappropriated Retained Earnings available for dividend declaration, ending | | ₱960,020,955 |

*See accompanying Notes to Financial Statements.*

# ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

### DECEMBER 31, 2013



## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL RATIOS

**FOR THE PERIOD ENDED DECEMBER 31, 2013 AND 2012**

| Financial Soundness Indicator | 2013 | 2012 |
|---|---|---|
| **i. Liquidity ratio:** | | |
| **Current ratio** | **2.96** | 1.06 |
| **ii. Profitability ratio:** | | |
| **Operating margin ratio** | **0.21** | 0.19 |
| **iii. Profitability ratio:** | | |
| **Solvency ratio** | **0.29** | 0.18 |
| **Net debt to equity ratio** | **0.38** | 2.01 |
| **Asset to equity ratio** | **1.38** | 3.01 |
| **Interest rate coverage rate ratio** | **52.55** | 27.15 |

**See attached reporting computation.*

# ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL RATIOS

### FOR THE PERIOD ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

| | **2013** | 2012 |
|---|---:|---:|
| Current assets | **₱39,616,043,753** | ₱14,104,560,408 |
| Current liabilities | **13,375,246,968** | 13,302,474,447 |
| **Current ratio** | **2.96** | 1.06 |
| | | |
| Operating income | **₱14,311,704,647** | ₱10,978,795,634 |
| Net sales | **67,254,175,069** | 57,393,248,813 |
| **Operating margin ratio** | **0.21** | 0.19 |
| | | |
| After tax net profit | **₱3,117,352,507** | ₱1,344,922,948 |
| Depreciation | **999,878,389** | 1,577,933,781 |
| | **4,117,230,896** | 2,922,856,729 |
| Total liabilities | **14,318,364,040** | 16,174,488,921 |
| **Solvency ratio** | **0.29** | 0.18 |
| | | |
| Total liabilities | **₱14,318,364,041** | ₱16,174,488,921 |
| Total equity | **37,982,468,725** | 8,057,381,787 |
| **Debt to equity ratio** | **0.38** | 2.01 |
| | | |
| Total assets | **₱52,300,832,766** | ₱24,231,870,708 |
| Total equity | **37,982,468,726** | 8,057,381,787 |
| **Asset to equity ratio** | **1.38** | 3.01 |
| | | |
| Earnings before interest and taxes | **₱4,063,463,730** | ₱1,580,427,580 |
| Interest expense | **77,328,731** | 58,217,332 |
| **Interest rate coverage ratio** | **52.55** | 27.15 |