ROBINSONS RETAIL HOLDINGS, INC.

Day Buy Day

ANNUAL REPORT 2018

ROBINSONS SUPERMARKET

Robinsons Selections

Robinsons Easymart

MINISTOP

Robinsons Appliances

ROBINSONS DEPARTMENT STORE

HANDYMAN

True Value

SOUTHSTAR DRUG

TGP

TOYS R US


MYSUNDAE


MYSUNDAE
TOPSHOP

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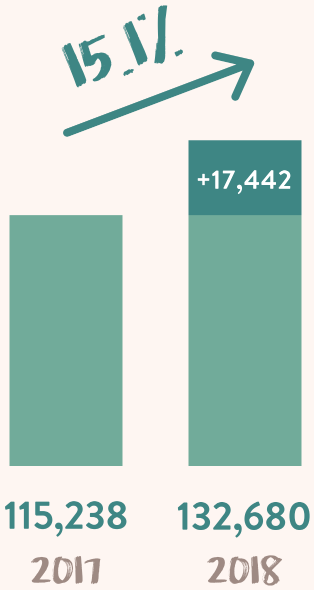
About the Cover

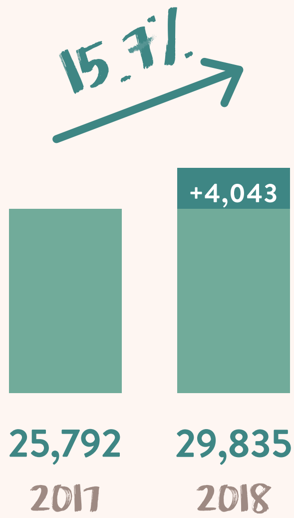
Robinsons Retail is all about making shopping a delightful everyday experience. Having one of the most holistic company portfolios of any Philippine retailer, the “Day Buy Day” concept of our 2018 Annual Report is composed of hand drawn letter art, which playfully feature the diversity of our formats. The concept is a homage to the stores and banners that we carry, and our promise to add joy and value to the lives of our customers.

Financial Highlights

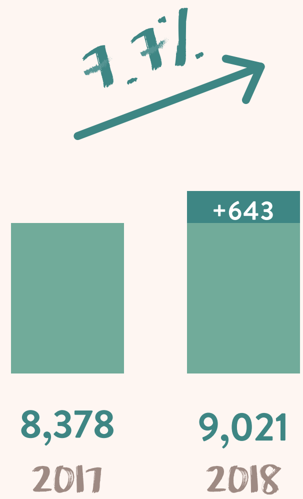
IN PHP MILLIONS



Net Sales

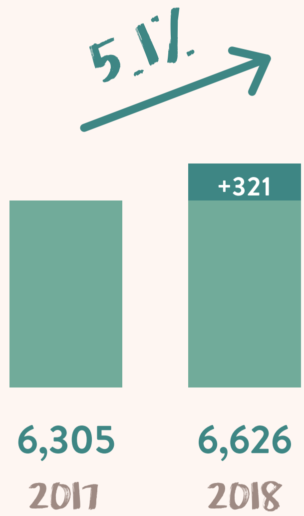


Gross Profit



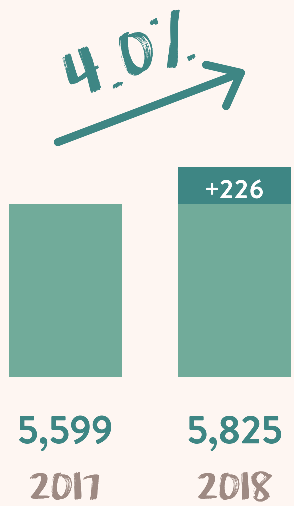
EBITDA

(Earnings before interest, tax, depreciation and amortization)

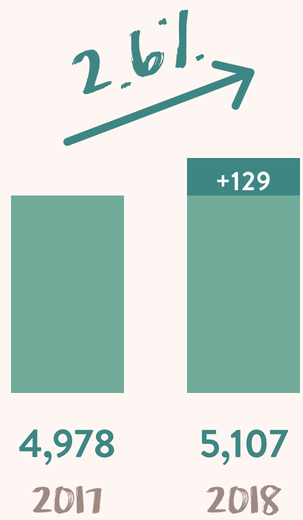


EBIT

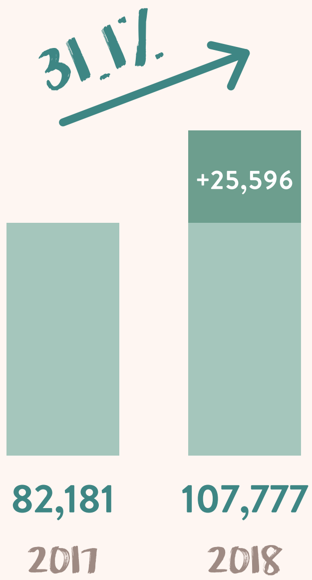
(Earnings before interest and tax)



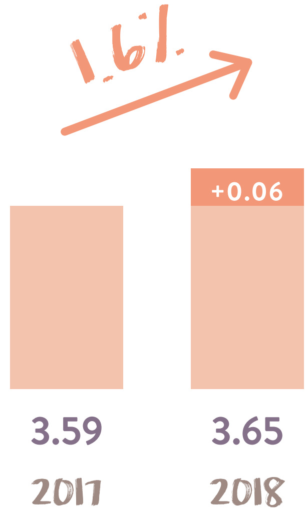
Net Income



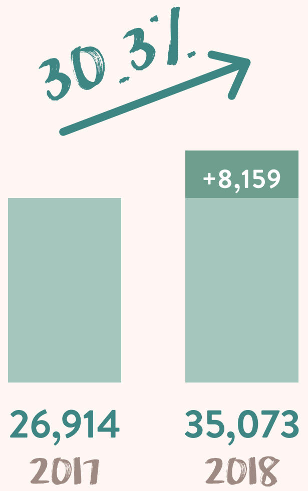
Net Income Attributable to Equity Holders of the Parent Company



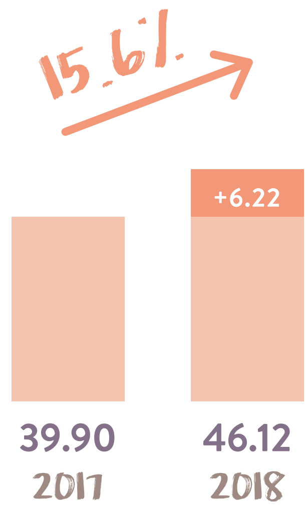
Total Assets



Basic Earnings
Per Share*

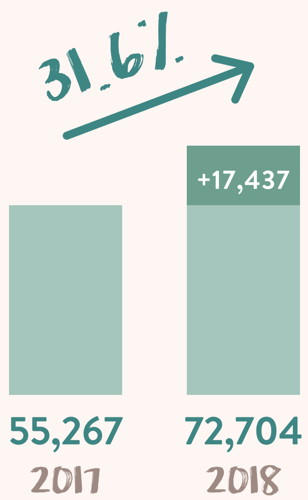


Total Liabilities

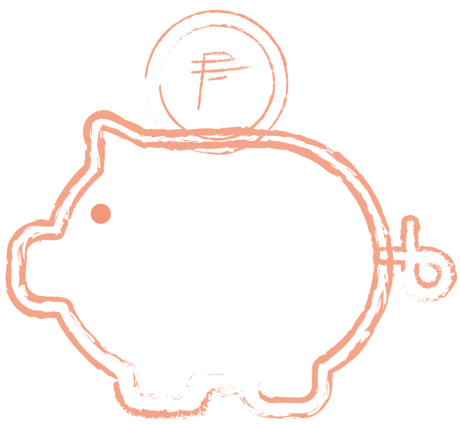


Book Value
Per Share*

*Based on outstanding number of shares



Total Stockholders' Equity



Corporate INFORMATION

Robinsons Retail Holdings, Inc.'s portfolio consists of some of the most recognizable and trusted brands in Philippine retail. Through a combination of homegrown and international banners, we have cultivated our national presence under the following major retail formats: supermarket, department store, do-it-yourself and big box hardware, drugstore, convenience store, consumer electronics and appliances, toys, lifestyle concept stores, fashion, cosmetics, specialty coffee shops, and most recently, pet retail.

In 2018, we achieved a geographic footprint of 1,910 stores and approximately 2,000 franchised outlets of The Generics Pharmacy, and in the process have provided employment to a multitude of individuals from diverse social backgrounds and professions. Strategic partnerships have been established with major mall developers through the years, and our formats serve as anchor tenants for Robinsons Malls, our affiliate.

Our supply chain and operations are avenues for mutually beneficial engagements with vendors and partners, from multinationals to SME's, whose high quality products are brought closer to a wider local market. Because of this, we have been able to pave access to goods and services for consumers, while significantly supporting livelihoods and families in areas where we are present. In our capacity as one of the country's top companies and major retail players, we aim to contribute positively to economic development.

The interests of our customers are inherently tied into the nature of our business. *We move through this dynamic industry together.* As a company, we capitalize on the persistent relevance and cultural value of brick and mortar stores, which serve as hubs for direct and tactile experiences of shopping. While organically growing our stores and acquiring brands with the potential to enrich lives, address needs, or simply to spark joy, we are often pioneers of modern retail in underpenetrated cities and emerging regional economic centers.

Through partnerships and minority investments, we have also embraced e-commerce and digitalization, the tech-driven inevitabilities that are fostering new behaviors and expectations from our consumer base. We are constantly learning through all touchpoints.

Ultimately, we adapt by embedding strategies that are relevant to the times not only to remain profitable, but to serve as a trusted, responsive, and sustainable company.

Our story of growth, expansion, and evolution is one that we continue to write. Almost four decades have passed since the first Robinsons Department Store opened in Robinsons Place Manila in 1980. We have endured and flourished, confident of our place in elevating the retail industry to newer and more exciting heights, with aspirations to become one of the best retailers in the region.

VISION

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

MISSION

Our mission is to:

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

Brand Portfolio and Acquisitions

1980

We opened the first Robinsons Department Store in Robinsons Place Manila.

1985

Our entry into food retail was marked by the first Robinsons Supermarket in Robinsons Place Cebu.

1994

The first Handyman store opened in Robinsons Galleria, our first Do-it-Yourself format.

2000

We entered electronics and appliances retailing with Robinsons Appliances and brought Japan's Ministop to the Philippines.

2012

We acquired 90% stake of Southstar Drug, the oldest and one of the country's biggest drugstore chains. Founded by the Dy family, it began to serve the market in the Bicol region in 1937.

2013

We launched our Loyalty Card Program to engage our customers better.

2014

We entered the cosmetics landscape with the acquisition of Beauty Skinnovations Retail, Inc., licensed resellers of international cosmetics brands Benefit and Shiseido.

2015

We acquired 90% of Savers Appliances, an appliance chain whose operations are concentrated in Central Luzon and Cagayan Valley.

2004

DOROTHY PERKINS

2006

We became a sub-licensee of Toys R Us Asia.

2007

Our first major acquisition was completed when we acquired 66.7% of True Value from Amon Trading Corporation.

2009

We brought Daiso Japan to the Philippines as the exclusive franchise license holder of the brand.

2011

2016

We acquired 51% of The Generics Pharmacy, which has the highest store network of its kind in the Philippines at around 2,000 stores.

2017

We invested on 20% stake in Taste Central Curators, Inc., operator of the country's leading pure beauty e-commerce site, BeautyMNL.

2018

Our biggest acquisition to date, we included RSCI in our portfolio on November 23, 2018 through a share-swap valued at around Php18bn. We added its 88 stores under the banners Rustan's Supermarket, The Marketplace, Shopwise, Shopwise Express and Wellcome to our store network.

Awards and Recognitions

Toys R Us

Plaque of Appreciation from Hotwheels

Robinsons Appliances

Platinum Award from Hitachi

Elite 100

Zenith Award from Asus Philippines

FY17 Highest Growth Achievers 1st Place Award from Epson Philippines Corporation

Top Contributor of the Year 2017 from TCL

Plaque of Recognition from Condura

Plaque of Recognition from Midea Residential Air Conditioner

Handyman

2018 Modern Trade Quota Buster of the Year from Pioneer

Plaque of Recognition from WD-40 Company

True Value

2018 Modern Trade Quota Buster of the Year from Pioneer

Plaque of Recognition from WD-40 Company

Robinsons Supermarket

2018 BSP Stakeholders Awards

Robinsons Builders

Plaque of Appreciation from The United Architects of the Philippines (UAP)

Ministop

2018 Plaque of Appreciation from Philippine Franchise Association/ Franchise Asia Philippines

ROBINSONS RETAIL HOLDINGS, INC.

ROBINSON'S SUPERMARKET CORPORATION
Stake: 100%

RUSTAN SUPERCENTERS, INC.
Stake: 100%

ROBINSON'S HANDYMAN, INC.
Stake: 80%

ROBINSONS TRUE SERVE HARDWARE PHILIPPINES, INC.
Stake: 66.67%

SOUTH STAR DRUG, INC.
Stake: 90%

THEGENERICS PHARMACY FRANCHISING CORPORATION
Stake: 100%

ROBINSONS APPLIANCES CORP.
Stake: 67%

HANDYMAN EXPRESS MART, INC.
Stake: 65%

TGP PHARMA, INC.
Stake: 51%

THEGENERICS PHARMA, INC.
Stake: 100%

WALTERMART - HANDYMAN, INC.
Stake: 65%

ANGELES SUPERCENTER, INC.
Stake: 67%

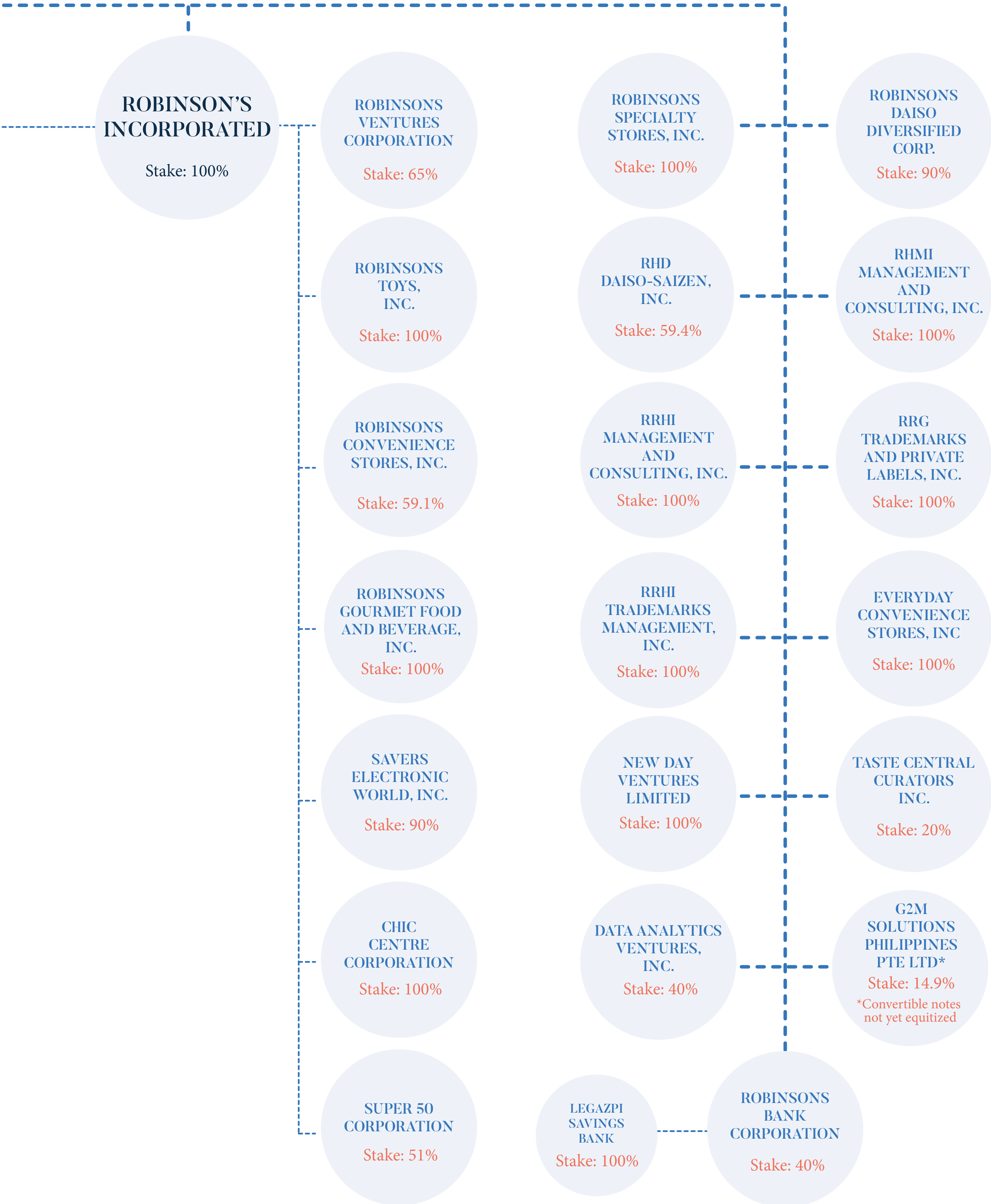
RHI BUILDERS AND CONTRACTORS DEPOT, CORP.
Stake: 67%

HOME PLUS TRADING DEPOT, INC.
Stake: 75%

GROWSARI INC
Stake: 28.6%
*Convertible notes not yet equitized

ROBINSONS LIFESTYLE STORES, INC.
Stake: 100%

CONGLOMERATE MAP



381 Specialty Stores

CONSUMER ELECTRONICS AND APPLIANCES

94 Robinsons Appliances
38 Savers Appliances

TOYS

41 Toys R Us (stand-alone)
50 Toys R Us (Toybox)

SPECIALTY FASHION

15 Topshop/Topman
10 Dorothy Perkins
6 Warehouse
2 Burtons Menswear London
2 Miss Selfridge

BEAUTY

10 Shiseido
4 Benefit
1 Elizabeth Arden
1 Club Clio

MASS MERCHANDISE

87 Daiso Japan
2 Arcova

COFFEE SHOP

18 Costa Coffee

PET RETAIL

1 Pet Lovers Centre

252 Supermarkets

MAINSTREAM SUPERMARKET

136 Robinsons Supermarket
21 Rustan's Supermarket
17 Shopwise

MINIMART

22 Robinsons Easymart
19 Shopwise Express
17 Wellcome

PREMIUM SUPERMARKET

14 The Marketplace/ Marketplace by Rustan's
3 Robinsons Selections

CASH & CARRY

3 Jaynith's Supermart

210 DIY Stores

165 Handyman
21 True Value
15 Robinsons Builders
3 Home Plus

Store NETWORK

2,502 Drugstores

510 Southstar Drug
1,992 The Generics Pharmacy

52 Department Stores

52 Robinsons Department Store

499 Convenience Stores

499 Ministop

Message from the CHAIRMAN & PRESIDENT

Chairman & President's Message

MR. LANCE Y. GOKONGWEI
Chairman

MS. ROBINA GOKONGWEI-PE
President and Chief Executive Officer

The Philippines had its share of economic wins and challenges in 2018. Marked by strong consumption and public investment, gross domestic product (GDP) growth was still one of the highest in the ASEAN at 6.2%, albeit a slowdown from the previous year's rate of 6.7%.

OFW cash remittances grew by 3.1% to USD28.9 billion in 2018 while the business process outsourcing (BPO) industry contributed an estimated revenue of USD24 billion, and adding around 70,000 job opportunities in the sector. Tourism also reached an all-time high, with 7.1 million foreign arrivals or 7.6% increase year-on-year (y-o-y) and Php401 billion in tourism receipts.

However, inflation rose above the Bangko Sentral ng Pilipinas (BSP) targets causing consumer confidence to dip in the latter half of the year. Inflation was at its peak at 6.7% in September 2018, driven in part by the rise of global oil prices, and locally, the decline in the agriculture and fisheries sector due to unfavorable weather conditions. The latter adversely affected the supply of basic food commodities, most significantly resulting in steep increases in the price of rice, our primary staple. The trade deficit widened from the surge in imports of capital goods, mainly for government infrastructure projects, which contributed to the weakening of the Philippine peso.

ACQUISITION OF THE FOURTH LARGEST FOOD RETAILER

2018 was an exciting and game-changing year for Robinsons Retail. During the first quarter, we announced our agreement with leading pan-Asian retailer Dairy Farm International Holdings, Ltd. to acquire 100% stake in Rustan Supercenters, Inc. (RSCI) through a share-swap agreement. With Rustan being the country's fourth largest food retailer, and valued at around Php18.0 billion, the transaction is Robinsons Retail's biggest acquisition to date.

It was completed on November 23, 2018 after having undergone extensive assessment from the Philippine Competition Commission and the Securities and Exchange Commission. Combined with our supermarket business, we see avenues for synergies and alignment to become a stronger number three player through the experiences we have cultivated through the years, tapping into an even larger market from the expanding broad-middle to the upscale and affluent.

FINANCIAL PERFORMANCE

All aboard the TRAIN

Robinsons Retail Holdings, Inc. ended 2018 with consolidated net sales growing by 15.1% year-on-year from Php115.2 billion in 2017 to Php132.7 billion, including the December 2018 sales of Rustan's. Strong same store sales growth (SSSG) was seen across all formats, which was at 5.9% on a blended basis from 2.7% in the previous year, driven by the almost perfect storm of the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law at the beginning of the year. Its provisions increased take-home pay for middle-income salaried workers, our company's target market, which in turn boosted consumption on both staples and discretionary items.

SSSG of our supermarket segment significantly rose to 7.6% in 2018 from 2.5% in 2017, while our department store business reported a healthy 2.3% in 2018. Our convenience stores also grew by a strong SSSG of 5.1% from 2.9% in the previous year, while our drugstores showed a lift of 3.3% from 1.6%. SSSG in our Do-it-Yourself (DIY) and specialty stores segments remained robust at 5.0% and 6.9%, respectively, albeit softening from SSSG of 6.4% and 7.8%, respectively, in 2017.

The strength of data analytics capacitates us to explore more targeted approaches

Core net income rose 6.5% to Php5.0 billion in 2018 while net income attributable to equity holders of the parent company increased by 2.6% to Php5.1 billion. Blended gross margins rose 10 basis points (bps) to 22.5% on margin improvements in the supermarket and department store segments. Earnings before interests, taxes, depreciation and amortization (EBITDA) was up by 7.7% to Php9.0 billion, but EBITDA margin contracted by 50bps to 6.8% in 2018.

BUILDING THE RRHI STRATEGY HOUSE

Responding to the dynamic forces that affect the retail industry, we crafted the strategic foundations to set our goals for the next five years. We aim to maintain consistently robust SSSG at 3%-5% year-on-year, while being keen on growing our topline by mid to high teens to keep up with the growth rates among retail businesses in emerging economies.

Our strategic thrusts are outlined by five pillars, namely Data, Digitalization, Distribution, Disciplined Expansion, and Driven & Dedicated Workforce. In many ways, these areas cover cogent principles significant to corporations around the world, such as technology, operational efficiency, and sustainability. Together, they guide our journey in developing innovations that are essential for our formats to endure as relevant destinations to the Filipino market.

Data: The Power of Information

The day-to-day operations of retailing results into the constant influx of data from various touchpoints. From the products our customers buy and the promotions that engage them, to the narratives in social media that show insights into their culture as shoppers, we are able to understand the language of their consumption. In the future, we would be able to map out strategies within the supply chain and collaborate with our vendors, which we can do through enhanced data gathering and analytics tools.

As we added more participating brands into our loyalty program, in November 2018, we launched the Robinsons Rewards Mobile App, elevating our loyalty program onto the digital ecosystem. Through the platform, we can acquire new members who may register for free through their iOS and Android devices, while the existing 1.8 million members can simply scan the barcode at the back of their Robinsons Rewards card.

As of April 2019, over 120,000 members have registered through the mobile app. The strength of data analytics has capacitated us to explore more targeted approaches to offer products to our customers with the wealth of information we gather through the app. This in turn guides our management decisions and deepens our relationships with our customers.

Digitalization: The Foreseeable Norm

The inevitability of disruption is a reality corporations will have to respond to in one way or another; it is not a matter of whether or not new technology will arrive but how fast and how well we can keep up with it. Intimately connected to data, digitalization is one of the major pillars that profoundly impact retail through the lifestyles of the urban market. Tech-dependent Millennials currently dominate the labor force and are the lifeblood of growing e-commerce GMVs (gross merchandise value), while Generation Z is growing up with digital stimuli not present just half a generation before.

In Robinsons Retail, we have constantly embraced digitalization to complement instead of compete against our brick and mortar stores.

Our partnerships flourish with online marketplaces such as Lazada and Zalora, while we have pursued investments with new partners. In December 2017, we invested in Taste Central Curators Inc., operator BeautyMNL, the leading beauty e-commerce site in the Philippines today.

In September 2018, Robinsons Supermarket invested in a convertible note issued by Growsari Inc, a homegrown Filipino start-up that provides grocery delivery service to sari-sari store owners through a mobile app that aids in replenishing their supplies, a manifestation of the convergence between technology and inclusive business.

Distribution: Optimizing the Supply Chain

Greater efficiency is a constant goal for any business, with many industries around the world pursuing supply chain platforms with different levels of sophistication. The domain is both daunting and compelling.

In light of this, we have begun to explore opportunities in supply chain management and logistics which we can integrate in our operations. We want to be able to implement a cohesive and cost-effective strategy through partnerships and synergies with our vendors, as well as between our subsidiaries and across our distribution centers.

In June 2018, Robinsons Supermarket moved to a mega Distribution Center in Sucat, Parañaque. This 4.6 hectare distribution centeris equipped with case-picking and piece-picking systems which allow for better inventory management for both supermarket and minimart formats, and its size could support the volume of more than 250 stores as we continue organic expansion.

Disciplined Expansion: Organic Growth and Strategic Portfolio Expansion

Our primary key performance indicator is SSSG, so we maintain disciplined expansion as our approach in opening new stores. Locations are carefully assessed to mitigate the likelihood of store closures, as we aim for net store additions every year while maintaining profitability in older ones.

There is plenty of room to grow, as modern retail in the Philippines is still predictably most concentrated in highly urbanized areas in Metro Manila and regional centers in Visayas and Mindanao. Second-tier and third-tier cities outside the capital offer a considerable potential for organic growth, and historically, our brands served as pioneers for modern retail in frontiers such as these.

We give more options and experiences to people through continuously enhancing our merchandise selections in our present stores. By bringing in brands which we believe address the market's desire for exploration and diversity, we further craft a curated portfolio for the holdings company.

On October 19, 2018, through an exclusive franchise agreement, we opened the first Philippine store for Pet Lovers Centre (PLC) in Robinsons Galleria, marking our entry into pet retail. Advocating responsible pet ownership and with a store locations across the Southeast Asia, Singapore's PLC is a pet retail chain has built a legacy of providing quality pet products and services.

We also opened the first standalone store for Korean cosmetics line Club Clio in Robinsons Galleria, and two branches of Korean-inspired lifestyle and cosmetics store Arcova in Robinsons Pioneer and Robinsons Place Antipolo.

Driven & Dedicated Work Force: Talent and Commitment to Sustainability

Our relationship with people is inseparable from the DNA of our business and our take on corporate sustainability. We believe in delivering high quality customer service, growing our employees and their skills, and giving various avenues for learning and career development. We consider these as crucial elements in creating a fulfilling work environment where we not only acquire talent, but retain them because they understand that they are valued.

At end 2018, we had a personnel count of over 29,000 from diverse backgrounds as we strive to create an inclusive work environment. Seventy-four percent (74%) of our directly-hired workforce is female and 68% of upper-management positions are occupied by women. We have opened our doors to people with learning disabilities in our drugstore format, Southstar Drug, celebrating their capacities and empowering them through the social stigma they face.

As we expand into different cities and provinces, we employ people in the immediate localities and create a network of local suppliers when we can. Part of our operations is our engagement with small and medium enterprises, from vendors that work with smallhold farmers for organic produce, to third party truckers that support our logistics; in the process we are creating and distributing value across our supply chain. We are pleased that by the very nature of our expansion, we contribute to growing local economies and uplifting the standard of customer experience in places where we are present.

Community engagement continues to be a significant component of the business and we have maintained long-term partnerships with various organizations to achieve this across a multitude of platforms. We once again supported the University of the Philippines Men's Basketball team, who, for the first time in 32 years, made it to the finals of the University Athletic Association of the Philippines (UAAP) Season 81 League. Our ties with Right Start Foundation, Hands On Manila, CRIBS Foundation, and various civil society organizations and corporate partners such Unilever and Mondelez remain strong, and working together, we aid in ensuring a safe and more secure society for Filipino children across the archipelago.

THE YEAR AHEAD

The Five D's of our strategic framework were developed from a reflection of our past experiences balanced with the anticipation of relevant and emergent industry drivers. As we move forward, we intend to achieve the goals we have set by being nimble and discerning in the face of opportunities, from strategic mergers and acquisitions, to joint ventures, to innovative investments in tech.

The challenges of 2018 outlined areas in need of adaptive policies but the prospects area nonetheless optimistic. Inflation has softened to 5.1% by December 2018, and is expected to be within government targets in 2019.

Steps have been undertaken to lessen the price of basic commodities, such as legislation on rice tarrification and boosting supplies, and interest rates have been increased to curb inflation. Oil prices are also likely to normalize. These factors would benefit businesses by lowering the cost of production and boosting margins, while the slowdown of inflation would improve consumer confidence and raise private consumption. Further, the incoming May 2019 elections would post higher consumption by raising disposable income as well as employment.

The Philippines is likely to remain one of the fast-growing economies in Southeast Asia and the Pacific. GDP is expected to grow by 6.3% and accelerate by close to 7.0%, primarily driven by government's infrastructure outlays and mid-term election-related spending.

Likewise, investment is seen to increase due to the Build, Build, Build projects of the administration, such as the planned subway and airport project in Metro Manila. Overall, these indicators tell us that the Philippine macroeconomic environment is encouraging for the consumer and retail sector, which would allow companies like ours to attain higher trajectories of growth.

Acknowledgments

As always, we extend our gratitude to all the people and institutions who are part of our continuing journey as a company. The narrative of Robinsons Retail is written with the trust we have built with our consumers, the dedication of our employees and management, and our collaborations with our multitude of partners. Unfailingly delighted by our stores and our products, we hope to be with you in the years ahead.

Happy shopping!

Lance Y. Gokongwei
Chairman

Robina Gokongwei-Pe
President and Chief Executive Officer

General Managers

Maria Carmina Pia G. Quizon
General Manager-
Robinsons Specialty Stores

Celina N. Chua
Group General Manager-
Robinsons Department Store
and Toys 'R' Us

Christine O. Tueres
General Manager-
Southstar Drug

Jovito U. Santos
Group General Manager-
Robinsons Appliances
and Savers Appliances

Stanley C. Co
Group General Manager-
Handyman Do it Best, True Value,
Robinsons Builders, Daiso Japan,
Arcova, Pet Lovers Centre

Thelma Teresa Rox
General Manager-
Ministop

Paz Regina A. Salgado
Vice President,
Robinsons Department Store
Business Center

Justiniano S. Gadia
Managing Director-
Supermarket Segment

Faith Y. Gokongwei-Lim
Group General Manager-
Costa Coffee and
Chic Centre Corporation

Jose Paulo R. Lazaro
General Manager-
Robinsons Builders

as-Jacob

Agnes G. Rafiñan
General Manager-
The Generics Pharmacy

Katherine Michelle Q. Yu
General Manager-
Daiso Japan and Arcova

Patricia Ann C. Famador
Assistant Vice President,
Loyalty and Financial
Products Division

Management's Discussion and Analysis

Robinsons Retail's consolidated net sales in 2018 reached Php132.7 billion, 15.1% higher than 2017 with Php115.2 billion.

The double-digit increase in net sales was driven by the strong same store sales growth (SSSG) of 5.9%, the sales contribution of 104 net new stores opened for the year and the consolidation of one-month sales of the 88 stores of Rustan Supercenters, Inc. Excluding Rustan, net sales expanded by 12.5% to Php129.7 billion for the full year 2018.

Blended SSSG was robust at 5.9% in 2018 against 2.7% in 2017, higher than the target of 3%-5%. All retail formats substantially benefitted from the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN). Aside from price increases of products covered by the law, the reduction in personal income tax caused disposable income to rise, creating additional consumption mostly for the company's target customers.

Blended gross profit margin expanded by 10 basis points (bps) to 22.5%, anchored by the margin improvement in the supermarket and department store segments. Meanwhile, EBITDA grew by 7.7% to Php9.0 billion. Full year core net income (net income excluding interest income on bond investments, forex gains/ losses, equity in earnings of an associate and non-recurring expenses) increased by 6.5% to Php5.0 billion and full year net income attributable to equity holders of the parent company was up by 2.6% to Php5.1 billion, buoyed by the lift in operating income primarily due to the strong SSSG for the period.

The supermarket segment continued to account for the biggest share of consolidated Robinsons Retail's sales and earnings before interest and taxes (EBIT) at 47.0% and 43.3%, respectively, in 2018. Its share to total net sales is expected to further increase in 2019 due to the full year consolidation of Rustan.

Robinsons Retail ended the year with a total of 1,910 stores and 1,992 franchised branches of The Generics Pharmacy. The group's gross floor area expanded by 28.8% year-on-year to 1.48 million square meters. In terms of geographic location, 785 stores are in Metro Manila, 803 in Luzon, 215 in Visayas and the remaining 107 stores are in Mindanao.

In addition to existing brands, Robinsons Retail also opened Singapore-based Pet Lovers Centre as the exclusive Philippine franchisee, marking the group's entry to pet retail. Robinsons Retail also launched the first standalone Korean cosmetics store Club Clio in Robinsons Galleria, and opened two branches of Arcova, a Korean-inspired lifestyle store, in Robinsons Pioneer and Robinsons Place Antipolo.

With a strong balance sheet, Robinsons Retail continued to look for attractive opportunities and investments to further enhance its business portfolio. It remained solid with cash, cash equivalents and liquid securities amounting to Php34.5 billion, and borrowings of only Php6.8 billion. Current ratio was at 1.22, with consolidated assets growing by 31.1% to Php107.8 billion in 2018.

Supermarket Segment

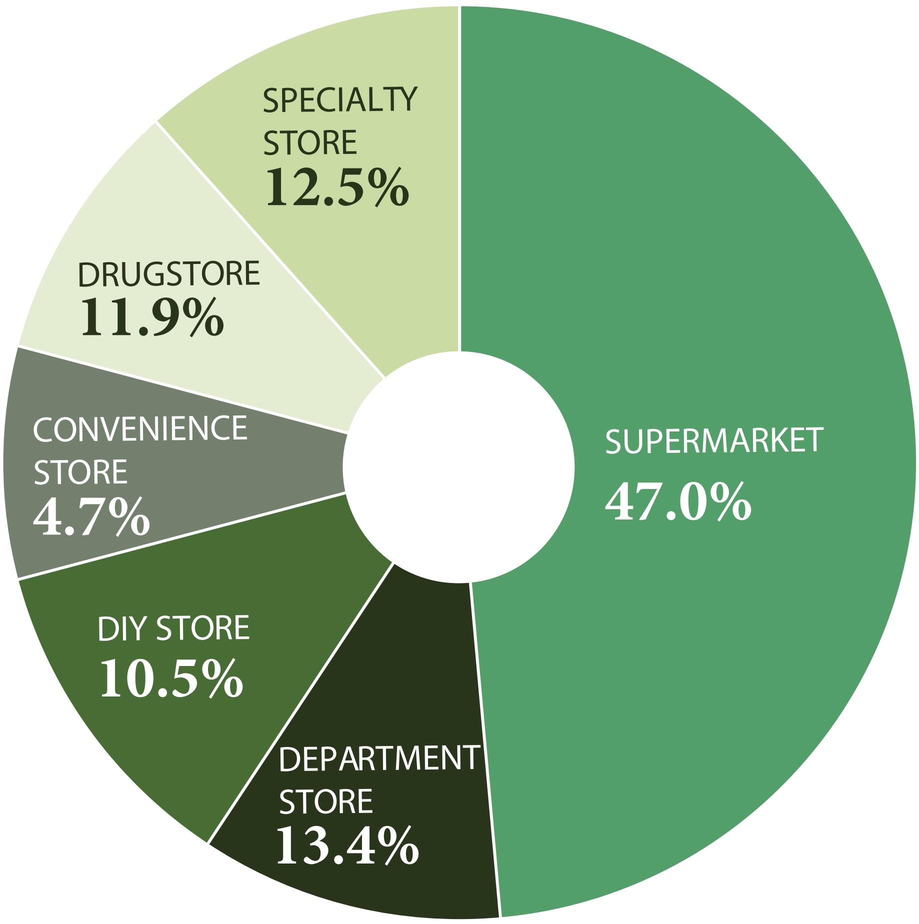
Robinsons Supermarket's consolidated net sales amounted to Php59.3 billion, 13.3% higher than 2017. This is mainly attributed to strong SSSG of 7.6% and sales contribution from 10 new stores opened in the year. Note that Robinsons Retail consolidated the one-month sales of Rustan into the supermarket segment with the completion of the merger. When combined with Rustan, supermarket segment sales totaled Php62.4 billion in 2018, up by 19.1% year-on-year.

The robust SSSG of the supermarket segment was driven by the increased consumption among salaried employees resulting from higher disposable income brought about by the implementation of TRAIN, price increases in key categories, and improved store productivity as the format deployed more cashiers in its top 50 stores leading to higher growth in transaction count.

Blended gross margin was up by 10 bps to 19.5% in 2018 as a result of the consolidation of the high margin business of Rustan. Operating expenses grew at a faster rate than sales given the higher personnel costs with the cashier regularization and the deployment of additional frontliners in the top 50 stores, higher distribution center expenses associated with the move to a new mega distribution center and higher commission paid to honestbee due to its wider store coverage. EBITDA grew 6.1% to Php3.9 billion.

The supermarket segment ended the year with 256 supermarkets which consisted of 136 Robinsons Supermarket (mainstream), 22 Robinsons Easymart (minimart), three Robinsons Selections (premium), three Jaynith's (cash & carry) and 88 acquired stores from Rustan.

Segment Contribution to Net Sales



Department Store Segment

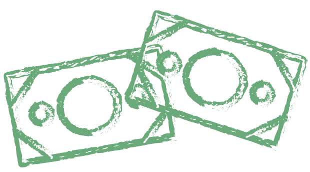
Robinsons Department Store recorded net sales in 2018 of Php17.8 billion, an increase of 10.3% from Php16.1 billion in 2017, fueled by healthy SSSG and sales contribution of four new stores that were opened outside of Metro Manila. SSSG recovered to 2.3% from a negative territory in the previous year. The growth was driven by the strong performance of sportswear, bags and luggage and shoes categories.

Gross profit reached Php4.8 billion, 12.6% higher compared to Php4.2 billion in 2017, with gross margins up by 50 bps to 26.8%, resulting from improvement in category mix. EBITDA declined to Php921 million due to the write-off of leasehold improvements in two department stores that were closed in 2018. Robinsons Department Store ended the year with a total of 52 stores.

DIY Store Segment

The DIY store segment delivered exceptional performance in 2018. Net sales amounted to Php13.9 billion retaining its double-digit sales growth at 12.8%. SSSG remained healthy at 5.0%, with pet food, home organizers, and hardware delivering high teens growth rates in 2018. Meanwhile, gross profit amounted to Php4.4 billion, 12.6% higher than 2017, with gross margin sustained at 32.0%. EBITDA was up by 18.5%, registering faster growth than net sales, resulting to 50bps increase in EBITDA margins, supported by operational efficiencies and good performance of new stores that were opened in 2018.

The DIY store segment ended the year with 210 stores consisting of: 165 Handyman Do it Best (broad middle mall-based DIY), 25 True Value (premium mall-based DIY), 2 True Home (furnishings), and 18 Robinsons Builders (big box).



Convenience Store Segment

Convenience stores grew its consolidated merchandise sales by 8.2% to Php6.2 billion in 2018. SSSG accelerated to 5.1%, driven by the robust performance of the ready-to-eat category, which accounted for 34.6% of sales.

Gross profit including royalty and other income amounted to Php2.4 billion, 7.8% higher than the Php2.3 billion recorded in 2017. EBITDA grew faster than net sales at 12.3% to Php340 million, increasing EBITDA margin by 20bps to 5.5%, as a result of store rationalization. Ministop has 499 stores at the end of 2018.

Drugstore Segment

The drugstore segment ended the year with consolidated net sales growing 9.0% to Php15.8 billion, mainly attributed to the double-digit topline growth of Southstar Drug. Southstar Drug improved its SSSG to 3.3% from 1.6% in the previous year, recovering from replenishment issues faced in 2017 as a result of the migration into a new merchandising system.

Blended gross margin climbed up by 70 bps to 19.4% due to reclassification of supplier support to purchase discounts in accordance to the new revenue accounting standards, while EBITDA margin was sustained at

7.5% to Php 1.19 billion in 2018. Southstar Drug operated a total of 510 stores, while the franchised stores of The Generics Pharmacy is at 1,992 stores in 2018.

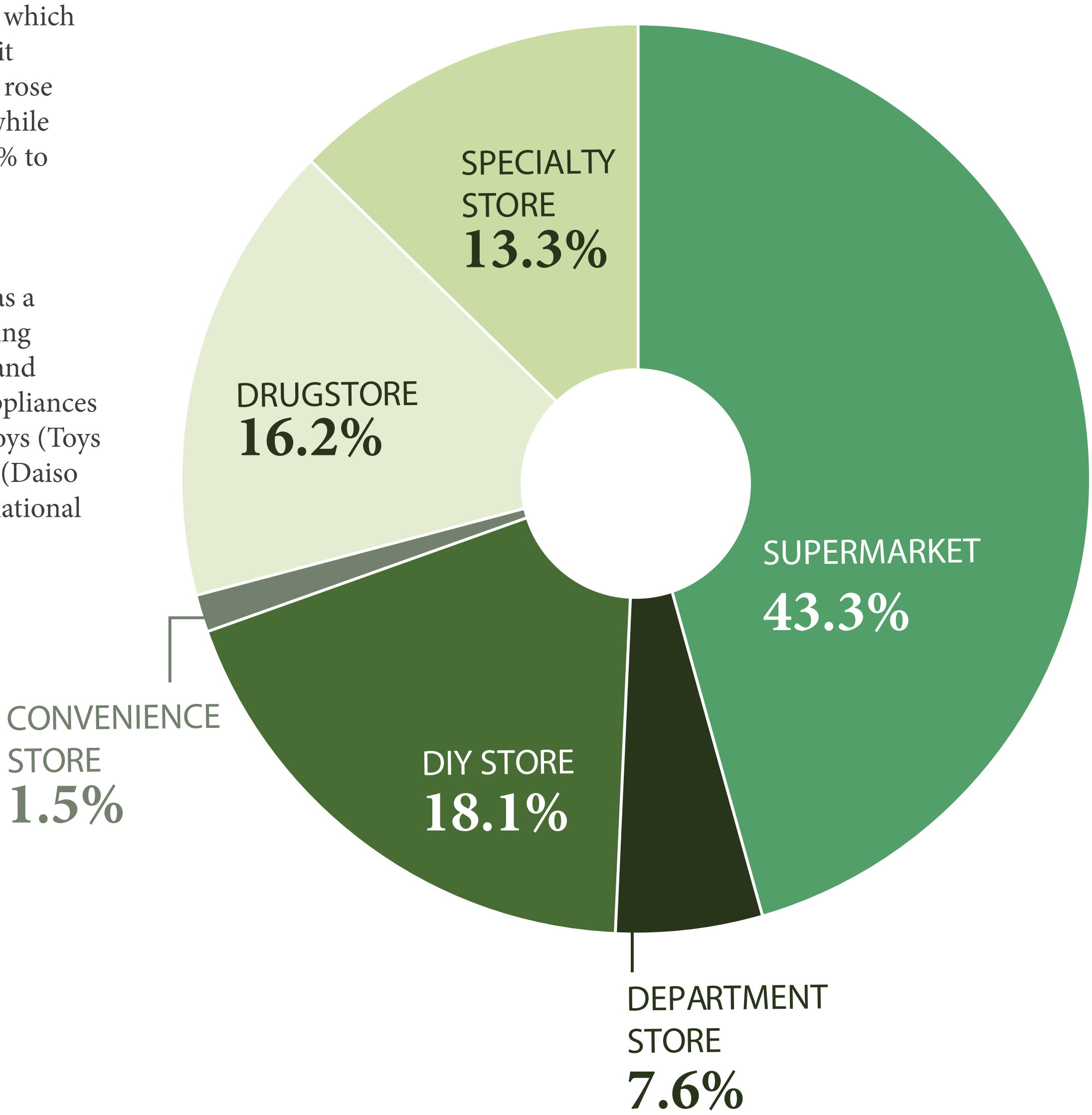
Specialty Store Segment

The specialty store segment continued to expand, posting a 17.0% increase in net sales to Php18.2 billion from Php15.6 billion in 2017. SSSG for this segment was robust at 6.9%, propelled by the consumer electronics and appliances, Daiso Japan and beauty formats which registered high single-digit growth rates. Gross profit rose 14.2% to Php4.8 billion, while EBITDA advanced by 9.8% to Php1.3 billion.

At the end of the year, the specialty store segment has a total of 387 stores consisting of: consumer electronics and appliances (Robinsons Appliances and Savers Appliances), toys (Toys R Us), mass merchandise (Daiso Japan and Arcova), international fashion specialty brands (Topshop, Topman, Dorothy Perkins, Miss Selfridge, Burton Menswear, G2000 and Warehouse), beauty (Shiseido, Benefit, Elizabeth Arden and Club Clio), coffee shops (Costa Coffee), and pet retail (Pet Lovers Centre).

With cautious optimism for 2019, the company looks forward to further its growth across all formats. Robinsons Retail strives to remain agile in the face of opportunities and disruption, as well as resilient and adaptive to challenges in the retail sector. As the Filipino consumer base is evolving, the dynamism of the market offers exciting prospects for Robinsons Retail.

Segment Contribution to EBIT (Earnings Before Interest and Taxes)



SUPERMARKET

ROBINSONS SUPERMARKET	ROBINSONS SELECTIONS	ROBINSONS EASYMART	JAYNITH'S SUPERMART	RUSTAN SUPERCENTERS, INC.	STORE COUNT
136	3	22	3	88	252

Robinsons Supermarket runs one of the largest supermarket chains in the country. Our thrust and differentiation has always been Health and Wellness and we are the only major mainstream supermarket chain that positions itself specifically in this niche. We are proud to know that we have influenced more people to adopt healthy lifestyles through our consistent and single-minded advocacy of promoting healthy and nutritious food. The Food and Nutrition Research Institute (FNRI) is our partner for the I Love Wellness program, where our products have color-coded labels so it is easier for customers to make informed choices about what they buy, particularly those labeled with green tags as these passed the nutrition standards of FNRI.

We also owe our success to our capability to adapt to the dynamism of the retail business and how connected we are to people. It is challenging and exciting to find room for innovation with the evolving market. Technological disruptions such as e-commerce are necessary in the industry and we embrace what technology has to offer. The Filipino omnichannel shopper, for example, is emerging and we want to be ready to respond to their needs as consumers.

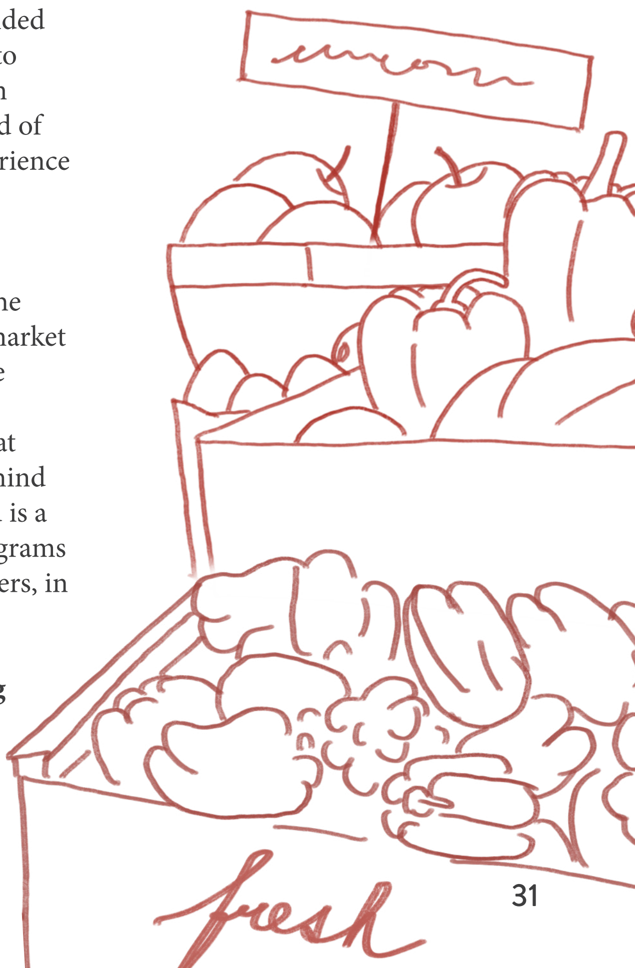
In 2018, we partnered with Metromart to expand our presence online, as well as invested in Growsari, a mobile online ordering and delivery platform that specifically services sari-sari stores.

Moving forward, we believe that we contribute to the well-being of people through our Health and Wellness platform and to the industry as a whole because of our wide assortment, competitive prices, better shopping experience and customer engagement. We are positive that there is still a lot room to grow in the Philippines, and we are proud to be part of the expansion of modern retail in the provincial areas as this has provided better choices and convenience to people. We likewise take pride in being able to elevate the standard of supermarket shopping and experience wherever we are present.

Collectively, our vision is to be the supermarket of choice and the number one top of mind supermarket of Filipinos and we will continue to work hard to achieve this. To already hear some people say that our supermarkets are not far behind or even better than those abroad is a testament to our efforts and programs to be competitive against our peers, in Asia at least.

-Justiniano S. Gadia, Managing Director

Robinsons Supermarket has steadily been expanding since opening its first store in 1985. It has the following sub-formats: Robinsons Supermarket for mainstream mall-based supermarkets, Robinsons Easymart as neighborhood minimarts, Robinsons Selections as premium positioned, and three cash & carry outlets of Jaynith's Supermart. On November 23, 2018, Robinsons Retail acquired Rustan Supercenters, Inc. and added its 88 stores under its network.



Department Store

STORE COUNT

52

Robinsons Department Store

At Robinsons Department Store, we want to constantly be the avenue for exciting shopping experiences through product assortment, customer service, and store ambiance that will not only satisfy but delight. Being a legacy brand as it has spanned generations, we are proud of our identity as the first format of Robinsons Retail. Across all our stores, we bring in a wide selection of well-known international and local brands, from home, to apparel, cosmetics and fragrances, and Toys R Us Toy Box section. As they shop, we also offer customers convenience through the Robinsons Business Center, which serves as a hub for bill payments, ticketing, cash remittances, and other financial services with accredited partners.

But more than this, we look at each store and we get to know our customers through customer analytics. Loyalty and analytics will truly be a valuable tool in the future and in making sure that we are attuned to our customers' needs and wants. We get to connect more with our customers and provide them with more value and it is easier to predict their behavior during interactions, as well as how and when to get in touch with them in order to create personalized responses.

Merchandising strategies are an inherent part of the success of our business. Over the last few years, we have been really focused on improving our selections to make the buying experience more attractive and fun for the consumer. We brought in industry experts like world-renowned furniture designer and visual storyteller Ito Kish and fashion designer Arturo Go.

Ito heads the team behind Curated Home, a brand he developed from concept to fruition, driven by the idea that we want to inspire customers and let them find everything they need to create beautiful homes. Arturo, on the other hand, lends his expertise to our fashion categories and has been instrumental in developing our in-house brands such as Stella, Liberte and Bridget's Closet.

The department store business is getting widely competitive as even more local and international formats come in and online stores gaining traction. Because of an even faster pace of their lifestyles, customers are in need for a new and meaningful shopping experiences. We are undergoing a major disruption that is centered on our customers and with all of the changes, only one thing is for sure: our customers expect more from us, and we are determined to deliver.

-Celina N. Chua, Group General Manager

Robinsons Department Store is RRHI's pioneer format. The first store opened in Robinsons Place Manila in 1980.

DO-IT-YOURSELF

STORE COUNT

165

HANDYMAN

Handyman goes by the mantra of “people you know, products you trust.” We are partnered with USA’s Do it Best Corporation and we strive to deliver the highest level of service with our helpful store personnel, as well as offer the best hardware and home improvement options at competitive prices.

We believe this is what differentiates us the most from our competitors — the level of attention we devote to our customers and knowing their needs.

Our stores allow the rising Filipino middle class, our target market, to make aspirational decisions when it comes to creating spaces for themselves and their families. They are becoming more comfortable in switching from traditional hardware stores to mall-based chains like Handyman, given the convenience and overall improved shopping experience. We continuously think of new and innovative programs to sell and promote our products given the growing and emergence of different types of demographic markets, from Gen X to Gen Z.

To further build relationships with our customers, we rely on engagement through various avenues. In our stores, we train our employees to be informative, to listen, and to make relevant suggestions. We are active on all major social media platforms to not only inform the public about promotions and upcoming activities, but also to be able to easily address concerns and queries.

One of events we consistently run is Customer Appreciation Day, where we invite our patrons to play games, win prizes, and get good discounts on our products. Another is our Trade-In Promo, where we ask them to trade useful items, such as books or bottled water, for discounts at our stores. All of the traded items are donated to chosen beneficiaries such as Mano Amiga Pilipinas, Association of Mouth and Foot Painting Artists, and Tahanang Walang Hagdanan Inc.

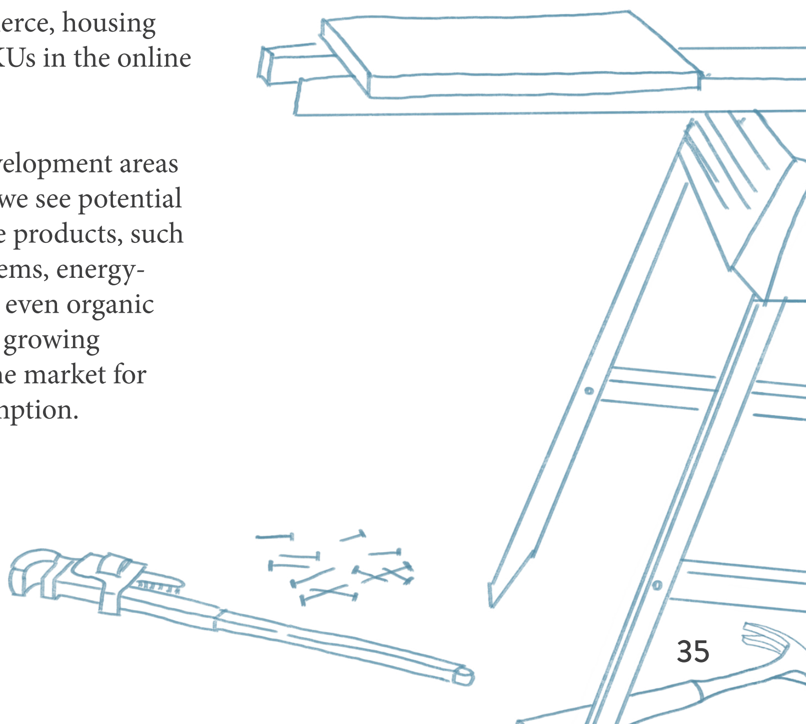
In 2018, we opened 20 stores across the Philippines, the highest number of openings we have done so far in a single year. Alongside our organic growth, we have also dived into e-commerce, housing over a thousand SKUs in the online platforms.

In terms of key development areas for our categories, we see potential in more sustainable products, such as solar powered items, energy-efficient bulbs, and even organic pet food, given the growing consciousness of the market for responsible consumption.

The construction boom and the rise of residential properties are positive indicators for further expansion. It is an exciting industry to be in. There is still a large number of underserved areas and we want to become the first choice in delivering value when it comes to home solutions.

-Stanley C. Co, Group General Manager

First established in July 1994, Handyman opened its first store in Robinsons Galleria in partnership with Herco Trading Inc., introducing the convenience of hardware shopping in malls. In 2001, Handyman became a member of Do it Best Corporation, one of the largest hardware and home improvement cooperatives in the USA.




MPI

TRUE VALUE	TRUE HOME BY TRUE VALUE	STORE COUNT
25	2	27

True Value is not only a trusted and recognized brand worldwide, it has also become a name synonymous with great shopping experience, quality merchandise and excellent customer service.

We are driven by our key message "Behind Every Project is a True Value." We encourage customers to take on do-it-yourself home improvement by providing them solutions we house in our stores. There is an inherent satisfaction in accomplishing a home project, and that feeling is what makes them come back to us for more discovery.

Talking further about discovery as a brand, we see e-commerce as an exciting arena. Filipinos spend around ten hours a day online so it is not surprising that ride-sharing, food delivery services and booking sites and apps have very high appeal to customers. They want service NOW – and they are willing to spend for convenience.

We acknowledge this growing shift to digital and online, which is why we forged e-commerce partnerships to provide our always-connected customers their home improvement needs. With the Philippines' high usage and access to social media and video streaming services, it is now more than ever easier to gain access to DIY project inspirations and instructional videos.

Twelve years into the business, we are still excited about the growth potential of True Value in the Philippines. One of our highlights in 2018 was our expansion outside Luzon with the opening of our first store in Bacolod City, Negros Occidental. We also expanded our selection on exclusive brands in our stores and we are looking at a huge potential for DIY.

We are proud of our products and our level of service. We don't just sell products— we help people complete homes, and we help make memories.

-Stanley C. Co, Group General Manager

True Value's first store in the Philippines opened in 1995. In 2007, RRHI, through a subsidiary, entered into an agreement with Amon Trading Corporation for the acquisition of 66.7% interest of the company. It is a member of True Value Company, which is organized as a cooperative and is one of USA's largest independent retailer owned hardware cooperatives.


GREENFIELD

ROBINSONS BUILDERS	HOME PLUS	STORE COUNT
15	3	18

Robinsons Builders envisions itself to be the preferred big-box building materials and hardware store for home builders and contractors in the Philippines.

We have been steadily strengthening the format since it became part of Robinsons Retail's portfolio in 2014. Focused on our goal of providing value to our customers; from architects, interior designers, contractors, engineers, to home owners; we have grown a wide array of quality products from abroad. We partnered with Do it Best, one of largest hardware cooperatives in the USA, to further deliver on this mission. We look for new designs, the latest products and are incorporating more payment solutions to make it more convenient for customers.

Last November 2018, we launched the Design Center in our Marikina branch as part of our thrust to help each both trade professionals and non-professionals visualize 3D interior spaces with our products. We are also in the process of developing digital platforms that will extend our service online and this is what excites us the most for the coming year.

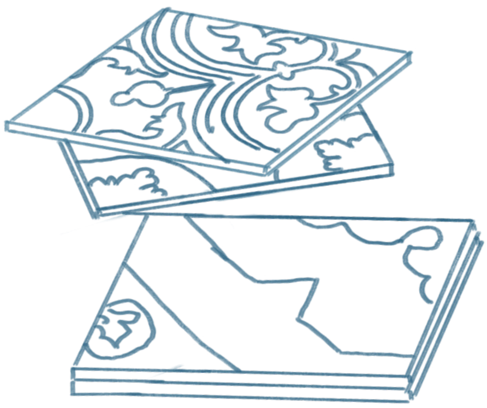
We look forward to partnerships with service providers for financial mobility that will enable customers to buy in credit without the need for credit cards. For delivery service options, we are partnering with digital booking platform Transportify to augment our efficient after-sales services to our most-valued customers.

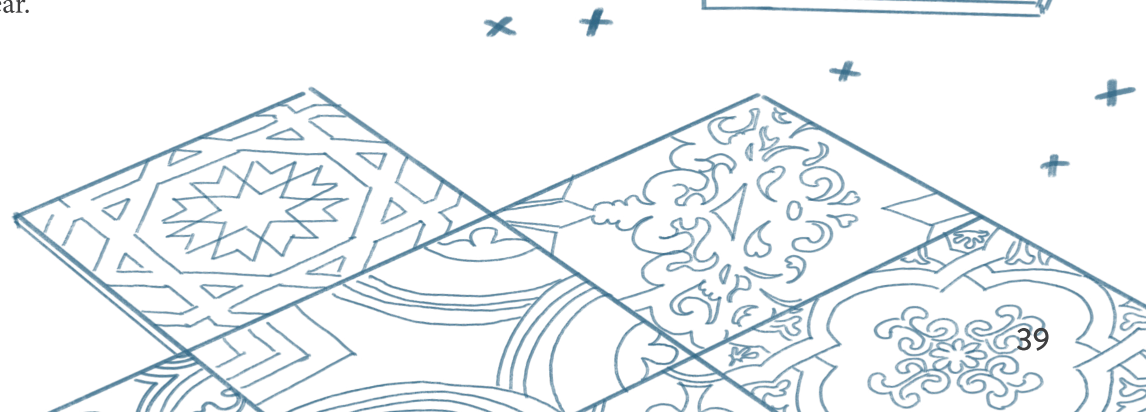
Being an agile brand will allow us to be resilient to what's in-store for the coming years, especially given the country's construction boom and the growing economic mobility of the middle class. In the coming years, we want to further our reach by opening new branches in Metro Manila and to further improve the store layout and merchandise displays of our present stores, enhancing overall customer experience.

As for what we look forward to in the horizon, we see a stronger and more competitive Robinsons Builders.

- Jose Paulo R. Lazaro, General Manager

Through a subsidiary, Robinsons Retail acquired majority interest in A.M. Builders' Depot, a chain of fifteen big-box stores in Visayas, which then underwent rebranding and revamping to become Robinsons Builders. In August 2016, RRHI likewise acquired majority interest in De Oro Pacific Home Plus in Northern Mindanao and assumed operations of its three stores, and in March 2018, the format opened its first Metro Manila store in Marikina City.






OPEN 24 HOURS
YUMMY
Uncle John's
FRIED CHICKEN
IT'S BIG! IT'S HOT!
CHILLZ
MYSUNDAE

Convenience Store

STORE COUNT

499

MINISTOP

Ministop is one of the largest convenience store chains in Japan and since the brand opened its first store in the Philippines in 2000, it has become one of the most well-loved names among the country's CVS players.

Operating for almost two decades in the industry, we have made our way into the Philippine urban scene as a familiar and dependable 24/7 store. We are best known for our top-seller, Uncle John's Fried Chicken, which is rated high by our customers for its big-sized portions, the delicious recipe, and its relative affordability compared to other fried chicken meals in the market.

Ministop Philippines' other Ready-to-Eat meals are also immensely popular, such as Kariman, fried and steamed dumplings, and the Toppers rice meals which feature classic Filipino viands. These are served fresh and hot in our stores as each branch is equipped with an in-store kitchen facility. We also have a selection of Chillz frozen slush and Ministop's soft serve, which are delightful with the tropical weather of the Philippines.

Essentially, as a convenience store, we cater to a customer base with fast-paced lifestyles and a demographic that values accessibility and efficiency. Many are urban professionals, who are constantly on the go and who want service that is quick and merchandise selections that are consistent and reliable in terms of quality. We are located in busy business districts and urban residences, and with the increasing pace of development across economic hubs, we see that the CVS format still has great potential to further expand.

As a franchise business, Ministop has likewise provided viable opportunities for entrepreneurs, both for the experienced and the aspiring. Franchising with us allows them to manage their own store following proven and standardized processes that guide franchise holders of different levels of entrepreneurial experience. We support our franchisees the best way we can, from developing products and services that excite the market, to conducting activities that further enhance their knowledge in managing the business.

We hold the FranchiseED program, which is a series of talks on relevant topics covering financial management, operations, and customer service to further empower our franchisees to perform even better and be able to operate multiple franchised stores. We also hold the Annual Franchise of the Year Awards (FOYA) to show recognition to outstanding franchisees and to show that Ministop values their success because it is our success as well.

Our FOYA 2018 winners Oscar and Owen Santos proudly shared how being a Ministop franchisee for over ten years makes them feel fortunate that Ministop as a partner franchisor has been very supportive by continuously developing new products and services to attract more customers. This further encourages us to continue working hard in making Ministop a desirable franchise partner and a place where customers can truly find convenience 24/7.

-Thelma Teresa Roxas-Jacob, General Manager

In 2000, Robinsons Retail Holdings, Inc. partnered with Ministop Co. Ltd to establish Ministop in the Philippines. Ministop is a major convenience store chain in Japan.


BAND-AID
BRAND ADHESIVE BANDAGES
WASHPROOF
antiseptic
BETADINE
10%
antiseptic
Nutrilin
GAUZE
ASCOF Forte
Cough Remedy
100 Tablets
ASCORBIC ACID
POTEN-CEE

DRUGSTORE

STORE COUNT

510

southstar drug

Southstar Drug is one of the leading drugstore chains in the Philippines. Our mission is to become the drugstore of choice in service, trust, accessibility and responsibility. This has been our motivation to provide the best care that our consumers need and we aim to provide accessibility to more underserved areas in second- and third-tier cities, as well as seeking opportunities in consolidating the fragmented drugstore industry.

In 2018, we launched our "We Care a Little More" campaign, which expresses our thrust on building relationships with the people. We understand that going to a drugstore is not always a pleasant experience, since it is often premised on sickness or poor health. This is why we endeavor to create avenues that humanize the interactions between our store personnel and our customers. We believe that this empathy and insight is valuable to show that we are their partners in healthcare.

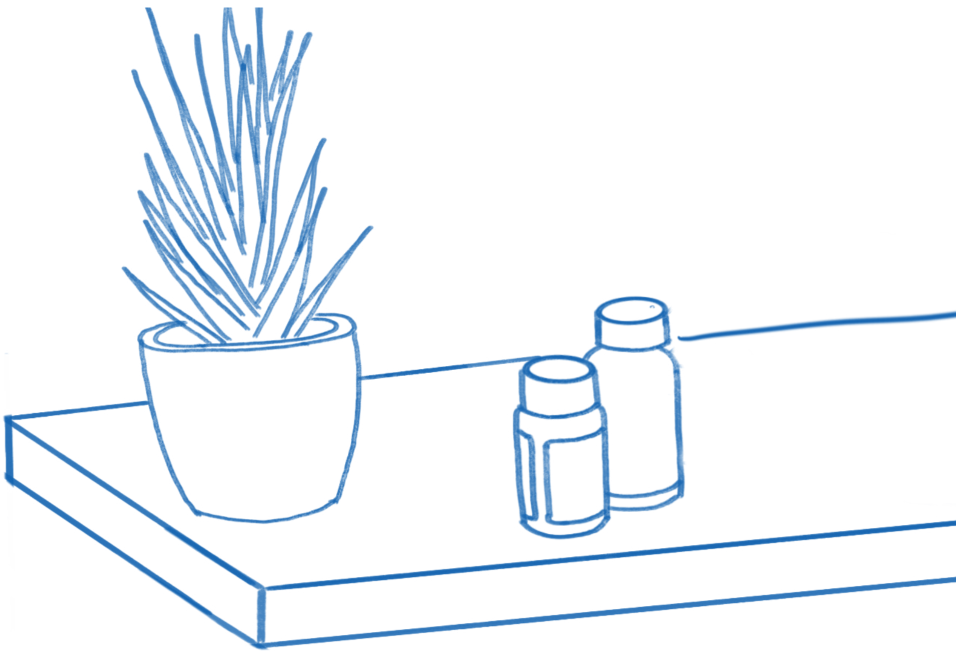
We believe in a culture that values people. In 2017, we began a partnership with Unilab Foundation for Project Inclusion, an initiative that opened opportunities for differently-abled individuals to become part of our employee pool. There is empowerment to be found in fair and inclusive spaces, and we celebrate being able to contribute to this movement for equality.

Moreover, we also understand the relevance of updating the competencies of our pharmacists, who are at the core of each of our stores. Annually, we conduct the Southstar Drug Pharmacist Summit, where through plenary talks and fora, we engage industry professionals to share emerging trends in the field.

Moving forward, our goal is to continuously expand our store network and foster better experiences for our customers. At Southstar Drug, being in the business for over 80 years, we take pride in being able to serve our fellow Filipinos. In our business, every customer counts, so we do indeed care a little more.

-Christine O. Tueres, General Manager

In 2012, Robinsons Retail Holdings, Inc., through its subsidiaries, acquired 90% of Southstar Drug, the oldest and third largest chain of drugstores in the Philippines. Founded in 1937 by the Dy family, who continue to manage the business, Southstar Drug started as a traditional pharmacy offering retail services for prescription and over-the-counter medicines.




I FEEL BETTER MOMMY!
TGP
CARBOCISTEINE
CISFLEM
125 mg/5 mL Syrup
MUCOLYTIC
60 mL
TGP
SALBUTAMOL
SOLBEN
2 mg/5 mL Syrup
ANTI-ASTHMA
60 mL
Rx
Su M T W Th F S

STORE COUNT

1,992

TGP
THE GENERICS PHARMACY

At the heart of The Generics Pharmacy (TGP) is our mission to be a reliable partner for every Filipino in achieving a healthy and productive life. We strive to achieve this by providing quality and affordable generic medicines made accessible by having the country's widest network of community drugstores.

Since introducing the brand to the market in 2001 and opening our doors to franchising in 2007, TGP's value proposition continues to resonate strongly with the market, both as a drugstore retail brand and as a franchise business. TGP is now a household name in delivering value healthcare through our broad portfolio of generic medicines and by operating in local communities.

An integrated approach to brand-building and a strong network of motivated franchisees combine to deliver the scale necessary to continue to strengthen TGP's pipeline of quality, affordable house brands. It is this scale that enables us to establish long-term strategic supply partnerships with reputable global and local generic drug manufacturers.

In 2017, we wanted to refresh the market's perception of the TGP brand. Our logo was the start, where we shifted from the traditional and wordy "The Generics Pharmacy" to the more simplified and recognizable version with just the acronym TGP. We also launched a media campaign to promote TGP as the *TGPagpagaling ng Pilipinas* in 2018, a contraction of "taga-pagpagaling ng Pilipinas" that translates to "healer of the Philippines" in Filipino; a succinct representation of our vision to provide healthcare accessibility to all. Through strategic marketing initiatives and CSR projects, we solidified brand recall and expanded our appeal to a younger market of working Filipinos, who are becoming the primary decision-makers in families when it comes to health. TGP is also a social enterprise in a lot of ways and is an attractive franchise to those who seek to combine their commercial endeavors with contributions to social progress. But profitability is fundamental to any business and TGP as a franchisor does its best to ensure our partners are set up to succeed and are consistently motivated to operate their stores well. From one-on-one business reviews to continuing franchisees education via our quarterly *Kape at Kuwentuhan* (Coffee and Storytelling) sessions with industry experts, and our annual business convention, TGP Franchisees Summit, we take time to engage our franchisees for feedback and growth.

At the end of the day, TGP recognizes our critical role as an exponent of inclusive growth. This fulfilling cycle – of enriching the lives of low- to middle-income Filipino families through accessible healthcare, of empowering Filipino entrepreneurs to achieve their goals through a profitable and purposeful enterprise, of facilitating job creation through our supply partners and in local communities where we operate – bolsters the sustainability of TGP and validates the mission of the business. We are true to our name and our claim – TGP, *TGPagpagaling ng Pilipinas.*

-Agnes G. Rafiñan, General Manager

TGP traces its beginnings to 1949 with medicine wholesaler Pacific Pharmacy, which was bought in 1983 by TGP founder Ben Liuson, before venturing into retail in 2001 under the trade name DLI Pharmacy. In 2007, TGP adopted the trade name The Generics Pharmacy and commenced with the franchise business model. In 2016, RRHI acquired 51% stake of TGP, with the Liuson family retaining the balance.


LAUNDRY DAY!

ROBINSONS APPLIANCES	SAVERS APPLIANCES	STORE COUNT
94	38	132

Robinsons Appliances and Savers Appliances are major players in the fast-growing electronics and appliances industry in the Philippines today. Each business unit captures a specific niche market either by its strength in visibility in key cities or by aggressive focus on corporate business and e-commerce.

As a group, we take pride in providing accessibility to innovation. Current stores of both business units are widely spread nationwide. Robinsons Appliances totals 94 stores, 63 in Luzon, 19 in Visayas and 12 in Mindanao – all strategically positioned to address appliance needs of progressing neighborhoods and communities. Savers, on the other hand, branded itself as a total business provider focused on building clientele in the corporate and B2B segments in Northern and Central Luzon, Metro Manila, South Luzon and Visayas regions with 38 stores at end 2018.

We are determined to move ourselves further in our Digital Transformation. Consumer behavior in purchasing appliances is changing and e-commerce will expand as connectivity improves nationwide. Savers is one of the early adopters of the e-commerce business, and a pioneer in serving OFW customers online. Robinsons Appliances, while prominent in official online stores in Lazada and Shopee, is due to follow their steps, with a website revamp project set to launch soon.

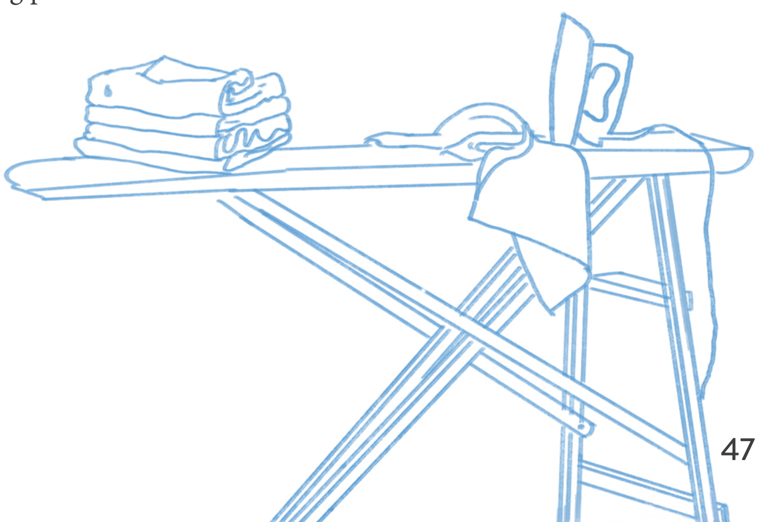
With all these advancements, we expect online business to grow further as we explore other online shopping platforms in the coming years. It is also our intension to maximize all these digital innovations more so to benefit customers. Internal processes and policies that connect to customer fulfillment are prioritized and have begun the ground work to improve operational efficiencies through digitization.

Our customers, while very dynamic and tech-savvy, remain traditional especially for purchases of significant value. The challenge is to provide activities and solutions for customers to feel engaged and understood. We now gear our focus in creating campaigns that increase engagement through digital channels and events. Robinsons Appliances' Race to A Minute and Bag It or Drop It are successful interactive raffle campaigns with on-ground and online executions in 2018. Affordable payment solutions are also placed on high priority. Both Robinsons Appliances and Savers have established strong partnerships with financing entities to constantly create financing products that further entice customers to purchase appliances without ready cash or credit cards.

As trusted retailers of global electronics and appliances brands, our commitment is to ensure that product variety in our stores are assuredly of high quality and up-to-date with the latest, most cost-efficient technology. It is our pride to know that our products support the increasing need to simplify everyday life. We are excited to showcase these new products to the market through varied online and offline channels that will connect us to customers nationwide.

-Jovito U. Santos, Group General Manager

Robinsons Appliances is one of the fastest growing appliance retail stores in the country. It started back in 2000 when it opened its first store in Robinsons Place Cebu. RRHI through a subsidiary, acquired 90% interest in Savers Appliances in 2015.Savers Appliances is one of the leading names in the appliance trade within Central Luzon and Cagayan Valley.




LEGO
CLASSIC
4-99
10717
1500
3
4
5

TOYS R US	TOY BOX	STORE COUNT
41	50	91

At Toys R Us, we are committed to provide the best range of toys and educational products for children that will inspire their imaginations and creativity. We put value to the holistic growth of every child in every household, encouraging them to be healthy and active and ready to embrace their future.

Our strong portfolio of brands which include a wide selection of private labels and exclusive products from key toy manufacturers are focused on fun not just for kids but for the entire family. We connect with our audience through user generated content such as unboxing, social media contests, gamification, and the like.

The year 2018 was the most challenging year for Toys R Us Philippines as it was hounded by recurring news about the iconic brand's liquidation and, eventually, its closure in the US. However, it remained "business as usual" for the Philippine licensee and we will continue to expand our presence in the provincial areas to be accessible to Filipinos nationwide.

In the toys industry, we believe that e-commerce will continue to grow in the upcoming years. On April 13, 2018, we launched online because digital plays a big role in influencing consumers on which toys to buy and where to buy them.

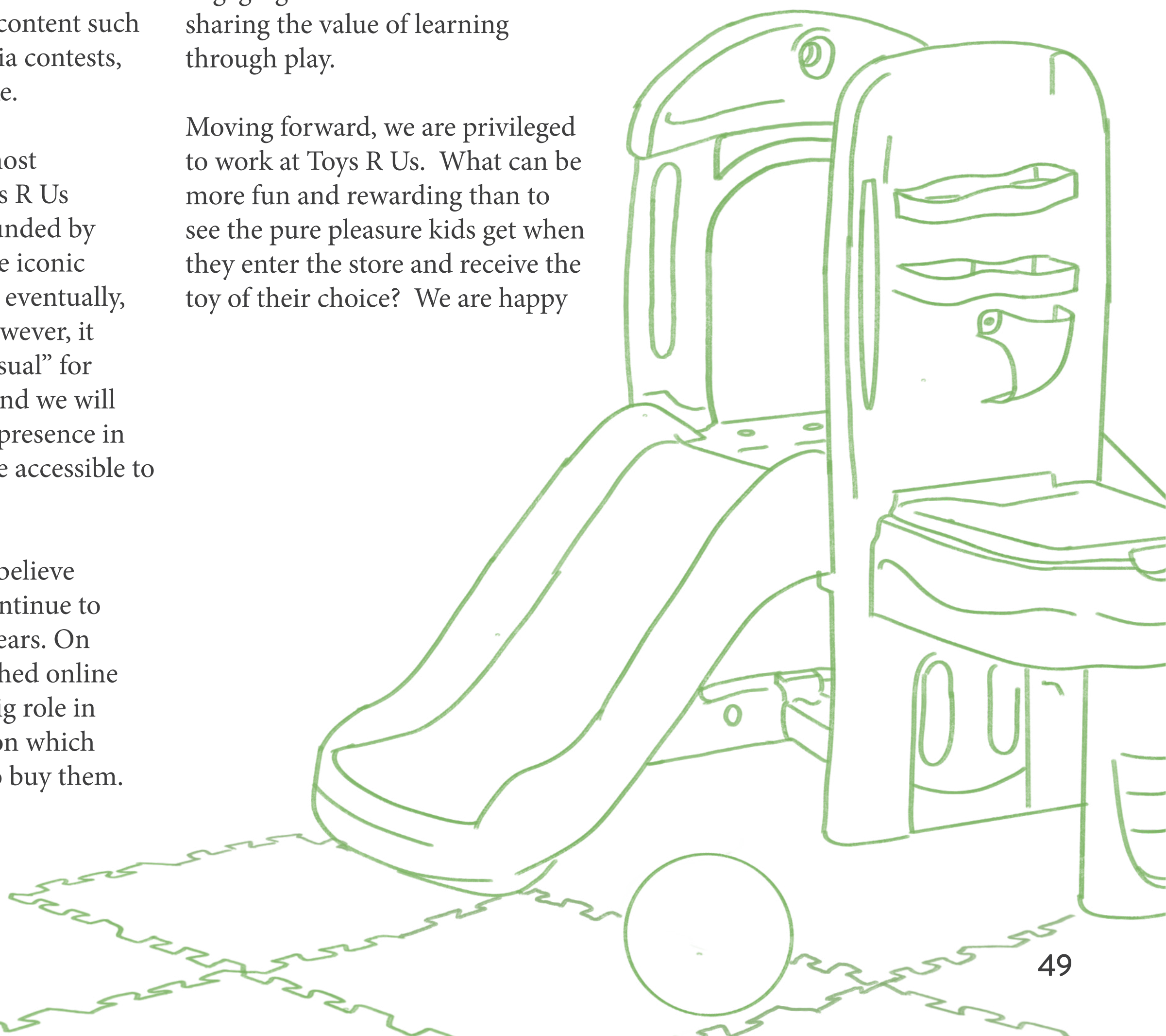
Yet brick and mortar is still the key point of sale for toys because consumers value the experience. Therefore, omni-channel and experiential marketing strategy will become more important to attract consumer interests.

Our sustainability efforts are focused on improving the well-being of our core market — the children. We continue to support causes that help underprivileged children, participate in toy donation drives, and mount engaging activities for kids while sharing the value of learning through play.

Moving forward, we are privileged to work at Toys R Us. What can be more fun and rewarding than to see the pure pleasure kids get when they enter the store and receive the toy of their choice? We are happy to put joy in kids' hearts and a smile on parents' faces.

- Celina N. Chua, Group General Manager

Toys R Us opened its first store in Robinsons Galleria in 2006 as a sub-licensee of Toys R Us Asia. It has standalone stores in various mall developments and manages the Toy Box section in Robinsons Department Store branches.



Specialty Fashion

STORE COUNT

40

TOPSHOP TOPMAN

WAREHOUSE Miss Selfridge

BURTON MENSWEAR LONDON DOROTHY PERKINS

Robinsons Specialty Stores, Inc. aims to bring global fashion in the Philippines. Since we started in 2000, RSSI has grown its roster of international fashion brands under our portfolio. Today, we are the exclusive Philippine franchisee of UK fashion brands, namely: Topshop, Topman, Dorothy Perkins, Miss Selfridge, Burton Menswear London, and Warehouse. We ended 2018 with 40 stores across Metro Manila and Cebu.

Our fashion brands have always been known for its distinction as the premier UK High Street of choice. Topshop and Topman cater to the fashion-conscious market while Miss Selfridge shoppers are usually looking fun and feminine pieces. Dorothy Perkins and Burton Menswear customers are always looking for more classic pieces with a modern flare while Warehouse curates pieces for the urban woman.

To continually grow and keep up with the ever-changing retail landscape, we have partnered with the leading fashion e-commerce in the country, Zalora Philippines, to launch four brands (Topshop, Topman, Dorothy Perkins, and Burton Menswear London) on the popular shopping site in 2017. Warehouse followed shortly when it launched in Zalora in 2018. Innovating possibilities to reach our market, we have taken on new platforms where we can sell our products - Stylist In Pocket, an online personal stylist website and through corporations looking for work wear attire.

As our brands cater mostly to women, we have seen the need to support breast care awareness. Since 2016, we have partnered with the Philippine Foundation for Breast Care, Inc. to help and give back to the breast cancer patients in their onsite hospital at the East Avenue Medical Center.

It is an exciting and challenging time as we see technological innovations being integrated into the retail business. With a strong focus on social media and customer engagement, we always deliver a pleasant and convenient shopping experience that provides excellent product mix to our customers. We are now in the stage where we must connect online engagement and offline sales to achieve business objectives.

Despite stiff competition and market saturation in the fashion retail segment in the Philippines, our brands continue to be well-loved by loyal customers as they continue to evolve and remain top-of-mind. Throughout the years, we have earned our stripes when it comes to product excellence and customer service that ensures a positive brand shopping experience.

-Maria Carmina Pia G. Quizon, General Manager

Robinsons Specialty Stores, Inc. (RSSI) - Fashion Division is the fashion retail arm of Robinsons Retail Holdings, Inc.,which was established in 2000. RSSI entered the e-commerce business through Zalora in 2017, providing a multichannel shopping experience to its Filipino market.


WASO

Beauty

STORE COUNT

16

Robinsons Specialty Stores, Inc. ventured to an additional segment that brought about the birth of the Beauty Division in 2015. We entered the cosmetics business and have taken over the operations of Robinsons Department Store's Beauty Section nationwide. This also brought us to be resellers of international beauty brands Shiseido, Benefit Cosmetics, Elizabeth Arden, and Club Clio.

We have been operating 53 doors for the Beauty Section of Robinsons Department Store and operate 16 boutique stores for the global brands to date.

Meanwhile, in the Beauty Division, Robinsons Department Store's Beauty Section offers over 20,000 cosmetics, fragrances and personal care products across all price points to cater to different markets. In 2018, we started a major face-lift for our flagship store, Robinsons Place Manila. With the help of design industry leader, Maja Olivares-Co of SSO.a, we have envisioned a refreshing store concept to be rolled out this 2019.

Since we started in 2015, we ensure the diversity in our portfolio by acquiring global beauty brands from Benefit Cosmetics and Elizabeth Arden from San Francisco and New York respectively to Shiseido from Tokyo and Club Clio from South Korea to cater to the K-Beauty phenomenon.

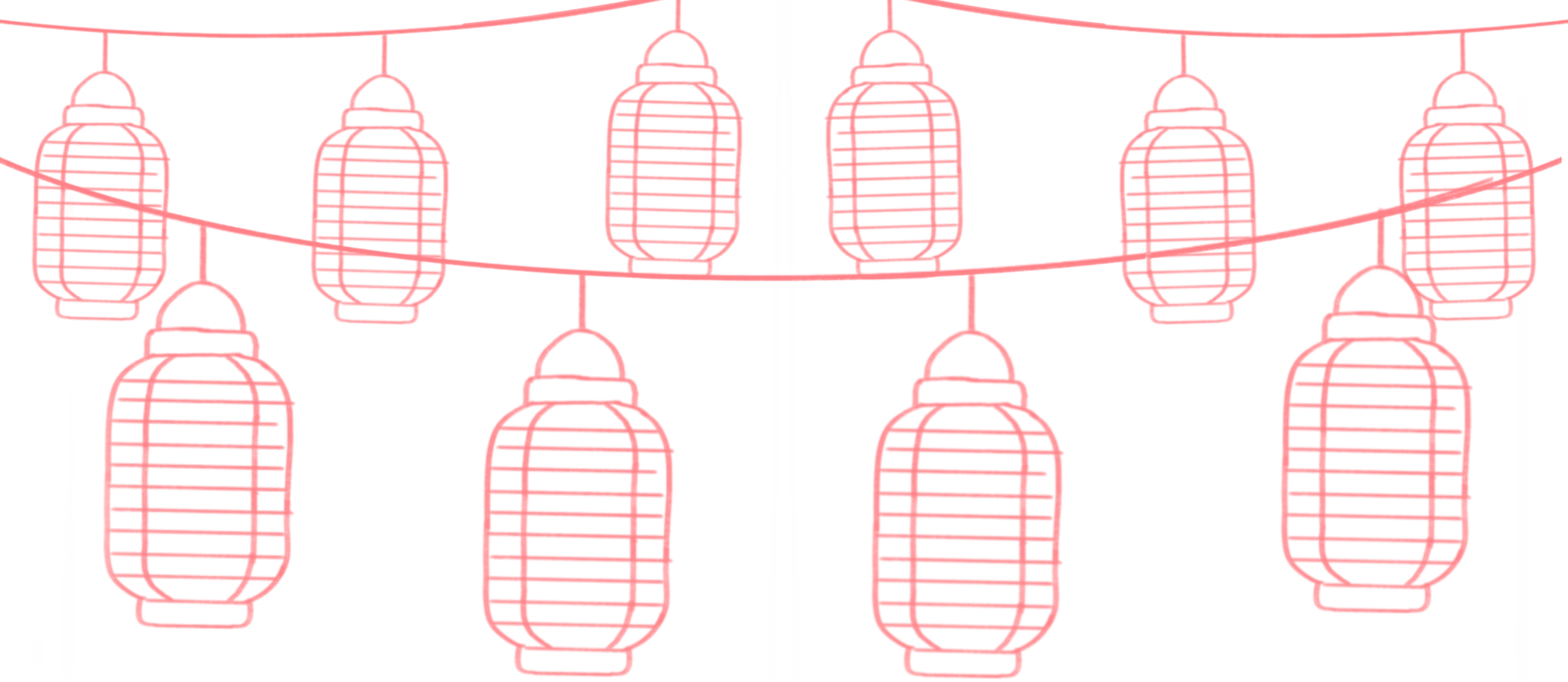
As our customers are geared towards female, we have seen the need to support and create awareness on Breast Cancer early detection amongst our customers. Since 2016, we have been inviting our business partners for a joint effort to reach out to Philippine Foundation for Breast Care, Inc. to help and give back to the breast cancer patients and survivors in their onsite hospital at the East Avenue Medical Center.

It is both exciting and challenging that we see technological advancements being integrated to the retail business. With a strong focus on social media and customer engagement, we continue to offer exclusive product lines, that are only available at Robinsons Department Store and on Philippines' leading e-commerce platforms, Lazada and BeautyMNL to excite our faithful customers to keep on coming back to our stores.

-**Maria Carmina Pia G. Quizon, General Manager**

In December 2013, Robinsons Retail Holdings, Inc. through a subsidiary, entered the cosmetics business through the acquisition of the net assets of Beauty Skinnovations Retail, Inc. This paved the way for the creation of RSSI – Beauty Division, the cosmetics and fragrances arm of the group.


KAWAII



STORE COUNT

87

DAISO JAPAN

When the company was founded by Hirotake Yano in 1972, Daiso became one of the pioneers of the one-price concept store in Japan. The brand's appeal has always been the affordability of its merchandise combined with the company's three business pillars: variety, quality, and uniqueness. Now, the Daiso phenomenon has not only spread across Japan, it has also inspired other similar formats across the country and the world. The brand itself has become a global one, with almost 3,000 stores in 30 countries.

Robinsons Retail brought the banner to the Philippines in 2007 through a franchise license agreement with the Daiso Industries Co. Ltd., the official Japanese principal. In the last 11 years, it has become a favorite store for many Filipinos looking for options that do not cost much but are of the good quality Japanese products are known for.

In Daiso Philippines, we sell majority of our merchandise for Php88.00. We have a broad range of categories which makes it easier for shoppers to get a lot of items they need for the home or for the office because almost everything is generally of the same price. There is also a sense of discovery because many of the products we house provide solutions that most people have not even thought about to make their lives easier.

In 2018, we launched a new logo and store design to further draw in customers. Inspired by Japanese minimalism and its classical nod to nature, we renovated our flagship branch in Robinsons Galleria and opened our Robinsons Place Tuguegarao store with sakura-themed interiors. Paying homage to Japan's beloved flowering tree, we incorporated elements of pink, wood, and metal in clean and simple layout to better showcase our items. We also celebrated all things kawaii with the introduction of our line of Sanrio's Hello Kitty products, one of Japan's most iconic characters.

A key factor in the growth for our industry is the growing youth segment and changing consumer trends. We see that a lot of young people like functionality and clever designs, and thematic lifestyle stores. Convenience is also prioritized, so e-commerce as a new opportunity to strengthen our brand. We pride ourselves for being a reputable Japanese brand in the Philippines. We value the creativity that comes into the selection of the products in our stores, and we look forward to opening more stores in the future.

-Katherine Michelle Q. Yu, General Manager

In 2007, Robinsons Retail Holdings, Inc., through a subsidiary, was appointed the franchise holder of Daiso Industries Co. Ltd. of Japan to sell authentic and original Daiso Japan products, as well as the right to use the Daiso Japan name in the Philippines. Daiso Japan opened its first store on April 29, 2009 at Robinsons Galleria.


손소독제

Arcova

STORE COUNT

2

Korean lifestyle store Arcova becomes the latest addition to Robinsons Retail's portfolio with the opening of its first two branches on December 7, 2018 at Robinsons Forum and Robinsons Place Antipolo.

Brought to the Philippines by Robinsons Retail through a franchise license agreement with Arcova International Co., Ltd., Arcova's design teams are based in South Korea. It also currently has an international network of over a hundred across Southeast Asia, India, the Middle East, and Australia.

Arcova Philippines primarily sells cosmetics and personal care items, as well as a variety of electronic and fashion accessories. Conceptualized with three main core values, namely quality, fashion, and affordable price, the brand is customer-centered and is set to be a go-to place for shoppers looking for authentic Korean-designed lifestyle products.


TELEPHONE
COSTA

STORE COUNT

18

COSTA COFFEE

Our focus has always been coffee superiority. The most consumed beverage in the world, coffee is at the heart of a thriving industry that allows a lot of room for creativity and passion. In Costa, we see coffee as an art. Handcrafted, there is always a personal element with every cup of coffee we serve, and we are proud to bring the brand closer to the Filipino market. We see young people looking for new experiences and would go to coffee shops expecting innovation and excitement, this they can find in Costa.

The caffeine-based drinks we serve, notably our best-selling Flat White, use a unique and original blend of Arabica and Robusta beans from sustainable farms across Africa, Latin America, and Southeast Asia. Called Mocha Italia -- paying homage to European tradition and sophistication -- the blend serves as the sensory foundation that separates the caliber of our coffee. It took over forty years to perfect in the brand's roastery in London, ushering Costa's legacy of being one of the best cafés in many parts of the world.

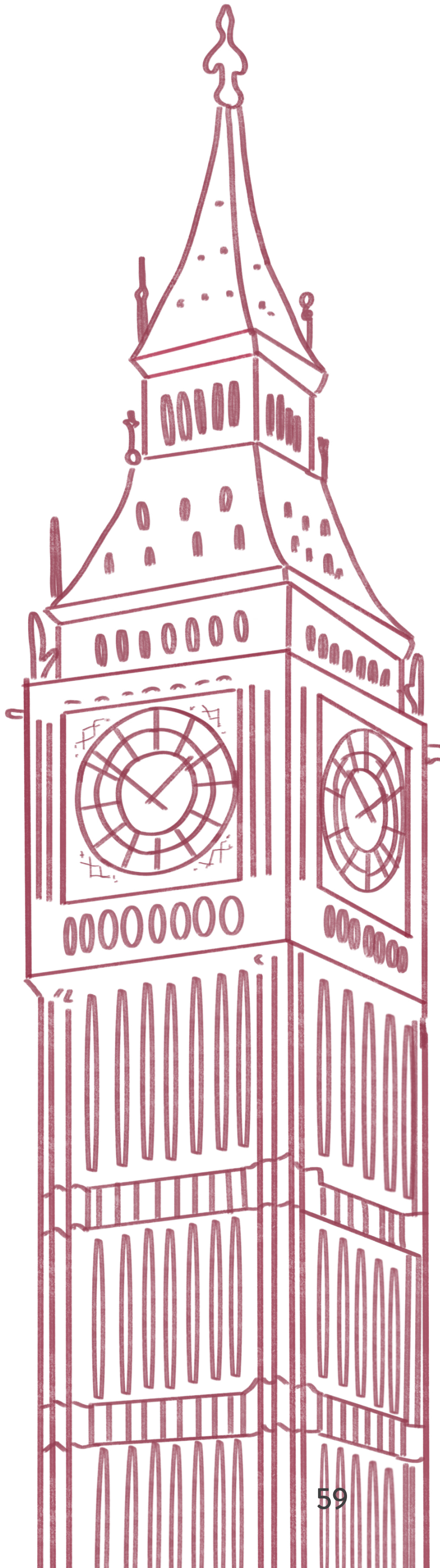
The original Mocha Italia blend and is placed in the careful hands of our highly-skilled baristas who undergo extensive technical training to. At end of their immersion, they learn how to make exceptional coffee, where each cup begins with the delicate and precise extraction of the rich espresso from the beans. Combined with premium milk that the baristas steam, froth, or texture, and along with other ingredients, the mix is crafted into over a dozen beverages from the classics like Americano, Mocha, and Machiatto, to the more decadent Salted Caramel Cappuccino, all of which can be customized according to the costumer's preferences.

Consistent with the Filipino market's fondness for sweets and snacks paired with their brew, we have seen patronage for our selection of cakes as well, such as our Original London Cheesecake, Blueberry Cheesecake, and Classic Red Velvet Cake as our bestsellers, alongside our pastries, and gourmet sandwiches and pasta dishes.

We believe that coffee is an experience. Our stores echo the heritage and culture, with the design aesthetics influenced by London's iconic visuals. A customer once remarked that it carried "the air of casual irony and coziness of London City and its coffee shops, posh but not too posh, outwardly aloof but secretly thoughtful and comforting." We are happy that we are able to provide these kinds of experiences to our customers.

-Faith Y. Gokongwei-Lim, Group General Manager

In 2014, Robinsons Retail Holdings, Inc. entered into an agreement with Costa Coffee UK to become the master franchisor of the brand in the Philippines. Costa Coffee has over 3,300 stores in Europe, the Middle East, North Africa, India, China and Southeast Asia.




bobbie
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CHIC

Chic CENTRE CORPORATION

Chic Centre Corporation is currently the leading local distributor of nail care products, with over 75% market share at present and over 2,000 distribution sites nationwide. With Bobbie and Chic as our flagship brands, we appeal to a wide array of customers, such as school girls, nail artists, and working women from various professions.

Bobbie Nails is positioned as the Total Nail Care Solution provider with innovative product offerings, from limited edition nail polish colors and polish remover, to beauty tools and nail treatments. Chic Nail Color, on the other hand, focuses more on young fashionistas who enjoy a wide selection of popular and interesting colors to choose from.

What makes me most proud of in my business unit is the flexibility of my team. In our fast-paced and ever-evolving industry, being able to easily adapt to changes is a key factor in the success of our brands. The outlook for cosmetics is generally positive in the sense that it has very much embraced digital avenues so brands can have direct relationships with customers.

At Chic Centre we want to be able to keep up with new trends and its constant reimagination. At present, one of the opportunities we want to capitalize on is our presence on social media so we remain creative and responsive to the market preferences. We enjoy high engagement ratings on this platform, with an industry record of over 500,000 fans on our Facebook page to-date.

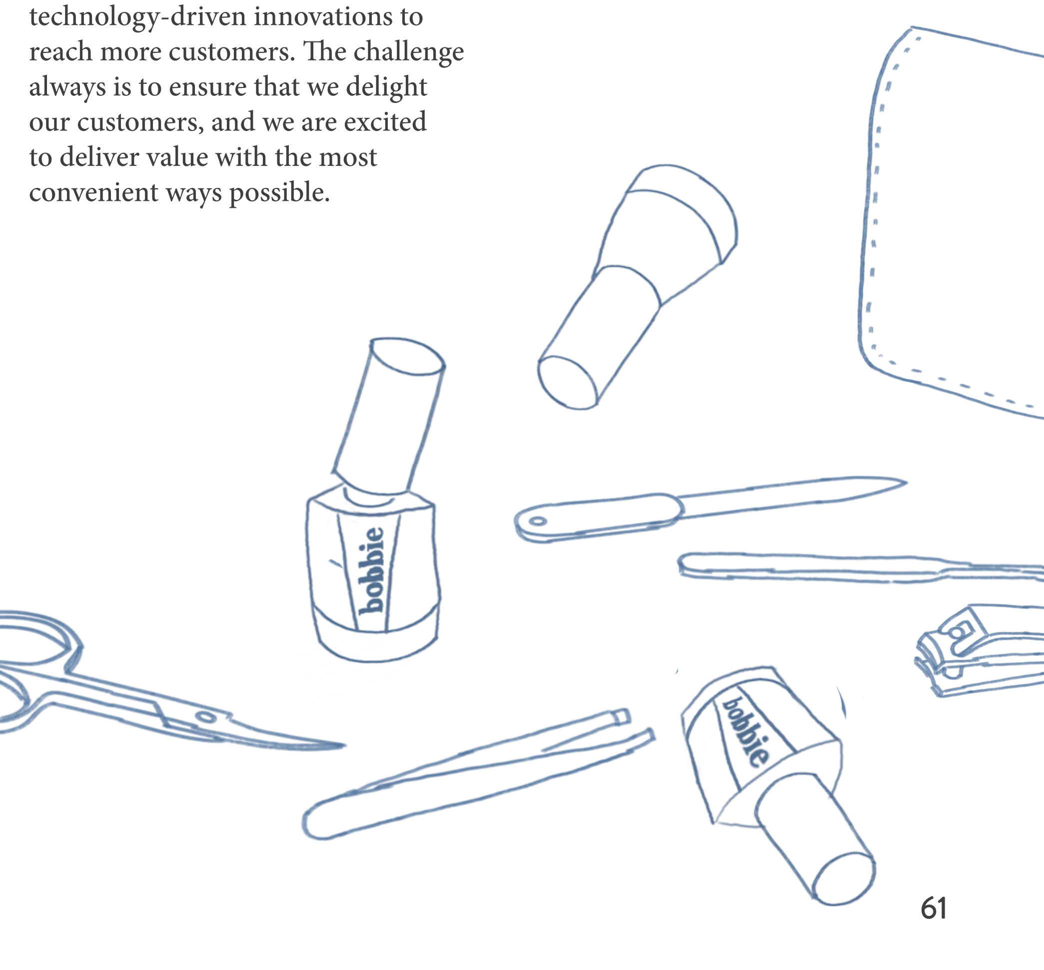
Another low-hanging fruit is e-commerce. It is one of the opportunities that we must tap in the coming years to further strengthen our foothold in the market. Given the popularity and increased access to online shopping, and the logistical advantage of cosmetics being easy to transport, Chic Centre would benefit from this type of distribution as well.

What excites us also is the strong growth projected from the launch of new and innovative product categories that are cross-functional with cosmetics, combined with technology-driven innovations to reach more customers. The challenge always is to ensure that we delight our customers, and we are excited to deliver value with the most convenient ways possible.

Our expertise is nail care and we are pleased to have become a reliable distributor in this space. And although a lot of us may not think too much about our nails, in today's world where almost everything is accessible at your fingertips, it just makes perfect sense to take care of them.

-Faith Y. Gokongwei-Lim, Group General Manager

In October 2016, Robinsons Retail Holdings, Inc., through a subsidiary, acquired 100% interest in Chic Centre Corporation. In addition to its beauty line, it established a Food Services Division in 2015 and currently supplies fresh slush and juice mixes to convenience stores, gas station stores, supermarkets, and BPO centers, totaling a thousand outlets.



PET LOVERS CENTRE

STORE COUNT

1

Singapore-based Pet Lovers Centre (PLC) made its debut in the Philippines through a franchise license agreement with Robinsons Retail Holdings, Inc. The first store is located in Robinsons Galleria and opened on October 19, 2018.

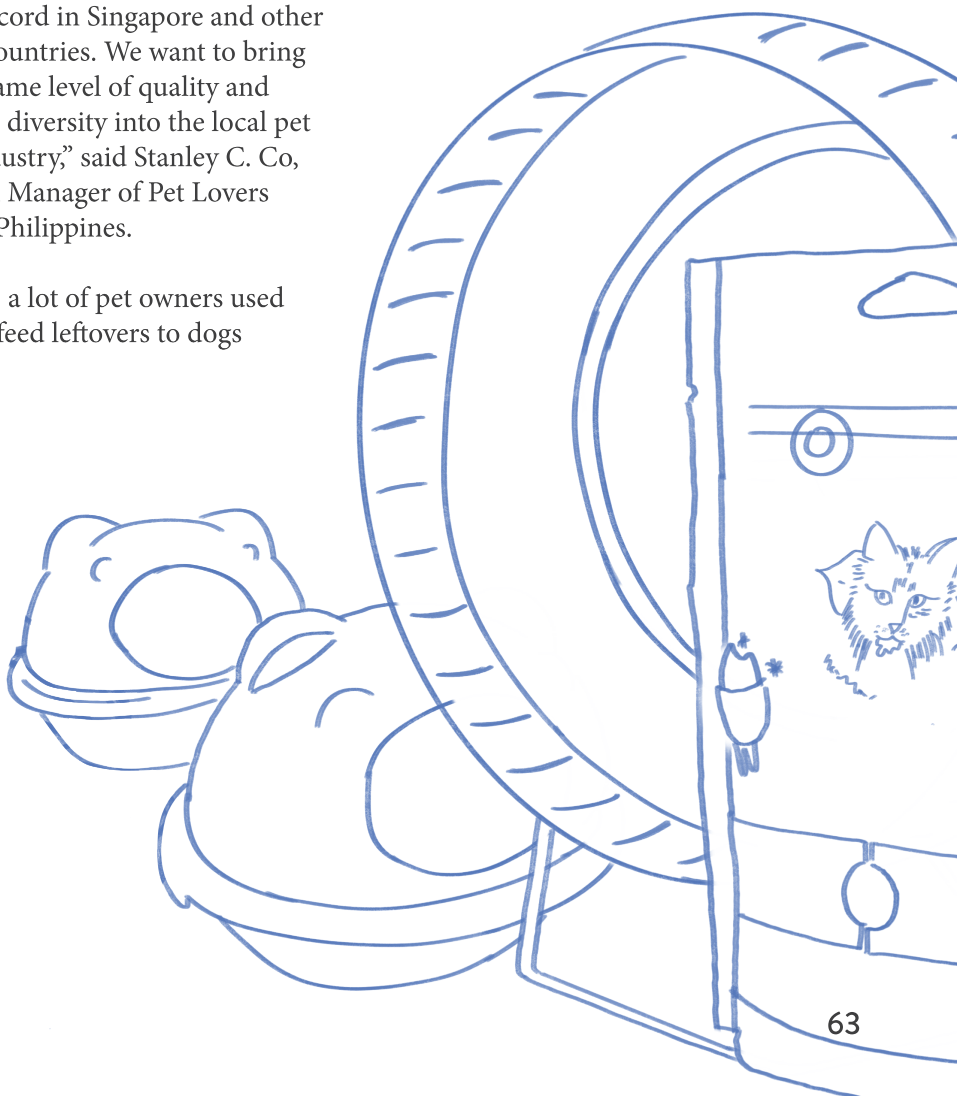
The pet retail and service chain was founded by David and Robert Ng in 1973 and is the biggest of its kind in Singapore. At present, it has a network of over a hundred stores spread across Southeast Asia.

The Manila store features exclusive labels such as Burp and Trustie, along with selections from local and international brands. The wide assortment of food and accessories caters to a variety of pets, with each item specifically manufactured to suit their needs.

With the tagline "All Pets, All Passion," PLC also advocates for responsible pet ownership and greater awareness in pet care. It is part of the World Pet Association which is the oldest, non-profit trade organization in the pet industry.

"The Philippines is a pet-loving country. We are proud to carry the banner of Pet Lovers Center here because it has an exceptional track record in Singapore and other Asian countries. We want to bring in the same level of quality and product diversity into the local pet care industry," said Stanley C. Co, General Manager of Pet Lovers Centre Philippines.

"Before, a lot of pet owners used to only feed leftovers to dogs and cats. Now, more and more owners are learning that this may not have the right kind of nutrition for their furry friends to be healthy. Therefore, they are making better choices for their pets. This growing mindfulness about animal welfare and quality of life is where we see PLC addressing a specific market need in the Philippines," he said.



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

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

Currently, there are 10 Robinsons Townville malls operating in the country starting with the first branch in Pulilan, Bulacan; Cabanatuan, Nueva Ecija; BF Parañaque; Abreeza Davao; Meycauayan, Bulacan; Buhay Na Tubig, Cavite; Regalado, Fairview, Quezon City; Perdices, Dumaguete; Dasmariñas, Cavite; and Sta. Rosa, Laguna.

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

OUR INVESTMENTS

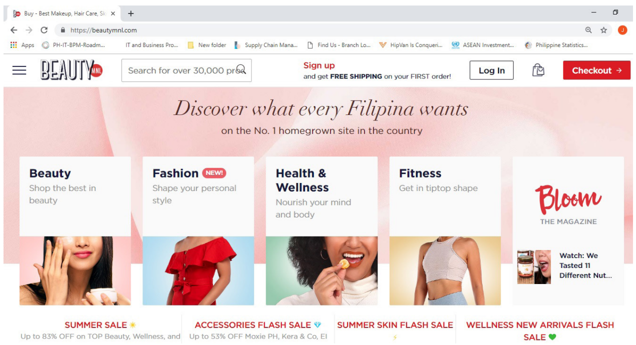
ROBINSONS BANK
A Commercial Bank

Robinsons Bank, the financial services arm of the JG Summit Group of companies, is one of the fastest growing commercial banks in the Philippines in terms of capitalization and asset size. The bank is 60.0% owned by JG Summit Capital Services Corp. and 40.0% owned by Robinsons Retail Holdings, Inc. Robinsons Bank ended 2018 with 146 branches and deployed 291 Automated Teller Machines (ATMs) nationwide.

BEAUTY MNL

In December 2017, Robinsons Retail Holdings, Inc. invested in 20% of Taste Central Curators, Inc., a company founded by Victor "Jay" Liwanag, Jr. which operates e-commerce site BeautyMNL. The site houses a multitude of products under the following categories: cosmetics, personal care products, and fashion.

Aside from being a leading Philippine-based online retailing site, BeautyMNL is anchored as an empowering platform for Filipino women and celebrating the diversity of Filipina beauty. The site also serves as an inspirational information platform through the Bloom e-magazine, which features product reviews and insightful articles that fit the lifestyles of its clientele.



Board of Directors

John L. Gokongwei, Jr.
Chairman Emeritus and
Director

Lance Y. Gokongwei
Chairman

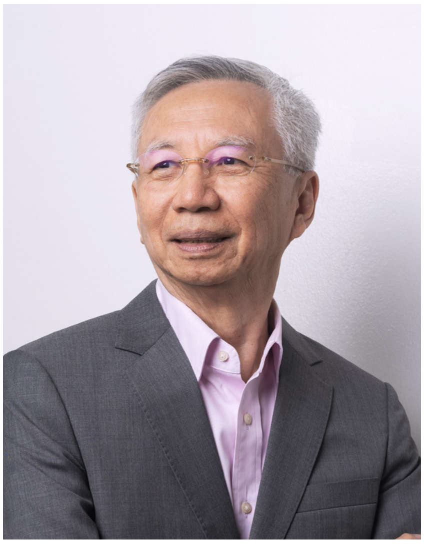
James L. Go
Vice Chairman

Robina Y. Gokongwei-Pe
President and
Chief Executive Officer

Faith Y. Gokongwei-Lim
Director

Ian James Winward Mcleod
Director

Kim Samuel Sanghyun
Director



Antonio L. Go
Independent Director

Roberto R. Romulo
Independent Director

Senior Management

Robina Y. Gokongwei-Pe	Director, President and Chief Executive Officer
Bach Johann M. Sebastian	Senior Vice President and Chief Strategy Officer
Mylene A. Kasiban	Chief Financial Officer
Atty. Rosalinda F. Rivera	Corporate Secretary
Atty. Gilbert S. Millado, Jr.	Assistant Corporate Secretary, General Counsel, Data Privacy Officer
Graciela A. Banatao	Treasurer
Justiniano S. Gadia	Managing Director- Supermarket Segment
Celina N. Chua	Group General Manager - Robinsons Department Store and Toys ‘R’ Us
Wilfred T. Co	Vice Chairman - Handyman Do it Best, True Value and Robinsons Builders
Stanley C. Co	Group General Manager - Handyman Do it Best, True Value, Robinsons Builders, Daiso Japan, Arcova, Pet Lovers Centre
Jose Paulo R. Lazaro	General Manager - Robinsons Builders
Thelma Teresa Roxas-Jacob	General Manager - Ministop
Faith Y. Gokongwei-Lim	Group General Manager - Costa Coffee and Chic Centre
Jovito U. Santos	Group General Manager - Robinsons Appliances and and Savers Appliances
Jaime J. Uy	Managing Director- Savers Appliances
Maria Carmina Pia G. Quizon	General Manager - Robinsons Specialty Stores Fashion and Beauty
Katherine Michelle Q. Yu	General Manager - Daiso Japan and Arcova
Christine O. Tueres	General Manager - Southstar Drug
Benjamin I. Liuson	Vice Chairman - The Generics Pharmacy
Agnes G. Rafiñan	General Manager - The Generics Pharmacy
Manuel T. Dy	Senior Vice President, Business Development - Southstar Drug and The Generics Pharmacy
Paz Regina A. Salgado	Vice President, Robinsons Department Store Business Center
Patricia Ann C. Famador	Assistant Vice President, Loyalty and Financial Products Division
Mark O. Tansiongkun	Vice President, Procurement and Administration
Stephen M. Yap	Vice President, Chief Information Officer
Gabriel D. Tagala III	Vice President, Human Resources
Gina Roa-Dipaling	Vice President, Corporate Planning and Investor Relations Officer

Corporate Governance

Learn More about Corporate Governance

We define Corporate Governance as the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stakeholders.

We accord importance to our people, our code of conduct, and our corporate policies and standards, which together form the basis of our good governance practices to protect the interests of our stakeholders and promote investor confidence.

We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of all stakeholders, and enhance shareholder value.

We promote respect for shareholders' rights. We are committed to treat all Shareholders fairly and equitably, and recognize, protect and facilitate the exercise of their rights that includes:

1 Right to vote on all matters that require their consent or approval

2 Right to inspect corporate books and records

3 Right to information

4 Right to dividends

5 Appraisal right

The Board encourages active Shareholders participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting in accordance with the Securities Regulation Code.

The Shareholders are encouraged to personally attend such meetings. Shareholders who are unable to attend are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in favor of the shareholder.

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

Role of Stakeholders

Customers' Welfare

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

Supplier/Contractor Selection

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

Employees

Performance-enhancing mechanisms for employee participation

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

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

Anti-corruption programs and procedures

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

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

Business Conduct & Ethics	Policy Statement
Conflict of Interest	The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of interest Committee.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard the Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: a. email address CICOM@robinsonsretail.com.ph b. fax number 395-3888 c. mailing address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM 44th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

Corporate Governance Highlights

1 The Company submitted the Integrated Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) on May 30, 2018.

The I-ACGR is a reportorial requirement under SEC Memorandum Circular No. 15 series of 2017 to all Publicly Listed Companies to disclose the Company's compliance/non-compliance with the recommendations provided under the Corporate Governance Code for PLCs, with the "comply or explain" approach, voluntary compliance to recommended CG best practices is combined with mandatory disclosure,

The Company's I-ACGR may be accessed through the Company website by clicking this link, **https://www.robinsonsretailholdings.com.ph/I-ACGR**

2 Consistent with the Revised Manual of Corporate Governance and pursuant to the recommendations provided in the I-ACGR, the Company strengthened and instituted the following policies to reinforce the governance framework of the Company:

Board Diversity Policy

We recognize the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth. The Policy applies to the Board of Directors and establishes the approach to realize diversity of Board membership.

Board Nomination and Election Policy

We recognize the importance of having a qualified and competent Board of Directors to achieve Company objectives as well as to protect the interest of all its stakeholders and shall ensure that proper nomination and election process is in place to attain this.

Succession Planning and Remuneration Policy

We ensure the Company's effective performance and sustained growth through leadership continuity for the benefit of all its stakeholders subject to Board's approval. We identify, assess and nominate suitable candidates to fill the vacancies that arise from time to time, the competency requirements of critical and key positions and develop required competency through planned developments and learning initiatives. This ensures the systematic and long-term development of individuals in the senior management level as ready replacement when the need arises due to deaths, disabilities, retirements and other unexpected occurrence.

Related Party Transactions Policy

We conduct all Related Party Transactions (RPT) on an arm's length basis with consideration paid or received based on terms no less favorable than any such terms available to unrelated third parties under the same or similar circumstances. The policy is instituted for the proper review, approval and reporting of transactions entered into between or among the Company or any of its subsidiaries, affiliates, directors and officers.

Whistleblowing Policy

We are committed to conduct business in accordance with the highest ethical and legal standard. In line with this commitment, we encourage employees, business partners and other stakeholders to report concerns involving actual or suspected violations of Company policies, its code of conduct, criminal or unlawful acts or omissions, and instances when an act or omission endangers the health and safety of the employees. We provide clear procedures for reporting any actual or suspected violation of Company policies, misconduct, malpractice, irregularities or risks against the Company and protecting the Whistleblower against any form of retaliation.

Company Website

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

http://www.robinsonsretailholdings.com.ph/

GET TO KNOW THE BOARD OF DIRECTORS

The Board of Directors ("The Board") is primarily responsible for the governance of the Company and provides an independent check on management.

The Board is responsible for fostering the long-term success of the Company and sustaining its competitiveness and profitability in a manner consistent with its corporate objectives for the best interest of the company and its stakeholders.

The Board formulates the Company's vision, mission, strategic objectives, policies and procedures that guides its activities, including the means to effectively monitor Management's performance.

The Board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans, while the day-to-day business operations are delegated to the Executive Committee.

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

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

Balanced Board Composition

The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the Revised Corporate Governance Manual.

The Company recognizes the benefits of having a diverse Board and its value in maintaining sound corporate governance while achieving strategic objectives and sustainable growth.

The Board is currently comprise of 9 members whose biographical details are set out in the Board of Directors section of this CG report. Updated biographical details of each director are also available in the Information Statement.

The board is diverse in terms of expertise, gender and professional experience.

Of the 9 directors, 7 directors are non-executive, 2 of which are independent directors. The Board also has 2 women forming part of the non-executive directors.

Profiles of The Board of Directors

1. John L. Gokongwei, Jr.
Director

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

2. James L. Go
Vice-Chairman

James L. Go is the Vice Chairman of the Company and the Chairman of JG Summit Holdings, Inc., and Cebu Air, Inc. He is also Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of PLDT, Inc. since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT, Inc. 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.

3. Lance Y. Gokongwei
Chairman

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

4. Robina Y. Gokongwei-Pe
President and Chief Executive Officer

Robina Y. Gokongwei-Pe is the President and Chief Executive 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. and the Immaculate Conception Academy Scholarship Fund. She is also a member of the Board of Trustees of Xavier School. She was a member of the University of the Philippines Centennial Commission and was a former Trustee of the Ramon Magsaysay Awards Foundation. 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.

5. Faith Y. Gokongwei-Lim
Director

Faith Y. Gokongwei-Lim is a Director of the Company. She is currently the Group General Manager of Robinson Gourmet Food and Beverage, Inc. (operator of Costa Coffee) and Chic Centre Corporation, and was the Vice President- Merchandising for Ministop. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She started out as a management trainee and has over two decades of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

6. Antonio L. Go
Independent Director

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

7. Roberto R. Romulo
Independent Director

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

8. Samuel Sanghyun Kim
Director

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

9. Ian James Winward McLeod
Director

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

The Board Committees

To enable better and more focused attention on the affairs of the Company and aid in the optimal performance of its roles and responsibilities, the Board delegates particular matters to the Board Committees set up for the purpose mainly (a) Audit Committee (b) Board Risk Oversight Committee (BROC) and (c) Corporate Governance Committee.

A. Audit Committee

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

Position	Director
Chairman	Antonio L. Go (ID)
Members	James L. Go Lance Y. Gokongwei Robina Y. Gokongwei-Pe Roberto R. Romulo

B. Corporate Governance Committee

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

Position	Director
Chairman	Lance Y. Gokongwei
Members	James L. Go Robina Gokongwei-Pe Roberto R. Romulo

C. Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the establishment of ERM framework that effectively identify, monitor, assess and manage key business risks and assess the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Position	Director
Chairman	Lance Y. Gokongwei
Members	James L. Go Robina Gokongwei-Pe Antonio L. Go

Board Meetings and Quorum Requirement

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

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

Attendance of Directors
From January 1, 2018 to December 31, 2018

Board	Name	Date of election	No. of meetings Held during the year	No. of meetings Attended	%
Chairman	Lance Y. Gokongwei	May 28, 2018	7	7	100.00%
Vice-Chairman	James L. Go	May 28, 2018	7	7	100.00%
Member	John L. Gokongwei, Jr.	May 28, 2018	7	7	100.00%
Member	Robina Y. Gokongwei-Pe	May 28, 2018	7	7	100.00%
Member	Lisa Y. Gokongwei-Cheng	May 28, 2018	7	7	100.00%
Member	Faith Y. Gokongwei-Lim	May 28, 2018	7	6	85.72%
Member	Hope Y. Gokongwei-Tang	May 28, 2018	7	7	100.00%
Independent	Roberto R. Romulo	May 28, 2018	7	7	100.00%
Independent	Antonio L. Go	May 28, 2018	7	6	85.72%

The Corporate Secretary

The Corporate Secretary assists the Board and the Board Committees in the conduct of their meetings, including preparation of the annual schedule of Board and Committee meetings and the annual Board calendar. She also assists the Board Chairs and its Committees in setting agendas for the meetings, safe keeps and preserves the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.

The Corporate Secretary keeps herself abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advice the Board and the Chairman on all relevant issues as they arise. She works fairly and objectively with the Board, Management and Shareholders and contributes to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders.

Atty. Rosalinda F. Rivera or Atty. Lynn as she is fondly called in the office is the current Corporate Secretary of JGSHI. She was appointed as Corporate Secretary on August 6, 2003 and has been Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc. and JG Summit Petrochemical Corporation. Prior to joining the Company, she was a Senior Associate in Puno and Puno Law Offices.

She received a degree of Juris Doctor from the Ateneo de Manila University School of Law and a Masters of Law in International Banking from the Boston University School of Law.

The Compliance Officer

The Compliance Officer monitors, reviews, evaluates and ensures the compliance by the Company; its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Corporate Governance Code, rules and regulations and all governance issuances of regulatory agencies. He also ensures the integrity and accuracy of all documentary submissions to the regulators; identifies possible areas of compliance issues and works towards the resolution of the same. He assists the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company.

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

Accountability, Audit and Risk Management

Adequate and Timely Information

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

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

Accountability and Audit

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

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;

2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;

3. On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations; and

4. The Company consistently complies with the financial reporting requirements of the SEC.

5. The External Auditor is rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal

Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents.

6. The Board, after consultations with the Audit Committee recommends to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders.

Internal Audit

The Corporate Internal Audit is focused on delivering its mandate of determining whether the governance, risk management and control processes, as designed and represented by management, are adequate and functioning in a manner that provides reasonable level of confidence that:

Employees' actions are compliant with policies, standards, procedures, and applicable laws and regulations;

Quality and continuous improvement are fostered in the control processes;

Programs, plans, and objectives are achieved;

Resources are acquired economically, used efficiently, and protected adequately;

Significant financial, managerial, and operating information is accurate, reliable, and timely;

Significant key risks are appropriately identified and managed;

Significant legislative or regulatory issues impacting the Company are recognized and properly addressed.

Opportunities for improving management control, profitability and the Company's reputation may be identified during audits.

The Board of Directors (BOD) oversees Management's adoption and implementation of a sound risk management framework for identifying, monitoring and managing key risk areas. The BOD review Management reports with due diligence to enable the company to anticipate, minimize, control and manage risks or possible threats to its operational and financial viability.

Enterprise Risk Management (ERM)

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

The ERM framework revolves around the following eight interrelated risk management approaches:

1 Internal Environmental Scanning - it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.

2 Objective Setting - the Company's BOD mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Company's goals.

3 Event Identification – it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4 Risk Assessment - the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.

5 Risk Response -the Company's BOD, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6 Control Activities -policies and procedures are established and approved by the Company's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7 Information and Communication - relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

8 Monitoring - the Internal Control Group of the respective Company and BUs, Corporate Internal Audit and Corporate Governance and Management Systems constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Internal Controls

With the leadership of the Company's Chief Financial Officer (CFO), internal control is embedded in the operations of the company and each BU thus increasing their accountability and ownership in the execution of the BU's internal control framework. To accomplish the established goals and objectives, BUs implement robust and efficient process controls to ensure:

1. Compliance with policies, procedures, laws and regulations

2. Economic and efficient use of resources

3. Check and balance and proper segregation of duties

4. Identification and remediation control weaknesses

5. Reliability and integrity of information

6. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Risk Assessment tool

To help Business Units in the Risk Assessment Process, the Risk Assessment Tool which is a database driven web application was developed for departments and units to help in the assessment, monitoring and management of risks.

The Risk Assessment Tool documents the following activities:

1. Risk Identification – is the critical step of the risk management process for the early identification of events that may have negative impact on the Company's ability to achieve its goals and objectives.

1.1. Risk Indicator – is a potential event or action that may prevent the continuity of operation or business.

1.2. Risk Driver – is an event or action that triggers the risk to materialize.

1.3. Value Creation Opportunities – is the positive benefit of addressing or managing the risk.

2. Identification of Existing Control Measures – this refers to activities, actions or measures already in place to control, prevent or manage the risk.

3. Risk Rating/Score – is the quantification of the likelihood and impact to the Company if the risk materialize. The rating has two (2) components:

3.1. Probability – refers to the likelihood of occurrence of risk.

3.2. Severity – refers to the magnitude of the consequence of risk.

4. Risk Management Strategy – is the structured and coherent approach to managing the identified risk.

5. Risk Mitigation Action Plan – is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Results of the Risk Assessment Process is summarized in a Dashboard that highlights risks that require urgent actions and mitigation plan. The dashboard helps Management to monitor, manage and decide a risk strategy and needed action plan.

Other Matters

1. External auditor and their fees

Name of Auditor	Audit Fee	Non-Audit Fee*
SyCip, Gorres, Velayo & Co.	Php7,209,524	Php336,700

*Note: * Agreed upon procedures for the Use of Proceeds (UOP) report of RRHI*

2. Ownership sructure

Holding 5% shareholding or more (as of December 31, 2018)

Shareholder	No. of Shares	Percent	Beneficial Owner
JE Holdings, Inc.	484,749,997	30.7%	Same as record owner
PCD Nominee Corporation (Filipino)	406,901,531	25.8%	PCD Participants & their clients
PCD Nominee Corporation(Non-Filipino)	389,124,225	24.7%	PCD Participants & their clients
Mulgrave Corporation B.V.	191,489,360	12.1%	Same as record owner

3. Dealing in securities (changes in shareholdings of directors and key officers)

A. Directors

Name of Director	No. of direct shares	% of capital stock
John L. Gokongwei, Jr.	1	0.0%
James L. Go	31,928,005	2.03%
Lance Y. Gokongwei	107,538,351	6.82%
Robina Y. Gokongwei-Pe	89,906,846	5.70%
Faith Y. Gokongwei-Lim	29,968,949	1.90%
Ian James Winward Mcleod	1	0.00%
Samuel Sanghyun Kim	1	0.00%
Antonio L. Go	1	0.00%
Roberto R. Romulo	1	0.00%
TOTAL	**259,342,156**	**16.45%**

B. Officers

Name of Officer	No. of direct shares	% of capital stock
Bach Johann M. Sebastian	0	0.00%
Mylene A. Kasiban	0	0.00%
Graciela A. Banatao	0	0.00%
Gabriel O. Tagala	0	0.00%
Rosalinda F. Rivera	0	0.00%
Gilbert S. Millado, Jr.	500	0.00%
Gina R. Dipaling	1,500	0.00%
TOTAL	**2,000**	**0.00%**

4. Dividends

The Board of Directors of RRHI approved on May 28, 2018 the declaration of a cash dividend in the amount of Seventy Two Centavos (Php0.72) per share from the unrestricted retained earnings of the Company as of December 31, 2017 to all stockholders of record as of June 18, 2018 and paid on July 12, 2018.

2018 Highlights

ROBINSONS RETAIL HOLDINGS, INC. COMPLETES ACQUISITION OF RUSTAN SUPERCENTERS, INC.

From L-R: John Simpkins, DF Group Legal Manager; Neil Galloway, DF Group Finance Director; Robina Y. Gokongwei-Pe, RRHI President & CEO; James L. Go, RRHI Vice Chairman; and Lance Y. Gokongwei, RRHI Chairman.

RUSTAN SUPERCENTERS, INC.

Robinsons Retail Holdings, Inc. (RRHI) successfully acquired 100% stake in Rustan Supercenters, Inc. (RSCI) on November 23, 2018.

The acquisition of Rustan from Mulgrave Corporation, B.V. (MCBV), a subsidiary of Dairy Farm International Holdings, Inc. (DF), by RRHI was announced in March 2018 and was finalized after being granted approval by regulatory agencies. The Securities and Exchange Commission approved the transaction on November 15, 2018, and the Philippine Competition Commission on August 16, 2018.

The transaction was done primarily through a share-swap agreement and DF executives Ian Mcleod and Kim Samuel Sanghyun have joined RRHI's Board of Directors.

Rustan's total network of 88 stores became part of RRHI's food retail chains, which include Robinsons Supermarket, Robinsons Selections, Robinsons Easymart and Jaynith's Supermart.

ROBINSONS RETAIL PARTNERS WITH GROWSARI

In September 2018, Robinsons Supermarket entered into a joint-venture with G2M Solutions Philippines Pte Ltd and invested in a Php105 million convertible note issued by Growsari Inc., which is equivalent to 28.6% of Growsari. The local tech startup company which provides a mobile grocery delivery service to sari-sari store owners. It runs as a distribution company that connects the sari-sari store members directly to the manufacturers or large wholesalers, hence, eliminating the need to rely on small/ medium wholesalers. In doing so, this can double the earnings of the sari-sari store owners.

Through the GrowSari mobile app, sari-sari store members have the convenience to order online. Items will be delivered straight to their stores the following day and they will pay via cash on delivery or accumulated points.

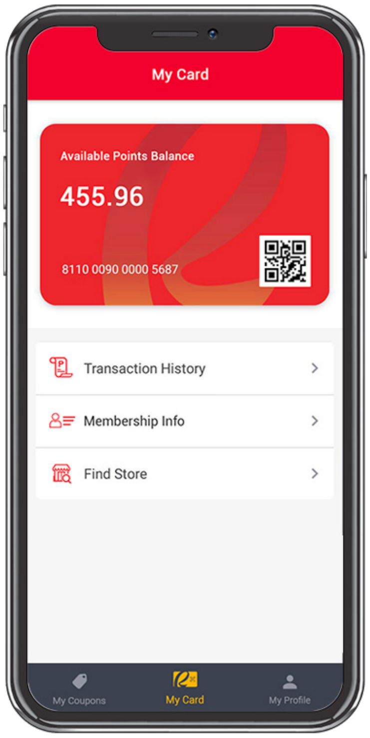
The company's tech infrastructure is all developed in-house, from call center operations to warehouse management, delivery fleet management, customer relationship management to data analytics.

UP Fighting Maroons Reaches UAAP Season 81 Finals

Thirty-two years since its last bid for the championship title, the University of the Philippines Fighting Maroons Men's Basketball Team reached the finals against the Ateneo de Manila University Blue Eagles in University Athletic Association of the Philippines (UAAP) Season 81. The game was held on December 5, 2018 at the Araneta Coliseum, with the Ateneo Blue Eagles defending their crown for the second year in a row.

Since 2010, Handyman and Robinsons Supermarket have been sponsoring the UP Fighting Maroons MBT. Long considered the UAAP underdog after winless seasons and early eliminations the state university's team reaching the Finals was one of the highlights of the intercollegiate games, earning support from across the academic community among students and alumni.

ROBINSONS REWARDS GOES MOBILE



In a move towards digitalization, Robinsons Retail has launched the Robinsons Rewards Mobile App for iOS and Android devices. The app allows members to earn, monitor, and redeem points through their smartphones when they shop at participating Robinsons Retail brands and merchant partners.

Members also have access to app-exclusive deals promos and online registration is free and requires no renewal. A unique QR-code is assigned to each member, which is scanned in store to reflect earned and redeemed points. In addition, the current Robinsons Rewards cardholders can link their accounts to the app simply by scanning the barcode located at the back of their cards. Transactions are also recorded in real time and profile information can be updated anytime and anywhere.

Much like the original Robinsons Rewards Card, which was launched in 2013, points can be earned and redeemed through purchases from the company's participating brands and transactions with its merchant partners, where one point is equivalent to Php 1.00.

However, unlike the usual card-based membership that is renewable every two years for a Php150 fee, online registration is free for life and requires no renewal.

Robinsons Retail's participating brands include Robinsons Supermarket, Robinsons Department Store, Robinsons Appliances, Handyman Do it Best, True Value, Toys R Us, Daiso Japan, Costa Coffee; fashion specialty stores Topshop, Topman, Dorothy Perkins, Burton Menswear, Warehouse, Miss Selfridge; and selected branches of beauty formats Benefit, Shiseido, and Elizabeth Arden.

Merchant partners are Summit Hotels and Resorts, Go Hotels, Caltex of Chevron Philippines, Robinsons Mastercard, BPI Express Credit, and Dragonpay.

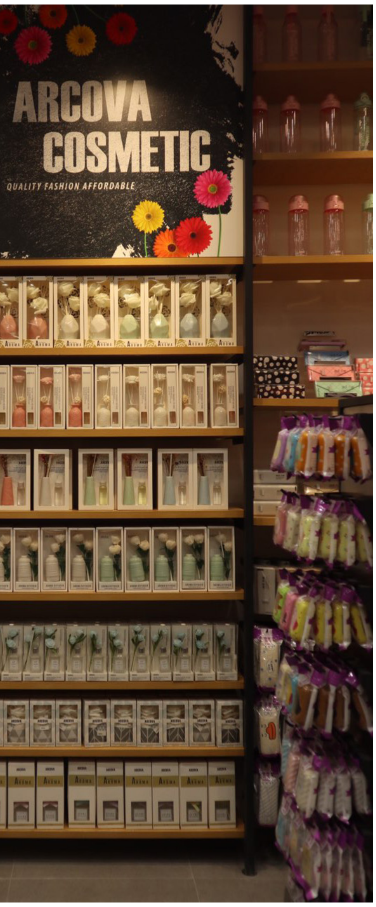
ROBINSONS SUPERMARKET MOVES TO MEGA DISTRIBUTION CENTER

On June 1, 2018, Robinsons Supermarket transitioned to a new mega 4.6 hectare distribution center in Sucat, Parañaque. The building, which was leased from Robinsons Land while the warehousing operations is being handled by DHL Logistics, will allow the supermarket business to service around 250 stores as it continues expansion nationwide.

RRHI ENTERS PET RETAIL WITH PET LOVERS CENTRE

Singapore-based Pet Lovers Centre (PLC) made its debut in the Philippines through a franchise license agreement with Robinsons Retail Holdings, Inc. The first store is located in Robinsons Galleria and it opened on October 19, 2018. The pet retail and service chain was founded by David and Robert Ng in 1973 and is the biggest of its kind in Singapore. At present, it has a network of over a hundred stores spread across Southeast Asia.

KOREAN LIFESYLE STORE ARCOVA ENTERS THE PHILIPPINES



Opening two branches on December 7, 2018 at Robinsons Forum and Robinsons Place Antipolo, Arcova was brought to the Philippines by Robinsons Retail through a franchise license agreement with Arcova International Co., Ltd. The brand's design team is based in Korea, where they develop product concepts under the following categories: cosmetics and personal care, electronic and fashion accessories.

CLUB CLIO IN ROBINSONS GALLERIA

CLUBCLIO

Launched in 1993 by top Korean make-up artists, Club Clio has a multibrand cosmetics portfolio with strong color make-up products. RSSI - Beauty Division opened its first Club Clio store in Robinsons Galleria on November 23, 2018 as a licensed reseller for Luxasia. Club Clio has a multi-brand cosmetics portfolio with strong color makeup products. Club Clio has since then become a leader in the K-Beauty industry and is present in over 17 countries.

Corporate Sustainability

Dressed to Impress:

X-Gen Enterprises' promise of quality

Jenny Gutierrez, X-Gen Enterprises General Manager

With Jenny Gutierrez as proprietor and General Manager, X-Gen Enterprises currently supplies around 90% of the uniforms for store personnel across Robinsons Retail's formats. But before acting as a non-trade vendor since 2009, Jenny already knew about the company as an in-store employee back in 2001.

"It all started with my first uniform, actually. I worked as a saleslady in Robinsons Department Store Galleria and my husband, who is a tailor, sewed it for me. Since we had the design, we worked together to make uniforms for other salesladies as well," said Jenny.

"We officially put up our uniform production business when we earned enough capital. From the start, we wanted to deliver quality, regardless of quantity, and it took a lot of hard work to get to where we are. This is probably why Robinsons Retail took a chance on us, even if we were still a very small business."

Life-changing

"Looking back now, I don't know how I had enough courage to knock on the doors of Robinsons Retail, one of the largest retailers in the country, and pitch for our company. It was faith and fate, I suppose, and the contract was life-changing for us. Our purchase orders became bigger than we've ever gotten, and to keep up, we've had to hire more people," recalled Jenny.

X-Gen Enterprises works mostly with almost 60 tailors and seamstresses in Payatas, Manila, where Jenny gets in touch with around ten families looking for primary or additional sources of income. She provides the materials, designs, and checks for quality, as well as their tools of the trade.

"We have in-house facilities but they can also do the work from their houses. A number of the women we work with are stay-at-home mothers and we let them borrow the sewing machines so it is easier for them. If they want to, they can own the machine eventually, which they would pay for through friendly installments."

Built upon trust

Ultimately, the X-Gen Enterprises has become a long-term supplier for Robinsons Retail because of their reliability and precision. As the group continues to grow in terms of store count and brand portfolio, it opens more avenues to engage various sectors along its supply chain.

"We are very proud of the work we put into our products, and we pay attention to every stitch or button in every uniform before they are delivered. This is because we love what we do and we take care of the trust we have built with Robinsons Retail through the years," shared Jenny.

"After all, trust is where it all started."

Rare, Organic, and Sustainable Produce:

Robinsons Supermarket partners with WOW Fruits and Veggies for Health & Wellness

Jun Nacion, Wow Fruits and Veggies Proprietor

Rooted in Sustainability

Jorge "Jun" Nacion Jr. used to work in Information Technology before he shifted his focus to farming. Burnt out by the fast-paced corporate environment and wanting a change in scenery, he founded WOW Fruits and Veggies. The small company currently works with seven local farmers in Benguet and Cavite to grow high quality organic produce that are not commonly found in most mall grocers.

Brought about by a passion for plants and sustainable farming, Jun's business model is founded on putting high priority on the health of soil and supporting local livelihoods.

"The soil is the most important aspect of our operations. We are GAP Certified and our practices make sure that we maintain the right balance of nutrition in the earth, and we do not let harsh chemicals leak into the environment. We have also begun to use aquaphonics, where we cycle water into systems that minimize water use and provide natural fertilizer from fish waste," he continued.

WOW Fruits and Veggies believes in sustainability it is at the heart of what they do, and they consider the farmers their partners in promoting eco-friendly agriculture.

In June 2018, Robinsons Supermarket partnered with WOW Fruits and Veggies to bring goods with unique nutritional value, from fresh baby lettuce, aubergines, *lakatan* bananas, and Oriental selections such as mizuna and soy, to a number of stores in Metro Manila.

Helping each other out

"It's a classic big brother and small brother relationship that is mutually beneficial. Our engagement with Robinsons Supermarket allowed us to tap into a bigger mainstream market, while we add to the diversity of fresh items in the stores. We also value having access to a portal for sales monitoring to generate reports, from which we craft our strategies," said Jun.

"We are also aligned with the company in terms of what we want to give consumers: healthy and nutritious food that contributes to their well-being."

"Sustainability touches on issues of food security and responsibly using natural resources, as well as empowering people. Quite literally, working with Robinsons Supermarket allows us to bring the fruits of the farmer's labor to a growing breed of eco-conscious shoppers. We are helping build a culture that is more thoughtful about food sources and health, and we look forward to growing the business and this culture even further with Robinsons Supermarket."

RUSTAN'S FARM TO TABLE PROJECT:

Bridging the gap between farmers and consumers

Rinkoh Hernandez, Municipal Agriculturist

Robert Cuasay, SLFA President

Rustan Supercenters, Inc. (RSCI) partnered with the San Luis Farmers' Association (SLFA) in August 2018 to support local small-hold farmers from Batangas to bring their produce to its supermarkets in Metro Manila. The initiative, called the Farm to Table Project, engages 55 farmers spread across nine barangays in the municipality of San Luis, namely Bonliw, Balagtasin, Abiacao, Durungao, San Isidro, Bagong Tubig, Buboy, Luya, and Sta Monica.

Stability and Fair Prices

"Our member farmers in SLFA used to rely solely on wet markets in nearby municipalities and Batangas City to sell their vegetables, where there was less assurance that the produce would be bought and sold at the right market prices. The project, on the other hand, guarantees stable farm gate prices and a sure buyer given the partnership with Rustan" said Roberto Cuasay, President of SLFA.

Roberto Cuasay, a farmer himself, believes that the project is empowering because they are treated fairly. The management is transparent and they treat the members as partners in the endeavor. The stability of Rustan orders, which can reach 2-3 tonnes daily and delivered to company's warehouse in Taguig, encourages them to produce more and better quality vegetables.

Collaborative Farming

Farming practices have also become sustainable, especially with the help of the local government. Rinkoh Hernandez, San Luis' Municipal Agriculturist, is heavily involved in the project and works with Robert to build capacity among the farmers and to push innovations that ensure soil health and food security.

"We try to help the farmers the best way we can by listening to them. One of the biggest hurdles we learned is transporting the goods and the LGU has stepped in to provide this without additional costs to the farmers. We also introduce the best practices we get from abroad and from each other so we create a pool of knowledge that is shared. This way, the way we do crop rotation is informed and systematic," shared Rinkoh.

In terms of impact, twenty farmers are on their way to becoming certified by the Good Agricultural Practices (GAP) arm of the Department of Agriculture, which is the track for other farmers. SLFA's number of members is also growing, and the diversity of the goods has also gone from *ampalaya* (bitter gourd) and *sitaw* (stringbeans) to include, tomatoes, two types of chili peppers, eggplants, okra, *pechay* (Chinese cabbage), calamansi, ginger, squash, and even eggs.

On top of the financial gains for the farmers, it has also created a sense of community and uplifting their lives, which is important in a country where agriculture is one of the most underserved sectors.

True Value

Volunteers for Marawi in Servathon 2018

On September 29, 2018, True Value took part in SERVATHON (Service Marathon) 2018 with the theme “All Hands On Deck for the Children of Marawi.” This marks the company’s eight year of partnership with Hands On Manila Foundation, Inc., one of the country’s leading volunteerism-oriented nonprofit organizations.

Under the leadership of Atty. Gianna R. Montinola, President of Hands On Manila and Board Member of True Value, SERVATHON was conceptualized to engage corporations and various institutions to contribute to social causes that benefit marginalized groups.

For this year’s project, True Value volunteers made hand sanitizers to be included in relief packages. These will be distributed to evacuees in towns and villages hosting shelters for the displaced families from conflict-afflicted areas at the wake of the Marawi Crisis of 2017.

Robinsons Retail

Volunteers Join International Coastal Clean Up

Employee volunteers participated in 2018’s International Coastal Clean Up at Manila Bay.

Numerous companies and individuals joined the initiative to help raise awareness on pollution, climate issues, and responsible consumption.

The Pink Movement:

RSSI and PFBCI support women with breast cancer

Robinsons Specialty Stores, Inc. (RSSI) once again showed support for women in association with the Philippine Foundation for Breast Care, Inc. (PFBCI), a non-profit organization advocating greater awareness and aid for breast cancer patients and survivors.

The partnership between RSSI and PFBCI began in 2016 and involves activities to help empower women as they undergo their treatments as well as raise awareness on the disease. Called The Pink Movement, the campaign this year was conducted in two phases.

The first phase was held at the East Avenue Medical Center on October 20, 2018, where beneficiaries were treated to makeovers, makeup tutorials, and product giveaways.

The second phase was held at the RRHI Head Office on November 7, 2018. Here, employees were invited to a talk on breast cancer and the importance of breast care, self-examination, and professional check-ups.

ROBINSONS SUPERMARKET

Fit & Fun Run on its 11th Year

Even the seasonal downpour could not dampen the spirits of 4,500 individuals who attended Robinsons Supermarket's Fit & Fun Wellness Buddy Run held on July 8, 2018. Going strong on its 11th year, the annual activity requires participants to finish the race in tandem. With major partners Nestlé, Unilab, Fonterra, Wyeth Nutrition and Johnson & Johnson, the event is conducted part of Robinsons Supermarket's commitment to educate and empower Filipinos in making healthier choices.

SOUTHSTAR DRUG

Run for Wellness 9 Celebrates Life in Color

Southstar Drug conducted its annual health and wellness run on September 9, 2018 at Plaza Quezon in Naga City. On its ninth year and with the theme "Color your Run", the event was attended by over 1,700 participants from the Bicol region and was supported by 47 business partners. With sprays of pigmented powders amidst the occasional rain, the event was held to encourage healthy choices among consumers as they celebrate life and its myriad of colors.

Robinsons Builders

Donation of Tiles to Schools for Brigada Eskwela

Robinsons Builders partnered with the Department of Education for Brigada Eskwela throughout 2018. Robinsons Builders donated floor tiles to help various public schools in the country, founded on the premise that spaces and good environments are crucial to learning. The tiles will be used to decorate the cemented alleys of the school in time for the academic year of 2018-19. The donation was made in line with Robinsons Builders' advocacy in education, where it sees the relevance of creating spaces conducive for learning and development.

TGP Partners with

Wish 107.5 for Byaheng TGPagpagaling

Started on May 18, 2018 in Sagbayan, Bohol, The Generics Pharmacy partnered with Wish 107.5 for Byaheng TGPagpagaling, a medical mission combined with a free concert to celebrate the healing power of music. The event welcomed over 700 patients for blood-glucose and cholesterol screening and general medical check-ups. Wish 107.5 accepted song requests and invited guests to sing on stage during the open mic segment. The event, which was held throughout the year in different provinces, also showcases performances from local bands.

SOUTHSTAR DRUG

Touch Therapy for Babies

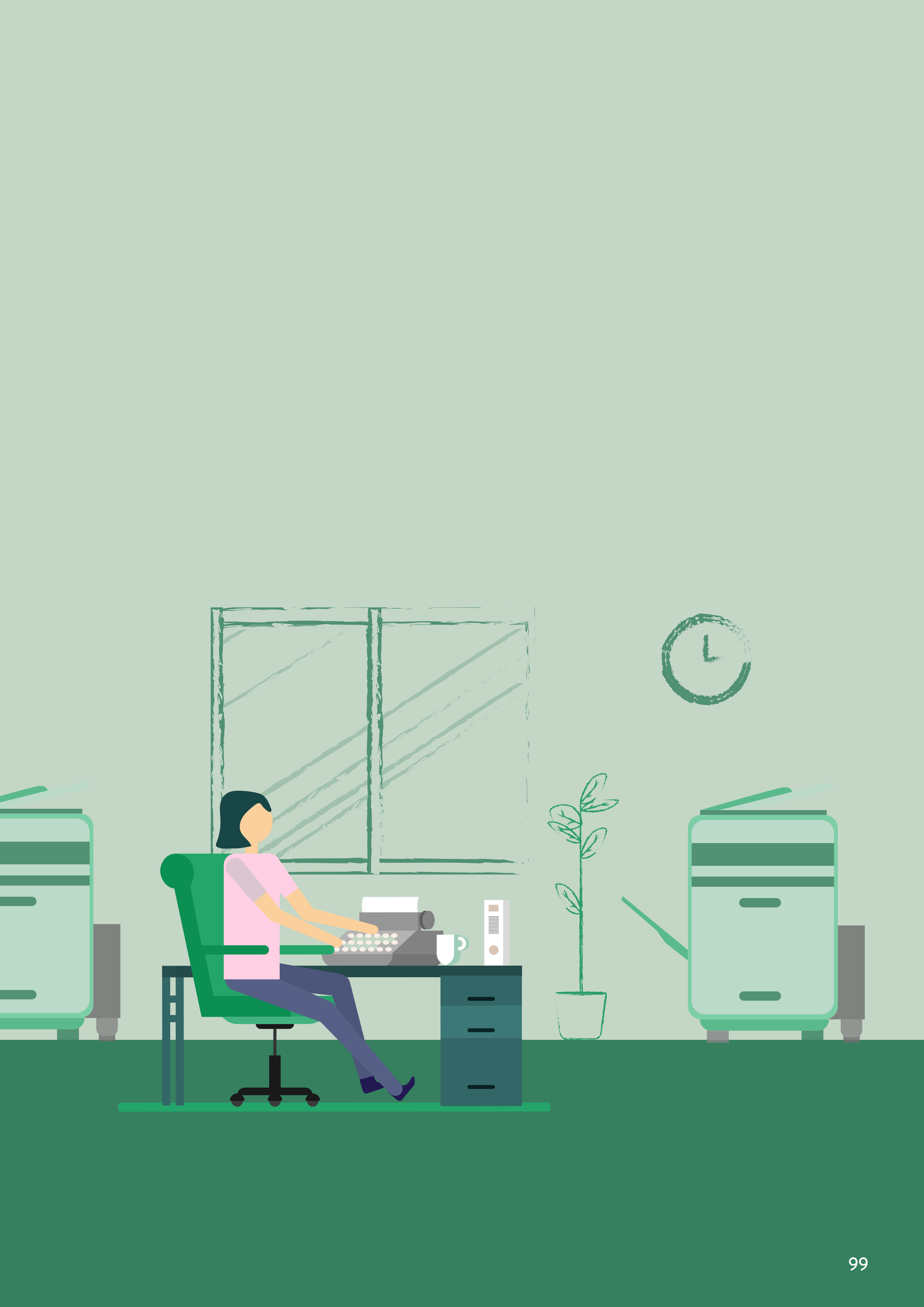
Southstar Drug, in partnership with Johnson & Johnson, Mead Johnson, and Right Start Foundation, conducted a touch therapy learning session for new mothers on April 6, 2018 at the Right Start Center. During the event, milk products were also donated to promote proper nutrition at every stage in childhood development. Touch therapy for infants is suggested to deepen the emotional bond between a mother and her child. It involves gentle massage techniques that soothe and relax babies, and helps improve their overall health.

MINISTOP

Mother's Day with Kapuso Cancer Champions

Ministop supported GMA Kapuso Foundation in paying homage to the mothers of children with cancer on May 8, 2018 at the QCX Museum in Quezon City Memorial Circle. Ministop donated healthy grocery items to the beneficiaries and joined in the celebration with GMA Kapuso artists. Diagnosed at an early age, the Kapuso Cancer Champions kids receive chemotherapy assistance from the media network foundation.

Financial Statements



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Acquisition of Rustan Supercenters, Inc.

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

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

Audit Response

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

Adoption of PFRS 15, Revenue from Contracts with Customers

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

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

Audit Response

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

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

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

We also reviewed the transition adjustment calculation of the management.

Existence and completeness of inventory

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

Audit Response

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

Impairment assessment of trademarks and goodwill

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

Audit Response

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

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

March 14, 2019

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

1. Corporate Information

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

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

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

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

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

2. Basis of Preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Changes in Accounting Policies**

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

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

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

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

- PFRS 9, *Financial Instruments*

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

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

  The nature of these adjustments are described below:

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

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

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

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

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

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

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

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

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

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

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

b. *Impairment*

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

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

<u>Consolidated statement of comprehensive income</u>

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

Consolidated statement of financial position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

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

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

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

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

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

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

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

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

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

Effective Beginning on or after January 1, 2020

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

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

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

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

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

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

Effective Beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

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

Deferred Effectivity

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

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

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

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

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4. Summary of Significant Accounting Policies

Revenue Recognition Effective January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition Prior to January 1, 2018

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

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

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

Accounting Policies Effective from and prior to January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

Initial Recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVPL, includes transaction costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Licenses

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

Trademarks

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

Franchise

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

Impairment of Nonfinancial Assets

This accounting policy primarily applies to the Group's property and equipment, investment in associates and intangible assets.

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

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

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

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

The following criteria are also applied in assessing impairment of specific assets:

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

Impairment Testing of Goodwill and Trademarks
Goodwill and trademarks are reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

The Group performed its annual impairment test for the years ended December 31, 2018 and 2017. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

The most recent detailed calculation made in a preceding period of the recoverable amount of the CGU may be used for the impairment testing for the current period provided that:

- The assets and liabilities making up the CGU have not changed significantly from the most recent calculation;
- The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the CGU by a significant margin; and
- The likelihood that a current recoverable amount calculation would be less than the carrying amount of the CGU is remote based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation.

Impairment is determined for goodwill and trademarks by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill and trademarks relate. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill and trademarks have been allocated, an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment loss recognized for goodwill and trademarks shall not be reversed in future periods.

Retirement Cost

Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in the consolidated statement of comprehensive income subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Value-Added Taxes (VAT)
Input tax represents the VAT paid on purchases of goods and services that the Group can apply against any future liability for output VAT on sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Group upon approval of the BIR. Input VAT is stated at its estimated NRV. Output VAT pertains to the 12.0% tax due on the local sale of goods by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Trade and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets".

Creditable Withholding Taxes (CWT)
CWT included under other current assets are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

Income Tax
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the consolidated statement of comprehensive income is recognized outside the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statement of comprehensive income or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 18). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Equity Reserve
Equity reserve consist of equity transactions other than capital contributions, such as equity transactions arising from transactions with NCI and combination or entities under common control.

Retained Earnings
Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries. Appropriated retained earnings are those that are restricted for store expansion. Unappropriated retained earnings are those that can be allocated for specific purposes and can be distributed as dividend (Note 18).

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease, only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) and Philippine Dealing Exchange Corporation (PDEx) closing rate prevailing at the reporting date in 2018 and 2017, respectively. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Parent Company (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year applicable to common stock by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on EPS.

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2018, 2017 and 2016 (Note 26).

Provisions

Provisions are recognized only when the following conditions are met: (a) there exists a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss. Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the President. The nature of the operating segment is set out in Note 6.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating Lease Commitments - Group as Lessee
The Group, having the ability to terminate the lease term, has entered into cancellable lease agreements as a lessee. The Group evaluates whether a lease contract is cancellable or noncancelable by assessing penalties on pretermination of lease contract. Penalties considered by the Group are not limited to those that are imposed by the contract but also include possible payment to third parties and loss of future earnings. The amount and timing of recorded rent expenses would differ if the Group determines lease contracts as noncancelable. Also, the Group has determined that it has not retained all the significant risks and rewards of ownership of the leased property.

Right to Access - Performance Obligation Satisfied Over Time (Upon Adoption of PFRS 15)
The Group considered the following in assessing whether the non-refundable upfront franchise fee is a right to access the Ministop and TGP licenses: (a) the franchisee reasonably expects that the entity will undertake activities that will significantly affect the license to which the customer has rights (i.e. the characters); (b) the rights granted by the franchise agreement directly expose the franchisee to any positive or negative effects of the Group's activities because the franchise agreement requires the customer to use the latest characters; and (c) even though the franchisees may benefit from those activities through the rights granted by the franchise agreement, they do not transfer a good or service to the customer as those activities occur.

The Group concludes that non-refundable upfront franchise fee is a payment to provide the franchisees with access to the Ministop and TGP licenses as it exists throughout the franchise period. Consequently, the entity accounts for the upfront franchise fee as a performance obligation satisfied over time.

Determination if Consideration Received from Suppliers is Not Distinct
The Group in the ordinary course of business received consideration from suppliers for product placements (e.g. slotting fees) and other programs. The Group determines that the consideration received from the suppliers is not in exchange for a distinct good or service that transfers to the supplier because of the following considerations:

- the standalone selling price of the good or service for which the consideration is received cannot be reasonably estimated; and
- the supplier does not obtain control of the goods or service.

Accounting for Investment in GrowSari and G2M through Convertible Note
The Group has investments in GrowSari, Inc. and G2M Solutions Philippines Pte. Ltd. through convertible note which will provide the Group 28.60% and 14.90% ownership interest, respectively, upon conversion of the note. The Group assessed that it has significant influence as evidenced by provision of technical information, board seats and service agreement in the term sheet. Thus, the investments are accounted for as investments in associates.

Determination of Control
The Group determined that it has control over its investees by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The following were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Recognition of Insurance Recovery
The Group has recognized insurance recovery from its business interruption claim. For the amount recognized, the Group has determined that the likelihood of receiving insurance recovery is virtually certain and its recognition in the period is appropriate considering the following:

- There is a valid insurance policy for the incident;
- The advanced status of the Group's discussion with the adjuster and insurers regarding the claim; and
- The subsequent information that conform the status of the claim as of the reporting date.

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of Goodwill and Trademarks
In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives.

The Group performed its annual impairment test as at December 31, 2018 and 2017. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2018 and 2017, below are the business segments from which trademarks arise:

	Basis	Amount
SSDI	VIU	₱1,566,917,532
TGPPI	VIU	1,264,098,435
SEWI	VIU	364,914,493
		₱3,195,930,460

As of December 31, 2018 and 2017, below are the business segments from which goodwill arise:

	Basis	Amount
TGPPI	EV/EBITDA	₱1,281,428,830
SSDI	EV/EBITDA	745,887,131
SEWI	VIU	715,103,869
EC	EV/EBITDA	199,870,222
RHIB	VIU	145,655,320
RTSHPI	EV/EBITDA	85,161,468
Beauty Skinnovations Retail, Inc. (BSRI)	VIU	83,324,691
JRMC	EV/EBITDA	71,732,435
HPTDI	VIU	30,000,000
GPC	EV/EBITDA	23,250,000
		₱3,381,413,966

<u>Value In Use</u>
The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services.

The pre-tax discount rate applied to cash flow projections in 9.70% in 2018 (10.70% in 2017) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2018 growth rate (5.00% to 10.00% in 2017) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

The calculation of value in use of the CGUs is most sensitive to the following assumptions:

- Gross margins
- Discount rate
- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross Margins
Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 7.00% to 12.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 20.80% to 2.80% for 2018 and 11.50% to 5.00% for 2017 would result in impairment.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 2.40% to 20.20% and 8.00% to 12.00%, in 2018 and 2017, respectively, would result in impairment.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 3.00% to 5.00% in 2018 and 2017. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

Growth Rate Estimates
Rates are based on published industry research. A reduction to 3.00% in the long-term growth rate would result in impairment.

EV/EBITDA Multiple
The Group utilized the use of EV/EBITDA multiple in the impairment testing of its goodwill from the acquisitions of some of its subsidiaries wherein the Group obtained and selected comparable entities which closely represent each entity from which goodwill was acquired. The characteristics taken into account include, among others, the geographical area where the comparable resides, nature of business or operations of the comparable entities and economic environment from which the comparable entities operate.

As such, the Group has selected EV/EBITDA multiples limited to retail entities in the Philippines as the management of the Group believes that these entities reasonably represent each acquired entity after carefully taking into account the future viability of the assumptions used and ability of each entity to attain such position in the future as it relates to the overall growth in the industry and in the country.

In 2018 and 2017, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

If such EV/EBITDA multiple used falls lower than 4.45 multiple, goodwill will be impaired.

Provision for ECL of Trade and Other Receivables (Applicable Beginning January 1, 2018)
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Provision for expected credit losses in 2018 amounted to ₱46.75 million. As of December 31, 2018, allowance for expected credit losses on trade and other receivables amounted to ₱156.35 million.

As of December 31, 2018, the carrying value of the Group's trade and other receivables amounted to ₱3.17 billion (Note 8).

Allowance for Impairment Losses on Trade and Other Receivables (Applicable Prior to January 1, 2018)
The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the debtor, the debtor's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

Provision for impairment loss on receivables in 2017 and 2016 amounted to ₱21.51 million and ₱58.83 million, respectively. Allowance for impairment losses on trade and other receivables amounted to ₱110.39 million and ₱88.87 million in 2017 and 2016, respectively.

As of December 31, 2017, the carrying value of the Group's trade and other receivables amounted to ₱2.23 billion (Note 8).

Estimating NRV of Merchandise Inventories
The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels, losses or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date.

Provision for inventory obsolescence amounted to ₱59.50 million in 2018 and nil in 2017 and 2016.

Merchandise inventories amounted to ₱18.63 billion and ₱14.85 billion as of December 31, 2018 and 2017, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews property and equipment, investment in associates and intangible assets with definite lives for impairment of value.

The Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment in associates and intangible assets.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2018 and 2017, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates. In 2018, the Group recognized impairment on assets amounting to ₱117.23 million (Notes 14 and 15). No impairment was recognized in 2017 and 2016.

As of December 31, 2018 and 2017, the carrying value of the Group's property and equipment amounted to ₱19,269.21 million and ₱13,601.39 million, respectively (Note 12), investment in associates amounted to ₱6,814.30 million and ₱5,271.53 million, respectively (Note 13), licenses amounted to nil and ₱60.61 million, respectively, and franchise amounted to ₱24.13 million and ₱19.28 million, respectively (Note 14).

Retirement and Other Benefits
The determination of the obligation and cost of retirement and other benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23, and include, among others, discount rate and salary rates increase.

As of December 31, 2018, the carrying value of the retirement plan amounted to ₱91.25 million asset and ₱325.46 million obligation. As of December 31, 2017 the carrying value of the retirement plan amounted to nil asset and ₱546.19 million obligation.

Deferred Tax Assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable income against which recognized deferred tax assets will be realized.

As of December 31, 2018, and 2017, the Group has deferred tax assets amounting ₱413.46 million and ₱355.17 million, respectively (Note 25). Unrecognized deferred tax assets amounted to ₱100.67 million and ₱47.94 million as of December 31, 2018 and 2017, respectively.

Determining Whether the Loyalty Points and Gift Checks Provide Material Rights to Customers (Upon Adoption of PFRS 15)
The Company has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Group's retail outlets and participating stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The Group also has gift checks which can be redeemed for future purchases at any of the Group's retail outlets.

As of December 31, 2018, contract liabilities arising from customer loyalty program and gift checks amounted to ₱197.90 million (Note 16).

Revenue Recognition - Points for Loyalty Programme (applicable prior to January 1, 2018)
The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As of December 31, 2017, the estimated liability for unredeemed points was approximately ₱133.64 million.

6. **Operating Segments**

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the

supermarkets and are made highly visible to consumers. In 2018, the Group acquired RSCI which also operates supermarket chains in the country.

- *Department Store Division*
  Robinsons Department Store (RDS) offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.

- *Do-It-Yourself (DIY) Division*
  The five (5) DIY brands Handyman Do it Best, True Value, True Home, Robinsons Builders and Home Plus have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

- *Convenience Store Division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd. - Japan (Ministop), one (1) of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug Store Division*
  The Drug Store segment primarily offers high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including The Generics Pharmacy house brands for the generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty Store Division*
  The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market, including some of the best loved international lifestyle brands in top entertainment systems, coffee shops, unparalleled selections of toys and games; and well-known global fast fashion brands, local and international cosmetics, a wide selection of nail care products, and innovative slush and fruit juice mixes.

2018

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱16,631,152,456	₱–	₱–	₱132,680,466,776
Intersegment net sales	–	–	–	–	–	1,568,651,424	–	(1,568,651,424)	–
Total net sales	62,362,494,774	17,780,879,313	13,905,046,303	6,176,910,080	15,823,983,850	18,199,803,880	–	(1,568,651,424)	132,680,466,776
Segment cost of merchandise sold	50,173,801,793	11,443,464,329	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	–	102,845,384,354
Intersegment cost of merchandise sold	–	1,568,651,424	–	–	–	–	–	(1,568,651,424)	–
Total cost of merchandise sold	50,173,801,793	13,012,115,753	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	(1,568,651,424)	102,845,384,354
Gross profit	12,188,692,981	4,768,763,560	4,444,727,299	558,699,912	3,076,933,511	4,797,265,159	–	–	29,835,082,422
Segment other income	162,751,481	198,958,936	–	1,889,319,320	164,641,071	6,525,076	–	–	2,422,195,884
Intersegment other income	144,495,404	44,841,440	–	–	–	–	–	(189,336,844)	–
Total other income	307,246,885	243,800,376	–	1,889,319,320	164,641,071	6,525,076	–	(189,336,844)	2,422,195,884
Gross profit including other income	12,495,939,866	5,012,563,936	4,444,727,299	2,448,019,232	3,241,574,582	4,803,790,235	–	(189,336,844)	32,257,278,306
Segment operating expenses	8,579,889,094	4,040,030,422	2,981,694,608	2,107,644,276	2,012,498,291	3,487,345,939	27,214,498	–	23,236,317,128
Intersegment operating expenses	32,609,266	51,205,816	35,245,707	–	36,905,778	33,370,277	–	(189,336,844)	–
Total operating expenses	8,612,498,360	4,091,236,238	3,016,940,315	2,107,644,276	2,049,404,069	3,520,716,216	27,214,498	(189,336,844)	23,236,317,128
Earnings before interest, taxes and depreciation and amortization	3,883,441,506	921,327,698	1,427,786,984	340,374,956	1,192,170,513	1,283,074,019	(27,214,498)	–	9,020,961,178
Depreciation and amortization	1,015,186,857	420,756,132	228,641,219	239,384,103	121,015,571	370,101,154	–	–	2,395,085,036
Earnings before interest and taxes	2,868,254,649	500,571,566	1,199,145,765	100,990,853	1,071,154,942	912,972,865	(27,214,498)	–	6,625,876,142
Interest expense	(7,527,908)	(30,348,756)	(3,250,945)	–	(89,640,324)	(41,799,314)	(17,398,472)	30,893,985	(159,071,734)
Interest income	37,536,597	22,019,745	51,216,724	20,774,167	21,398,014	19,549,062	840,262,280	(30,893,985)	981,862,604
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	200,867,038	–	200,867,038
Equity in net earnings of an associate	(4,031,405)	–	–	–	–	–	112,770,641	–	108,739,236
Others	(58,645,174)	(17,004,745)	(7,700,105)	(5,132,025)	(8,907,987)	(127,158,744)	(48,065,534)	–	(272,614,314)
Income before income tax	₱2,835,586,759	₱475,237,810	₱1,239,411,439	₱116,632,995	₱994,004,645	₱763,563,869	₱1,172,721,455	₱–	₱7,597,158,972
Assets and liabilities									
Segment assets	₱30,641,562,719	₱5,107,770,668	₱6,528,041,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱31,697,362,422	₱12,455,066,456	₱107,777,107,194
Investment in subsidiaries - at cost	2,790,607,224	3,878,258,269	62,500,000	–	–	–	21,632,839,151	(28,364,204,644)	–
Total segment assets	₱33,432,169,943	₱8,986,028,937	₱6,590,541,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱53,330,201,573	(₱15,909,138,188)	₱107,777,107,194
Total segment liabilities	₱15,061,073,844	₱3,937,639,289	₱2,097,554,693	₱1,381,766,940	₱5,178,010,004	₱5,788,948,538	₱1,594,271,333	₱33,674,554	₱35,072,939,195
Other segment information:									
Capital expenditures	₱2,300,718,232	₱598,770,330	₱447,306,797	₱211,404,175	₱133,088,174	₱728,159,814	₱–	₱–	₱4,419,447,522

2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱52,363,396,276	₱16,115,725,158	₱12,322,762,318	₱5,710,247,583	₱14,518,058,506	₱14,208,269,688	₱–	₱–	₱115,238,459,529
Intersegment net sales	–	–	–	–	–	1,341,616,164	–	(1,341,616,164)	–
Total net sales	52,363,396,276	16,115,725,158	12,322,762,318	5,710,247,583	14,518,058,506	15,549,885,852	–	(1,341,616,164)	115,238,459,529
Segment cost of merchandise sold	42,209,389,308	10,538,329,174	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	–	89,446,079,938
Intersegment cost of merchandise sold	–	1,341,616,164	–	–	–	–	–	(1,341,616,164)	–
Total cost of merchandise sold	42,209,389,308	11,879,945,338	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	(1,341,616,164)	89,446,079,938
Gross profit	10,154,006,968	4,235,779,820	3,946,020,651	545,390,750	2,711,690,994	4,199,490,408	–	–	25,792,379,591
Segment other income	120,868,029	138,074,608	–	1,725,718,541	270,727,657	6,769,712	–	–	2,262,158,547
Intersegment other income	133,949,774	39,483,612	–	–	–	–	–	(173,433,386)	–
Total other income	254,817,803	177,558,220	–	1,725,718,541	270,727,657	6,769,712	–	(173,433,386)	2,262,158,547
Gross profit including other income	10,408,824,771	4,413,338,040	3,946,020,651	2,271,109,291	2,982,418,651	4,206,260,120	–	(173,433,386)	28,054,538,138
Segment operating expenses	6,719,660,260	3,387,373,060	2,707,420,540	1,967,946,315	1,857,091,371	3,005,556,758	31,070,475	–	19,676,118,779
Intersegment operating expenses	27,646,477	49,936,472	33,717,792	–	29,989,079	32,143,566	–	(173,433,386)	–
Total operating expenses	6,747,306,737	3,437,309,532	2,741,138,332	1,967,946,315	1,887,080,450	3,037,700,324	31,070,475	(173,433,386)	19,676,118,779
Earnings before interest, taxes and depreciation and amortization	3,661,518,034	976,028,508	1,204,882,319	303,162,976	1,095,338,201	1,168,559,796	(31,070,475)	–	8,378,419,359
Depreciation and amortization	836,921,560	357,966,174	194,730,487	260,947,950	105,255,226	317,215,779	–	–	2,073,037,176
Earnings before interest and taxes	2,824,596,474	618,062,334	1,010,151,832	42,215,026	990,082,975	851,344,017	(31,070,475)	–	6,305,382,183
Interest expense	(3,102,201)	(30,916,715)	(2,329,834)	(1,620,135)	(76,451,034)	(43,340,288)	–	30,375,736	(127,384,471)
Interest income	22,249,950	10,478,717	26,726,722	8,284,275	8,777,648	15,735,288	811,548,241	(30,375,736)	873,425,105
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	16,104,012	–	16,104,012
Equity in net earnings of an associate	–	–	–	–	–	–	123,639,511	–	123,639,511
Income before income tax	₱2,843,744,223	₱597,624,336	₱1,034,548,720	₱48,879,166	₱922,409,589	₱823,739,017	₱1,031,721,289	₱–	₱7,302,666,340
Assets and liabilities									
Segment assets	₱19,576,200,337	₱4,668,650,988	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱29,968,508,062	₱2,443,690,652	₱82,180,726,832
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱22,366,307,561	₱8,446,251,362	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱35,254,538,825	(₱9,410,547,709)	₱82,180,226,832
Total segment liabilities	₱9,438,322,396	₱3,695,163,782	₱2,479,559,578	₱1,296,096,948	₱5,172,322,481	₱4,927,876,020	₱98,435,577	(₱193,689,034)	₱26,914,087,748
Other segment information:									
Capital expenditures	₱1,267,354,339	₱752,664,136	₱344,385,945	₱114,748,739	₱242,003,566	₱383,562,968	₱–	₱–	₱3,104,719,693

2016

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱48,465,116,481	₱15,827,461,781	₱11,128,587,163	₱5,665,537,500	₱11,934,225,572	₱12,272,395,535	₱–	₱–	₱105,293,324,032
Intersegment net sales	–	–	–	–	–	1,143,728,881	–	(1,143,728,881)	–
Total net sales	48,465,116,481	15,827,461,781	11,128,587,163	5,665,537,500	11,934,225,572	13,416,124,416	–	(1,143,728,881)	105,293,324,032
Segment cost of merchandise sold	39,170,260,834	10,569,752,771	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	–	82,267,043,806
Intersegment cost of merchandise sold	–	1,143,728,881	–	–	–	–	–	(1,143,728,881)	–
Total cost of merchandise sold	39,170,260,834	11,713,481,652	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	(1,143,728,881)	82,267,043,806
Gross profit	9,294,855,647	4,113,980,129	3,503,543,846	569,896,052	2,067,888,432	3,476,116,120	–	–	23,026,280,226
Segment other income	106,656,358	98,757,999	–	1,720,834,220	174,335,416	17,894,601	–	–	2,118,478,594
Intersegment other income	128,124,168	29,683,939	–	–	–	–	–	(157,808,107)	–
Total other income	234,780,526	128,441,938	–	1,720,834,220	174,335,416	17,894,601	–	(157,808,107)	2,118,478,594
Gross profit including other income	9,529,636,173	4,242,422,067	3,503,543,846	2,290,730,272	2,242,223,848	3,494,010,721	–	(157,808,107)	25,144,758,820
Segment operating expenses	6,054,208,278	3,050,249,733	2,405,685,246	1,971,334,998	1,502,734,344	2,620,352,265	9,078,744	–	17,613,643,608
Intersegment operating expenses	22,820,930	48,943,207	31,315,216	–	28,760,952	25,967,802	–	(157,808,107)	–
Total operating expenses	6,077,029,208	3,099,192,940	2,437,000,462	1,971,334,998	1,531,495,296	2,646,320,067	9,078,744	(157,808,107)	17,613,643,608
Earnings before interest, taxes and depreciation and amortization	3,452,606,965	1,143,229,127	1,066,543,384	319,395,274	710,728,552	847,690,654	(9,078,744)	–	7,531,115,212
Depreciation and amortization	745,747,598	299,129,254	224,579,663	374,183,611	82,617,606	311,972,401	–	–	2,038,230,133
Earnings before interest and taxes	2,706,859,367	844,099,873	841,963,721	(54,788,337)	628,110,946	535,718,253	(9,078,744)	–	5,492,885,079
Interest expense	(10,985,079)	(30,285,417)	–	(19,897,917)	(28,399,575)	(35,002,583)	–	38,037,041	(86,533,530)
Interest income	12,386,680	11,032,919	19,731,969	565,635	1,522,313	14,118,790	805,953,362	(38,037,041)	827,274,627
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	219,216,013	–	219,216,013
Equity in net earnings of an associate	–	–	–	–	–	–	102,659,711	–	102,659,711
Income before income tax	₱2,708,260,968	₱824,847,375	₱861,695,690	(₱74,120,619)	₱601,233,684	₱514,834,460	₱1,230,250,342	₱–	₱6,667,001,900
Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	–	–	–	–	5,286,030,763	(11,344,238,361)	–
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱–	₱–	₱3,436,420,104

The revenue of the Group consists mainly of sales to external customers through its retail and internet channels. Inter-segment revenue arising from purchase arrangements amounting ₱1.57 billion, ₱1.34 billion and ₱1.14 billion in 2018, 2017 and 2016, respectively, were eliminated on consolidation.

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

Capital expenditures consist of additions to property and equipment arising from current acquisitions and those acquired through business combinations plus any adjustments made in the fair values of the acquired property and equipment.

The Group has no significant customer which contributed to 10.00% or more to the revenue of the Group.

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱14.79 billion and ₱14.57 billion as of December 31, 2018, and 2017, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.90% to 5.52%, 0.09% to 3.50% and 0.88% to 2.50% in 2018, 2017 and 2016, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱193.64 million, ₱107.55 million and ₱73.04 million in 2018, 2017 and 2016, respectively.

8. Trade and Other Receivables

This account consists of:

	2018	2017
Trade (Notes 24 and 27)	**₱2,108,620,270**	₱1,552,222,590
Nontrade (Notes 24 and 27)	**734,264,185**	487,405,602
Due from franchisees (Notes 27 and 29)	**485,057,897**	305,376,530
	3,327,942,352	2,345,004,722
Less allowance for impairment losses (Notes 27 and 29)	**156,346,848**	110,387,770
	₱3,171,595,504	₱2,234,616,952

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

Nontrade receivables include receivable from insurance companies amounting to ₱145.97 million and ₱82.12 million as of December 31, 2018, and 2017, respectively. The remaining balance consists of operational advances and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	2018	2017
Balance at beginning of year	**₱110,387,770**	₱88,873,605
Provision for impairment losses (Note 21)	**46,748,194**	21,514,165
Less write off	**789,116**	–
Balance at end of year	**₱156,346,848**	₱110,387,770

9. Merchandise Inventories

The rollforward analysis of this account follows:

	2018	2017
Balance at beginning of year	**₱14,846,561,020**	₱13,341,684,985
Acquisition through business combination	**3,073,734,206**	–
Add purchases - net of purchase discounts and allowances	**103,596,280,274**	90,950,955,973
Cost of goods available for sale	**121,516,575,500**	104,292,640,958
Less cost of merchandise sold	**102,845,384,354**	89,446,079,938
Allowance for inventory obsolescence	**43,177,218**	–
Balance at end of year	**₱18,628,013,928**	₱14,846,561,020

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱102.85 billion, ₱89.45 billion and ₱82.27 billion in 2018, 2017 and 2016, respectively.

Movements in the allowance for shrinkage, obsolescence and other losses for the year ended December 31, 2018 follows:

Provisions during the year (Note 21)	₱59,503,049
Less write off	16,325,831
Balance at end of year	₱43,177,218

There are no merchandise inventories pledged as security for liabilities as of December 31, 2018 and 2017.

10. Other Current Assets

This account consists of:

	2018	2017
Input VAT - net	**₱2,246,748,776**	₱1,995,567,759
Prepayments	**490,482,729**	123,428,852
Creditable withholding tax	**410,508,668**	304,021,431
Others	**11,920,917**	676,741
	₱3,159,661,090	₱2,423,694,783

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

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

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

Others consist mainly of excess payments of income taxes.

11. Debt and Equity Instrument Financial Assets

The Group's debt and equity instrument financial assets classified as FVOCI and FVTPL which are carried at fair value as of December 31, 2018 follows:

Debt securities		
FVOCI with recycling	(a)	₱16,135,895,711
FVTPL	(b)	1,665,171,011
		17,801,066,722
Equity securities at FVOCI without recycling		1,950,400,000
		₱19,751,466,722

The Group's debt and equity instruments classified as AFS financial assets which are carried at fair value as of December 31, 2017 follows:

Debt securities	(a, b)	₱18,563,367,094
Equity securities		2,104,000,000
		₱20,667,367,094

Debt Securities

a. The Group's debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

Rollforward analysis of debt securities as of December 31, 2018 and 2017 follows:

	2018	2017
	Financial Assets at FVOCI with Recycling	AFS Financial Assets
Amortized cost:		
At beginning of year	**₱16,593,843,811**	₱16,329,074,285
Additions	**847,021,924**	408,551,798
Disposals	**(756,249,689)**	(145,401,710)
Foreign exchange gain	**133,169,275**	1,619,438
At end of year	**16,817,785,321**	16,593,843,811
Amortization of premium on debt securities	**(75,423,505)**	(43,452,040)
Change in fair value of financial assets:		
At beginning of year	**329,275,323**	332,803,656
Changes in fair value recognized in OCI	**(965,569,116)**	(2,823,208)
Transfer to profit or loss	**42,958,438**	(705,125)
Allowance for expected credit losses	**(13,130,750)**	–
At end of year	**(606,466,105)**	329,275,323
	₱16,135,895,711	₱16,879,667,094

b. The Group's debt securities pertain to Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.38% and 5.19%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

	2018	2017
	Financial Assets at FVTPL	AFS Financial Assets
At beginning of year	**₱1,683,700,000**	₱1,683,700,000
Changes in fair value recognized in profit or loss	**(18,528,989)**	–
	₱1,665,171,011	₱1,683,700,000

In 2018, 2017 and 2016, the Group recognized loss on disposal of debt instrument financial assets amounting to ₱21.59 million, ₱4.24 million and nil, respectively.

Interest income arising from debt instrument financial assets amounted to ₱788.22 million, ₱765.88 million and ₱754.23 million in 2018, 2017 and 2016, respectively.

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

Equity Securities

Quoted equity securities pertain to investment in stock listed in the PSE. The Group elected to classify irrevocably its listed equity investments under FVOCI in 2018 as it intends to hold these investments for the foreseeable future.

Rollforward analysis of equity securities for the years ended December 31, 2018 and 2017 follows:

	2018	2017
	Financial Assets at FVOCI without Recycling	AFS Financial Assets
Cost	**₱2,000,000,000**	₱2,000,000,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**104,000,000**	120,000,000
Changes in fair value	**(153,600,000)**	(16,000,000)
At end of year	**(49,600,000)**	104,000,000
	₱1,950,400,000	₱2,104,000,000

Dividend income earned by the Group amounted to ₱111.50 million in 2018, 2017 and 2016.

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

	2018	2017
Balances at the beginning of year	**₱433,980,448**	₱452,803,656
Change in fair value during the year - OCI	**(1,119,169,116)**	(18,118,083)
Transfers to profit or loss	**42,958,438**	(705,125)
Balances at the end of year	**(₱642,230,230)**	₱433,980,448

12. Property and Equipment

2018

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost									
At beginning of year	₱42,560,000	₱1,736,445,913	₱13,336,313,960	₱8,985,785,664	₱2,200,258,093	₱205,687,524	₱2,559,053,303	₱–	₱29,066,104,457
Additions through business combination (Note 19)	–	1,055,410,907	1,504,200,176	1,140,406,897	19,878,814	4,568,813	173,259,404	–	3,897,725,011
Additions	566,822,477	20,600,492	1,832,715,018	945,195,127	531,144,741	6,630,665	516,339,002	–	4,419,447,522
Disposals and derecognition	–	(6,109,961)	(488,381,707)	(128,025,709)	(2,220,260)	(2,246,250)	(44,442,451)	–	(671,426,338)
At end of year	609,382,477	2,806,347,351	16,184,847,447	10,943,361,979	2,749,061,388	214,640,752	3,204,209,258	–	36,711,850,652
Accumulated depreciation and amortization									
At beginning of year	–	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Depreciation and amortization (Note 21)	–	68,191,243	1,117,732,580	665,203,140	252,073,518	16,436,667	257,422,724	–	2,377,059,872
Disposals and derecognition	–	(3,313,762)	(244,281,490)	(104,241,143)	(2,027,447)	(1,134,933)	(44,138,787)	–	(399,137,562)
At end of year	–	827,792,789	7,720,367,463	5,990,962,008	908,288,918	143,590,710	1,775,835,924	–	17,366,837,812
Allowance for impairment losses									
At beginning and end of year	–	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱609,382,477	₱1,978,554,562	₱8,414,912,311	₱4,926,516,985	₱1,840,772,470	₱71,050,042	₱1,428,024,061	₱–	₱19,269,212,908

2017

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost									
At beginning of year	₱42,560,000	₱1,702,152,553	₱ 11,878,194,884	₱8,420,080,407	₱1,608,399,579	₱187,203,438	₱2,246,842,007	₱2,681,895	₱26,088,114,763
Additions	–	33,595,861	1,552,902,866	569,482,284	592,202,817	21,571,480	312,907,293	22,057,092	3,104,719,693
Transfers	–	697,499	23,662,485	557,999	(253,804)	–	74,808	(24,738,987)	–
Disposals and derecognition	–	–	(118,446,275)	(4,335,026)	(90,499)	(3,087,394)	(770,805)	–	(126,729,999)
At end of year	42,560,000	1,736,445,913	13,336,313,960	8,985,785,664	2,200,258,093	205,687,524	2,559,053,303	–	29,066,104,457
Accumulated depreciation and amortization									
At beginning of year	–	703,482,472	6,012,335,160	4,886,039,083	386,206,802	112,085,066	1,350,004,881	–	13,450,153,464
Depreciation and amortization (Note 21)	–	59,432,836	948,737,678	546,961,032	272,036,045	17,893,431	213,307,598	–	2,058,368,620
Disposals and derecognition	–	–	(114,156,465)	(3,000,104)	–	(1,689,521)	(760,492)	–	(119,606,582)
At end of year	–	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Allowance for impairment losses									
At beginning and end of year	–	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱42,560,000	₱973,530,605	₱6,439,829,914	₱3,529,902,667	₱1,542,015,246	₱77,398,548	₱996,152,043	₱–	₱13,601,389,023

Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱7.64 billion and ₱7.10 billion as of December 31, 2018 and 2017, respectively.

13. Investment in Associates

This account consists of investments in shares of stocks as follow:

	2018	2017
RBC	**₱6,440,203,060**	₱5,146,804,931
G2M	**160,650,429**	–
TCCI	**112,075,299**	124,727,265
GrowSari	**100,968,595**	–
DAVI	**400,000**	–
	₱6,814,297,383	₱5,271,532,196

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

	2018	2017
Shares of stock - at equity:		
At beginning and end of year	**₱4,750,238,902**	₱4,750,238,902
Additional investment (Note 2)	**1,200,000,000**	–
Balance at end of year	**5,950,238,902**	4,750,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**834,958,356**	711,046,110
Equity in net earnings	**125,422,607**	123,912,246
Balance at end of year	**960,380,963**	834,958,356
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	**(393,204,586)**	(327,854,087)
Share in fair value changes of financial assets at FVOCI	**(23,818,458)**	–
Share in fair value changes of AFS financial assets	**–**	(65,350,499)
Balance at end of year	**(417,023,044)**	(393,204,586)
Share in translation loss adjustments:		
Balance at beginning of year	**(41,044,297)**	(44,734,653)
Share in translation adjustments	**(6,962,641)**	3,690,356
Balance at end of year	**(48,006,938)**	(41,044,297)
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	**(4,143,444)**	(10,784,288)
Share in remeasurement gain (loss) on retirement obligation	**(1,243,379)**	6,640,844
Balance at end of year	**(5,386,823)**	(4,143,444)
	₱6,440,203,060	₱5,146,804,931

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

Summarized financial information of RBC follows:

	2018	2017
Total assets	**₱121,356,956,413**	₱104,976,687,753
Total liabilities	**109,157,896,832**	92,834,221,380
Net income	**313,556,517**	309,780,615
Other comprehensive loss	**(59,546,145)**	(163,376,248)

The consolidated statements of comprehensive income follow:

	2018	2017	2016
Total operating income	**₱4,125,255,244**	₱3,484,195,685	₱2,900,613,609
Total operating expenses and tax	**3,811,698,727**	3,174,415,070	2,643,964,331
Net income	**313,556,517**	309,780,615	256,649,278
Other comprehensive loss	**(59,546,145)**	(163,376,248)	(260,125,953)
Total comprehensive income	**₱254,010,372**	₱146,404,367	(₱3,476,675)
Group's share of profit for the year	**₱125,422,607**	₱123,912,246	₱102,659,711

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

	2018	2017
Net assets of RBC	**₱15,378,433,085**	₱12,144,937,763
Proportionate ownership in the associate	**40%**	40%
Total share in net assets	**6,151,373,234**	4,857,975,105
Carrying amount of the investment	**6,440,203,060**	5,146,804,931
Difference	**₱288,829,826**	₱288,829,826

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

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

	2018	2017
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱373,495,977)**	(₱328,915,680)
Change in fair value during the year	**(53,108,335)**	(44,580,297)
Balances at end of year	**(426,604,312)**	(373,495,977)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(7,056,276)**	(11,889,684)
Remeasurement gain (loss) during the year	**(1,243,379)**	4,833,408
Balances at end of year	**(8,299,655)**	(7,056,276)
	(₱434,903,967)	(₱380,552,253)

G2M
On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines.

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of December 31, 2018 and 2017 amounted to ₱112.08 million and ₱124.73 million, respectively. Details follow:

	2018	2017
Shares of stock - at equity:		
At beginning and end of year	**₱125,000,000**	₱125,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(272,735)**	–
Equity in net loss	**(12,651,966)**	(272,735)
Balance at end of year	**(12,924,701)**	(272,735)
	₱112,075,299	₱124,727,265

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

DAVI
On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which ₱0.40 million was paid in 2018. As of December 31, 2018, DAVI has not yet started commercial operations. DAVI's principal activities include processing, managing and analyzing data.

14. **Intangible Assets**

This account consists of:

	2018	2017
Goodwill (Note 19)	**₱12,490,800,027**	₱3,381,413,966
Trademarks (Note 19)	**6,591,363,481**	3,195,930,460
Licenses	–	60,606,062
Franchise	**24,125,885**	19,279,385
	₱19,106,289,393	₱6,657,229,873

Goodwill

The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries. Details follow (Note 19):

	2018	2017
TGPPI	**₱1,281,428,830**	₱1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	3,381,413,966	3,381,413,966
RSCI (Note 19)	**9,109,386,061**	–
	₱12,490,800,027	₱3,381,413,966

Trademarks

The trademarks were acquired through business combinations and were recognized at fair value at the date of acquisition. Details follow (Note 19):

	2018	2017
SSDI	**₱1,566,917,532**	₱1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	3,195,930,460	3,195,930,460
RSCI (Note 19)	**3,395,433,021**	–
	₱6,591,363,481	₱3,195,930,460

In 2018, amortization related to trademarks acquired through acquisition of RSCI amounted to ₱3.17 million.

Licenses

Acquisition of trademark by RSSI to secure a franchise/license

On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million in 2018, 2017 and 2016 (Note 21). In 2018, RSSI impaired the remaining value of the license amounting to ₱48.48 million due to debranding.

The rollforward analysis of this account follows:

	2018	2017
Beginning balance	**₱60,606,062**	₱72,727,274
Less amortization and impairment (Note 21)	**60,606,062**	12,121,212
	₱–	₱60,606,062

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of December 31, 2018 and 2017, the Group has franchise amounting to ₱16.73 million and ₱19.28 million, respectively.

On January 10, 2018, Pet Lovers Centre International Pte. Ltd, granted the Group the right to develop its business including its trademarks, system, manuals and image in the Philippines for ₱7.58 million. The Group started Pet Lovers Centre operations in October 2018. The franchise shall be amortized using straight-line method over a period of ten (10) years.

The rollforward analysis of the franchise follows:

	2018	2017
Beginning balance	**₱19,279,385**	₱21,826,729
Addition	**7,583,430**	–
Amortization (Note 21)	**(2,736,930)**	(2,547,344)
	₱24,125,885	₱19,279,385

15. Other Noncurrent Assets

This account consists of:

	2018	2017
Security and other deposits	**₱2,550,724,180**	₱1,530,655,795
Construction bonds	**33,092,201**	27,475,941
	₱2,583,816,381	₱1,558,131,736

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

In 2018, the Group impaired other noncurrent assets amounting to ₱68.75 million.

16. Trade and Other Payables

This account consists of:

	2018	2017
Trade	**₱17,130,764,045**	₱12,732,104,629
Nontrade (Note 24)	**6,537,222,971**	4,613,052,013
Others	**909,123,439**	429,078,340
	₱24,577,110,455	₱17,774,234,982

Trade payables are noninterest-bearing and are normally settled on forty-five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others mainly consist of taxes and licenses payable.

Contract Liabilities
The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under trade payables, as contract liabilities as of December 31, 2018. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Gift check outstanding	₱140,165,250
Accrued customer loyalty reward	40,713,870
Deferred revenue	17,020,098
	₱197,899,218

Below is the rollforward of contract liabilities from the date of initial application of the adoption of PFRS 15 in 2018:

At January 1	₱–
Reclassification from deferred revenue upon adoption of PFRS 15	275,042,623
Deferred during the year	848,807,808
Recognized as revenue during the year	(925,951,213)
At December 31	₱197,899,218

The comparative information has not been presented as it continues to be reported under the accounting standards in effect for those periods.

17. Short-term Loans Payable

Details of short-term loans follow:

	2018	2017
Balance at beginning of year	**₱6,377,954,863**	₱6,575,698,733
Additions through business combination (Note 19)	**1,500,000,000**	–
Availments	**7,508,045,137**	3,724,954,863
Payments	**(8,592,000,000)**	(3,922,698,733)
	₱6,794,000,000	₱6,377,954,863

The balances of short-term loans of the subsidiaries are as follows:

	2018	2017
SSDI	**₱2,182,000,000**	₱2,217,000,000
RSCI	**1,750,000,000**	–
RI	**1,352,000,000**	1,420,000,000
RRHI	**1,050,000,000**	–
RHDDS	**220,000,000**	230,000,000

(Forward)

	2018	2017
RGFBI	**₱190,000,000**	₱86,954,863
HPTD	**50,000,000**	58,000,000
RSC	**−**	2,206,000,000
RAC	**−**	100,000,000
RHIB	**−**	60,000,000
	₱6,794,000,000	₱6,377,954,863

a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 5.10%-5.50% per annum. In 2018 and 2017, SSDI availed short-term loans amounting to ₱100.00 million and ₱325.0 million, respectively. In addition, SSDI paid ₱135.0 million and ₱427.70 million of the outstanding loan balance in 2018 and 2017, respectively. The short-term loans payable of SSDI as of December 31, 2018 and 2017 amounted to ₱2.18 billion and ₱2.22 billion, respectively.

b.) In 2018, RSCI's short-term loans payable consist of loans availed from a local commercial bank at interest rates 5.50%-5.95% per annum. The loans were obtained to finance RSCI's working capital requirements. Short-term loans payable acquired through acquisition amounting to ₱1.50 billion and availed ₱0.25 billion during the year.

c.) RI's short-term loans payable consist of loans availed from a local commercial bank at an interest rates of 5.50%-5.55% per annum. These loans are renewable before the end of each lease term at the option of RI. In 2018 and 2017, RI availed short-term loan amounting to ₱3.34 billion and ₱0.79.0 billion, respectively. In addition, RI paid ₱3.41 billion and ₱1.23 billion on the outstanding loan balance in 2018 and 2017, respectively. The loans were obtained to support the working capital requirements of RI. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱1.35 billion and ₱1.42 billion, respectively.

d.) In 2018, RRHI's short-term loans payable consist of a loan availed from a local commercial bank amounting to ₱1.05 billion at an interest rates of 4.35%-5.55% per annum. The loans were obtained to support the working capital requirements of RRHI.

e.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 5.50%-6.50% per annum. In 2018 and 2017, RHDDS availed short-term loan amounting ₱145.0 million and ₱100.0 million, respectively. In addition, RHDDS paid ₱155.0 million and ₱170.0 million on the outstanding loan balance in 2018 and 2017. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱220.0 million and ₱230.0 million, respectively.

f.) RGFBI's short-term loans payable consists of loans availed from a local commercial bank at an interest rates of 5.75%-6.50% per annum. In 2018 and 2017, RGFBI availed short-term loans amounting to ₱420.05 million and ₱86.95 million, respectively. In 2018 and 2017, RGFBI paid ₱317.0 million and nil, respectively. The short-term loans payable of RGFBI as of December 31, 2018 and 2017 amounted to ₱190.0 million and ₱86.95 million, respectively.

g.) HPTD paid outstanding short-term loan amounting to ₱8.0 million during the year. The short-term loans payable as of December 31, 2018 and 2017 amounted to ₱50.0 million and ₱58.0 million, respectively.

h.) RSC's short-term loans payable consists of loans availed from local commercial banks at an interest rate of 5.30% per annum which are renewable every three (3) months. In 2018 and

2017, RSC availed short-term loans amounting to ₱2.20 billion and ₱2.21 billion, respectively. In addition, RSC paid ₱4.41 billion and ₱1.03 billion in 2018 and 2017, respectively. The short-term loans payable of RSC as of December 31, 2018 and 2017 amounted to nil and ₱2.21 billion, respectively.

i.) RAC's short-term loans payable consists of a loan availed from a local commercial bank at an interest rates of 3.15%-3.28% per annum. In 2018 and 2017, RAC availed short-term loan amounting to nil and ₱100.00 million, respectively. In 2018 and 2017, RAC paid ₱100.0 million and ₱290.0 million of the outstanding loan balance. The loans payable as of December 31, 2018 and 2017 amounted to nil and ₱100.0 million, respectively.

j.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.10%-4.00% per annum. In 2017, RHIB availed short-term loan amounting to ₱60.0 million. The short-term loan was fully settled in 2018.

Total interest expense charged to operations amounted to ₱159.07 million, ₱127.38 million and ₱86.53 million in 2018, 2017 and 2016, respectively.

The above loans are not subject to any loan covenants.

18. Equity

Capital Stock
The details of this account follow:

	2018		2017		2016	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	**1,576,489,360**	**1,576,489,360**	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000

Registration Track Record
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1,094.57 million. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

On December 9, 2014, the Parent Company sold its treasury shares at ₱69.00 per share or ₱1,309.06 million, incurring transaction costs amounting to ₱8.22 million.

On November 23, 2018, the Parent Company issued 191,489,360 new common shares for the acquisition of RSCI (Notes 1 and 19). The market value of the share amounted to ₱72.05 per share on November 23, 2018. Transaction cost related to the issuance of new shares amounted to ₱64.50 million.

Equity Reserve
Details of equity reserve follow:

	2018	2017	2016
Acquisition of additional shares from non-controlling interest			
Beginning	**(₱1,027,402,846)**	(₱1,027,402,846)	(₱1,027,402,846)
Additions	**51,459,308**	–	–
	(975,943,538)	(1,027,402,846)	1,027,402,846
Acquisition of subsidiary under common control	**5,508,177**	5,508,177	5,508,177
	(₱970,435,361)	(₱1,021,894,669)	(₱1,021,894,669)

Acquisition of a Subsidiary under Common Control
On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million. As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve".

Acquisition of Additional Shares from a Non-Controlling Shareholder
On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for ₱85.36 million. As a result of the acquisition, RI then holds 59.05% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱51.46 million included in "Equity reserve" representing the excess of carrying amount of the non-controlling interest acquired over consideration paid.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion included in "Equity reserve" in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. The remaining balance was fully settled in cash in 2015.

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱27.71 billion and ₱23.65 billion as of December 31, 2018 and 2017, respectively, while the accumulated equity in net income of the associates amounted to ₱943.42 million and ₱834.96 million as of December 31, 2018 and 2017, respectively (Note 13).

Dividend Declaration

Details of the Parent Company's dividend declarations follow:

	2018	2017	2016
Date of declaration	**May 28, 2018**	June 27, 2017	June 9, 2016
Dividend per share	**₱0.72**	₱0.70	₱0.63
Total dividends	**₱997,200,000**	₱969,500,000	₱872,550,000
Date of record	**June 18, 2018**	July 17, 2017	June 29, 2016
Date of payment	**July 12, 2018**	August 10, 2017	July 25, 2016

Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2018	2017	2016
Balance at beginning of year	**₱15,212,852,847**	₱15,262,852,847	₱12,997,451,453
Appropriation	**9,222,000,000**	–	3,709,000,000
Reversal of appropriation	**(283,000,000)**	(50,000,000)	(1,443,598,606)
Balance at end of year	**₱24,151,852,847**	₱15,212,852,847	₱15,262,852,847

In 2018, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion. Details are as follow:

	Appropriations				
Entity	February 20	March 7	March 8	December 20	Total
RRHI	₱2,800,000,000	₱–	₱–	₱–	₱2,800,000,000
RSC	–	1,250,000,000	–	1,100,000,000	2,350,000,000
RHMI	–	553,000,000	–	617,000,000	1,170,000,000
SSDI	–	300,000,000	–	500,000,000	800,000,000
RI	–	400,000,000	–	250,000,000	650,000,000
RAC	–	260,000,000	–	–	260,000,000
RTSHPI	–	93,000,000	–	105,000,000	198,000,000
SEWI	–	–	180,000,000	15,000,000	195,000,000
RHDDS	–	114,000,000	–	65,000,000	179,000,000
RTI	–	150,000,000	–	220,000,000	370,000,000
WHMI	–	50,000,000	–	97,000,000	147,000,000
CC	–	–	–	40,000,000	40,000,000
RDDC	–	–	–	33,000,000	33,000,000
ASI	–	–	–	15,000,000	15,000,000
HEMI	–	7,000,000	–	8,000,000	15,000,000
	₱2,800,000,000	₱3,177,000,000	₱180,000,000	₱3,065,000,000	₱9,222,000,000

In 2018, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings. Details are as follow:

Entity	Date of reversal	Amount
RTSHPI	December 12	₱3,000,000
RTI	July 6	150,000,000
RHMI	June 16	100,000,000
SEWI	March 22	30,000,000
Total		₱283,000,000

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.0 million.

On December 12, 2016, the Group's BOD approved the appropriation of ₱3.71 billion. The appropriated retained earnings shall be used to augment new stores within two (2) years in line with the Group's nationwide expansion. Details as follow:

Entity	Amount
RSC	₱1,390,000,000
RHMI	735,000,000
RI	600,000,000
SSDI	300,000,000
RRHI	230,000,000
RAC	145,000,000
RTSHPI	108,000,000
WHMI	92,000,000
RHDDS	50,000,000
RSSI	40,000,000
ASI	14,000,000
HEMI	5,000,000
	₱3,709,000,000

In 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.44 billion. Details are as follow:

Entity	Date	Amount
RRHI-TMI	March 14	₱440,200,000
WHMI	December 12	359,459,585
RTI	December 12	228,000,000
RHMI	December 12	200,000,000
RTSHPI	December 12	100,000,000
RVC	December 12	68,939,021
HEMI	December 12	27,000,000
ASI	December 12	20,000,000
		₱1,443,598,606

Declaration of Dividends of the Subsidiaries

In 2018, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
SEWI	May 30	₱30,000,000
ASI	June 4	15,000,000
TGP	May 3	200,000,000
	December 14	220,000,000
RHMI	June 14	100,000,000
RTI	July 6	150,000,000
RRHI - TMI	December 2	700,000,000
RTSHPI	December 12	35,000,000
Total		₱1,450,000,000

In 2017, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	December 12	₱1,050,000,000
	May 10	1,028,400,000
TGP	February 1	300,000,000
	October 1	300,000,000
RTI	February 1	130,000,000
WHMI	March 12	40,000,000
RTSHPI	December 12	30,000,000
Chic Centre Corporation	February 1	20,000,000
Total		₱2,898,400,000

In 2016, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	March 14	₱1,350,000,000
WHMI	December 12	360,000,000
RHMI	December 12	200,000,000
RTI	December 12	270,000,000
RTSHPI	December 12	100,000,000
RVC	December 12	85,000,000
HEMI	December 12	27,000,000
ASI	December 12	20,000,000
SSDI	December 12	20,000,000
Total		₱2,432,000,000

In 2016, the Group paid ₱207.0 million dividends declared in 2015.

NCI

Acquisitions of NCI from Business Combinations

In May 2016, the Group has acquired NCI through business combination on the acquisition of TGPPI amounting to ₱942.17 million.

In 2016 and 2015, the Group has acquired NCI through business combinations on the acquisition of HPTDI and SEWI amounting ₱9.50 million and ₱30.54 million, respectively.

Investment from NCI

On February 27, 2018, an NCI made an investment which represents 49% ownership in Super50 Corporation amounting to ₱14.70 million.

On December 20, 2017, the BOD of RCSI authorized the increase of capital stock from ₱1.0 billion to ₱2.0 billion of which to ₱490.0 million was subscribed and paid in full by Ministop.

In 2016, no additional investment was recognized from NCI.

Dividends to NCI

In 2018, 2017 and 2016, dividends declared attributable to NCI amounted to ₱266.84 million, ₱357.80 million and ₱310.84 million, respectively.

Capital Management
The primary objective of the Group's capital management policy is to ensure that it maintains healthy capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and 2017.

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

	2018	2017
Capital stock	**₱1,576,489,360**	₱1,385,000,000
Additional paid-in capital	**40,768,202,897**	27,227,385,090
Other comprehensive income (loss)	**(563,817,037)**	289,698,663
Equity reserve	**(970,435,361)**	(1,021,894,669)
Retained earnings		
Appropriated	**24,151,852,847**	15,212,852,847
Unappropriated	**3,558,435,683**	8,440,230,328
Total equity attributable to equity holders of the Parent Company	**68,520,728,389**	51,533,272,259
Non-controlling interest in consolidated subsidiaries	**4,183,439,610**	3,733,366,825
Total Equity	**₱72,704,167,999**	₱55,266,639,084

19. Business Combinations

Business Combination and Goodwill
On March 23, 2018, the Board of Directors of RRHI and MCBV approved the acquisition by RRHI of MCBV's 100% stake in RSCI through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. RSCI operates food retail brands "Marketplace by Rustan's", "Rustan's Supermarket", "Shopwise Hypermarket", "Shopwise Express" and "Wellcome".

RRHI agreed to pay MCBV at an agreed price which was settled by the issuance of 191.49 million new RRHI common shares as consideration for the value of the net assets of RSCI. RRHI engaged an independent financial advisor to review the transaction and render a fairness opinion on the transaction and the consideration payable by RRHI. The independent financial advisor completed its review and concluded that the acquisition of the net assets is fair and reasonable and in the interest of RRHI shareholders as a whole.

The completion of the acquisition was subjected to the procurement of certain regulatory and other approvals including:

i. Approval by the shareholders of RRHI of the issuance of primary shares;
ii. Approval of the transaction by the Philippine Competition Commission; and
iii. Confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI.

The acquisition was completed on November 23, 2018 as agreed in the Shareholders Agreement which is seven days after the confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI on November 16, 2018. Approvals (i) and (ii) were obtained on May 28, 2018 and August 16, 2018, respectively. On November 23, 2018, the market value of RRHI shares amounted to ₱72.05 per share. Transaction costs related to the issuance of new shares amounted to ₱64.50 million was charged to 'Additional paid-in capital'.

The purchase price consideration has been allocated to the assets and liabilities on the basis of provisional values at the date of acquisition as follows:

	Provisional fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment (Note 12)	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	12,454,975,787
Liabilities	
Trade and other payables	(4,633,625,787)
Loans payable	(1,500,000,000)
Income tax payable	(39,346,173)
Other current liabilities	(60,595,212)
Retirement obligation	(283,655,342)
Deferred tax liability	(961,623,483)
Other noncurrent liabilities	(288,707,463)
	(7,767,553,460)
Net assets acquired	4,687,422,327
Provisional goodwill from the acquisition (Note 14)	9,109,386,061
Purchase consideration transferred	₱13,796,808,388

The net assets recognized at the date of acquisition were based on provisional fair values of the assets owned by RSCI, which will be determined through an independent valuation. The result of this valuation had not been finalized as at March 14, 2019.

Total consolidated revenue would have increased by ₱24,420.0 million, while consolidated net income would have decreased by ₱1,050.0 million for the year ended December 31, 2018 had the acquisition of RSCI takes place at the beginning of the year. Total revenues and net loss of RSCI included in the consolidated statement of comprehensive income amounted to ₱3,010.0 million and to ₱100.95 million, respectively, from November 23, 2018 to December 31, 2018.

As a result of the transaction, provisional goodwill amounting to ₱9.11 billion, representing the difference between the total consideration of ₱13.80 billion and the provisional value of net assets acquired of ₱4.69 billion, was recognized (Note 14). The provisional goodwill of ₱9.11 billion comprises the expected synergies arising from acquisition. The provisional goodwill and trademarks were not tested for impairment since the acquisition occurred in the fourth quarter of 2018 and there was no material change in RSCI's business since obtaining the fairness opinion from an independent financial advisor.

Acquisition of TGPPI
On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion. In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.

	Fair values recognized on acquisition
Assets	
Current assets	₱1,231,511,879
Trademarks (Note 14)	1,264,098,435
Property and equipment	102,639,683
Other non-current assets	15,682,708
Assets	2,613,932,705
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 14)	1,281,428,830
Acquisition cost	₱2,262,050,000

From the date of acquisition, TGPPI contributed ₱2,600.0 million revenue and ₱284.42 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax in 2016 would have been higher by ₱1,340.0 million and ₱165.47 million, respectively. TGPPI is incorporated on September 15, 2010.

The goodwill of ₱1.28 billion comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Acquisition of HPTDI
On August 1, 2016, RHIB acquired 75% ownership of HPTDI for a total consideration of ₱58.50 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.0 million.

	Fair values recognized on acquisition
Assets	
Property and equipment	₱33,928,571
Input VAT	4,071,429
Net assets before non-controlling interest	38,000,000
Non-controlling interest measured at share of net assets (25%)	9,500,000
Net assets (75%)	28,500,000
Goodwill arising on acquisition (Note 14)	30,000,000
Acquisition cost	₱58,500,000

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016. The goodwill of ₱30.0 million comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Material Partly-Owned Subsidiary
In 2018 and 2017, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱580.69 million, ₱408.86 million and ₱624.99 million in 2018, 2017 and 2016, respectively. Profit allocated to material non-controlling interest amounted to ₱238.68 million, ₱237.23 million and ₱155.08 million in 2018, 2017 and 2016, respectively. Total assets of TGPPI as of December 31, 2018 and 2017 amounted to ₱1,818.38 million and ₱1,716.11 million, respectively, while total liabilities as of December 31, 2018 and 2017 amounted to ₱679.77 million and ₱625.49 million, respectively. Total sales in 2018, 2017 and 2016 amounted to ₱4,335.08 million, ₱4,193.39 million and ₱3,893.20 million, respectively. Net income in 2018, 2017 and 2016 amounted to ₱464.73 million, ₱464.85 million and ₱305.34 million, respectively.

Combination of Entities under Common Control
On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Chic Center Corporation is an entity under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

The carrying amounts of total assets and liabilities of Chic Centre Corporation at the date of acquisition were:

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment	55,957,840
Deferred tax assets	2,748,968
	340,713,072
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

The assets, liabilities and equity of Chic Centre Corporation are included in the consolidated financial statements at their carrying amounts. The profit and loss of the acquirees are consolidated from the date of acquisition. The difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “Equity reserve” (Note 18). Comparative periods are not restated.

On January 4, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

20. **Sales Revenue**

Sales are recognized from customers at the point of sale in the stores and upon delivery.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱4.55 billion, ₱3.77 billion and ₱2.74 billion in 2018, 2017 and 2016, respectively.

Disaggregated revenue information
Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the year ended December 31, 2018						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱–	₱15,823,983,850	₱18,199,803,880	₱128,072,208,120
Sale of merchandise to franchisees	–	–	–	6,176,910,080	–	–	6,176,910,080
Franchise revenue	–	–	–	7,221,915	42,472,718	–	49,694,633
Royalty fee	–	–	–	1,882,097,405	59,926,262	–	1,942,023,667
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500
Timing of revenue recognition							
Goods transferred at point in time	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱18,199,803,880	₱134,249,118,200
Services transferred over time	–	–	–	1,889,319,320	102,398,980	–	1,991,718,300
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500

Intersegment eliminating adjustments related to sale of goods amounted to ₱1.57 billion (Note 6).

21. Operating Expenses

This account consists of:

	2018	2017	2016
Rental and utilities (Notes 24 and 28)	**₱10,508,824,120**	₱8,959,404,658	₱8,381,892,384
Personnel costs and contracted services (Notes 22 and 23)	**7,585,433,667**	6,431,793,533	5,563,169,739
Depreciation and amortization (Notes 12 and 14)	**2,395,085,036**	2,073,037,176	2,038,230,133
Transportation and travel	**1,241,660,822**	1,083,492,425	1,005,549,080
Supplies	**806,241,418**	760,801,644	622,054,994
Advertising	**705,204,990**	723,145,718	573,330,970
Bank and credit charges	**663,624,324**	547,994,430	488,281,599
Repairs and maintenance	**587,624,491**	438,011,103	347,870,477
Royalty expense (Note 29)	**189,196,515**	169,747,191	159,815,306
Others	**948,506,781**	561,728,077	471,679,059
	₱25,631,402,164	₱21,749,155,955	₱19,651,873,741

Others consist mainly of taxes and licenses, insurance and professional fees and allowance for impairment losses on trade and other receivables (Note 8).

Depreciation and amortization pertains to:

	2018	2017	2016
Property and equipment (Note 12)	**₱2,377,059,872**	₱2,058,368,620	₱2,023,633,040
Franchise and license fees (Note 14)	**18,025,164**	14,668,556	14,597,093
	₱2,395,085,036	₱2,073,037,176	₱2,038,230,133

22. Personnel Costs and Contracted Services

This account consists of:

	2018	2017	2016
Salaries, allowances and benefits (Note 21)	**₱4,162,098,867**	₱3,418,503,809	₱2,660,727,005
Contracted services (Note 21)	**3,423,334,800**	3,013,289,724	2,902,442,734
	₱7,585,433,667	₱6,431,793,533	₱5,563,169,739

Details of salaries, allowances and benefits:

	2018	2017	2016
Salaries, wages and allowances	**₱4,006,099,584**	₱3,247,551,513	₱2,544,088,072
Retirement expense (Note 23)	**155,999,283**	170,952,296	116,638,933
	₱4,162,098,867	₱3,418,503,809	₱2,660,727,005

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan, South Star Drug Retirement Plan and Rustan Supercenters Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary.

The Group is a member of the Plan which is administered separately by the Trustee, RBC, Metrobank Corporation and Bank of the Philippine Islands, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follow:

	2018	2017	2016
Current service cost	**₱135,673,669**	₱142,074,946	₱93,186,487
Net interest cost	**20,325,614**	28,877,350	23,452,446
Retirement expense	**₱155,999,283**	₱170,952,296	₱116,638,933

Net retirement obligation as of December 31, 2018 and 2017 recognized in the consolidated statements of financial position follow:

	2018	2017
Present value of defined benefit obligation	**₱1,052,484,292**	₱967,786,781
Fair value of plan assets	**(818,276,606)**	(421,598,614)
Net retirement obligation	**₱234,207,686**	₱546,188,167

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

	2018	2017
Balance at beginning of year	**₱546,188,167**	₱609,529,248
Additions arising from business combination (Note 19)	**283,655,342**	–
Retirement expense	**155,999,283**	170,952,296
Remeasurement (gain) loss	**(342,862,134)**	4,389,439
Actual contribution	**(387,521,455)**	(234,909,126)
Benefits paid from direct payments	**(21,251,517)**	(3,773,690)
Balance at end of year	**₱234,207,686**	₱546,188,167

Remeasurement effects recognized in OCI:

	2018	2017
Remeasurement gains (losses) on:		
Retirement obligation	**₱406,864,233**	₱28,326,843
Retirement plan assets	**(64,002,099)**	(32,716,282)
	₱342,862,134	(₱4,389,439)

Movements of cumulative remeasurement effect recognized in OCI:

	2018	2017
Balance at beginning of year	**(₱182,643,820)**	(₱256,530,304)
Actuarial gain	**406,864,233**	28,326,843
Return on assets excluding amount included in net interest cost	**(64,002,099)**	(32,716,282)
Total remeasurement	**160,218,314**	(260,919,743)
Income tax effect	**(48,065,494)**	78,275,923
	₱112,152,820	(₱182,643,820)

Movements in the fair value of plan assets follow:

	2018	2017
Balance at beginning of year	**₱421,598,614**	₱212,260,323
Additions arising from business combination (Note 19)	**40,897,816**	–
Actual contribution	**387,521,455**	234,909,126
Benefits paid	**(1,145,647)**	(9,931,597)
Interest income included in net interest cost	**33,406,467**	17,077,044
Remeasurement loss	**(64,002,099)**	(32,716,282)
Balance at end of year	**₱818,276,606**	₱421,598,614

Changes in the present value of defined benefit obligation follow:

	2018	2017
Balance at beginning of year	**₱967,786,781**	₱821,789,571
Additions arising from business combination (Note 19)	**324,553,158**	–
Current service cost	**135,673,669**	142,074,946
Interest cost	**53,732,081**	45,954,394
Remeasurement gain arising from:		
Changes in financial assumptions	**(307,538,498)**	(27,133,646)
Experience adjustments	**(82,362,765)**	(574,429)
Changes in demographic assumptions	**(16,962,970)**	(618,768)
Benefits paid	**(22,397,164)**	(13,705,287)
Balance at end of year	**₱1,052,484,292**	₱967,786,781

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

	2018	2017
Cash and cash equivalents		
Savings deposit	**₱1,688,422**	₱388,792
Investments in government securities		
Fixed rate treasury notes	**16,439,885**	16,877,654
Investments in UITF	**800,037,660**	404,202,880
Other receivables	**133,151**	153,595
Accrued trust fee payable	**(22,512)**	(24,307)
	₱818,276,606	₱421,598,614

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

	2018	2017
Discount rates	**7.19% - 7.46%**	4.90% - 5.60%
Salary increase rates	**3.00% - 7.70%**	5.70% - 7.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return (loss) on plan assets amounted to (₱30.60 million), (₱15.64 million) and ₱22.67 million in 2018, 2017 and 2016, respectively.

The Group expects to contribute ₱299.18 million to the defined benefit plan in 2019.

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

	2018	2017
Balances at the beginning of year	**₱236,820,467**	₱240,395,120
Remeasurement gains (losses) during the year	**240,376,507**	(3,574,653)
Balances at end of year	**₱477,196,974**	₱236,820,467

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant.

		Increase (Decrease)	Effect in Defined Benefit Obligation
2018	**Salary increase**	**+1.00%**	**₱96,724,955**
		-1.00%	**(82,990,856)**
	Discount rates	**+1.00%**	**(77,198,339)**
		-1.00%	**66,855,480**
2017	Salary increase	+1.00%	₱290,936,127
		-1.00%	(161,085,306)
	Discount rates	+1.00%	(133,966,262)
		-1.00%	328,900,041

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2018	2017
Less than 1 year	**₱93,327,604**	₱47,864,692
More than 1 year but less than 5 years	**255,986,130**	148,976,023
More than 5 years but less than 10 years	**517,995,321**	416,750,644
More than 10 years but less than 15 years	**767,895,040**	562,283,554
More than 15 years but less than 20 years	**1,134,757,501**	808,632,826
More than 20 years	**5,596,509,099**	6,213,573,653

24. Related Party Disclosures

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

Significant Related Party Transactions

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

1. The following are the Group's transactions with its related parties:

	Amount			Due from (Due to)	
	2018	2017	2016	**2018**	2017
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱3,214,288,927**	₱2,804,711,625	₱3,002,659,968	**₱325,303,347**	₱146,826,951
Royalty income	**1,443,589,170**	1,261,104,503	1,250,377,301	–	–
b. Trade and other payable					
Purchases - net	**(2,896,390,334)**	(2,832,232,330)	(2,731,155,634)	–	–
Rent and utilities	**(4,462,345,647)**	(3,949,827,999)	(3,571,891,299)	**(541,174,032)**	(543,615,340)

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

a. As of December 31, 2018 and 2017, the Group has outstanding balances from its other affiliates amounting to ₱325.30 million and ₱146.83 million, respectively, arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

   In 2018, 2017 and 2016, sales of merchandise inventories to related parties amounted to ₱3.21 billion, ₱2.80 billion and ₱3.00 billion, respectively, and royalty income amounted to ₱1.44 billion, ₱1.26 billion and ₱1.25 billion, respectively (Note 29).

b. As of December 31, 2018 and 2017, the Group has outstanding payable to its other affiliates amounting to ₱541.17 million and ₱543.62 million, respectively, arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year and renewable every year.

   In 2018, 2017 and 2016, purchases of merchandise inventories for resale to customers amounted ₱2.90 billion, ₱2.83 billion and ₱2.73 billion, respectively while expenses for rent and utilities amounted to ₱4.46 billion, ₱3.95 billion and ₱3.57 billion, respectively.

c. The Group maintains savings and current accounts and money market placements with RBC. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

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

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

   The details of compensation and benefits of key management personnel for 2018, 2017 and 2016 follow:

	2018	2017	2016
Short-term employee benefits	**₱144,741,622**	₱140,592,485	₱135,091,073
Post-employment benefits	**25,737,872**	37,004,324	30,916,815
	₱170,479,494	₱177,596,809	₱166,007,888

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the years ended December 31, 2018, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. Income Tax

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

	2018	2017	2016
Current	**₱1,807,600,901**	₱1,785,241,581	₱1,540,728,580
Deferred	**(35,579,353)**	(81,928,619)	(69,454,983)
	₱1,772,021,548	₱1,703,312,962	₱1,471,273,597

The components of the net deferred tax assets of the Group as of December 31, 2018 and 2017 pertain to the deferred tax effects of the following:

	2018	2017
Tax effects of:		
Items recognized in profit or loss:		
MCIT	**₱123,082,937**	28,014,595
NOLCO	**77,184,991**	110,705,790
Unamortized past service cost	**66,962,036**	28,200,002
Accrued rent	**61,078,099**	–
Allowance for expected credit losses	**40,894,445**	14,119,300
Deferred revenue	**16,971,298**	–
Retirement expense	**10,535,727**	86,479,433
Allowance for inventory write-down	**23,384,581**	10,270,178
Unrealized foreign exchange - net	**4,549,743**	(66)
	424,643,857	277,789,232
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**(11,184,228)**	77,377,017
	₱413,459,629	₱355,166,249

Deferred tax assets acquired in the acquisition of RSCI in 2018 amounted to as follow:

Items recognized in profit or loss	₱91,398,505
Items recognized in other comprehensive income	14,185,789
	₱105,584,294

In 2017, the Parent Company recognized deferred tax assets pertaining to MCIT amounting to ₱3.92 million which was unrecognized in prior years.

The components of the net deferred tax liabilities of the Group as of December 31, 2018 and 2017 represent deferred tax effects of the following:

	2018	2017
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱1,921,295,422**	₱959,671,939
Asset revaluation	**47,669,901**	57,471,721
Unrealized forex gains	**1,318,126**	220,229
	1,970,283,449	1,017,363,889
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**(15,463,859)**	(5,968,117)
	₱1,954,819,590	₱1,011,395,772

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2018	2017
Tax effects of:		
Allowance for impairment losses	**₱22,739,980**	₱22,739,980
NOLCO	**55,174,650**	6,049,390
Allowance for doubtful accounts	**22,751,697**	19,151,697
	₱100,666,327	₱47,941,067

Details of the Group's NOLCO related to RCSI, RGFBI, RHIB, RSSI, RLSI and Super50 follow:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Ending Balance	Expiry Year
2018	₱–	₱–	₱166,466,045	₱166,466,045	2021
2017	170,325,860	–	–	170,325,860	2020
2016	113,954,603	9,547,704	–	104,406,899	2019
2015	104,903,471	104,903,471	–	–	2018
Total	₱389,183,934	₱114,451,175	₱166,466,045	₱441,198,804	

Details of the Group's MCIT related to RI, RVC, RCSI, RHIB, RSSI and RDDC follow:

Inception Year	Beginning Balance	Applied/ Expired	Additions	Ending Balance	Expiry Year
2018	₱–	₱–	₱100,297,401	₱100,297,401	2021
2017	16,911,569	–	–	16,911,569	2020
2016	5,873,967	–	–	5,873,967	2019
2015	5,229,059	5,229,059	–	–	2018
Total	₱28,014,595	₱5,229,059	₱100,297,401	₱123,082,937	

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

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	–	1.74	0.32
Investment income	–	–	(0.46)
Nondeductible expense	**0.17**	–	–
Change in unrecognized deferred tax assets	**(0.15)**	(0.77)	(0.03)
Effect of PFRS 9 and 15 adoption	**(0.24)**	–	–
Dividend income	**(0.44)**	(0.46)	(0.50)
Effect of OSD	**(0.50)**	(3.67)	(3.38)
Nontaxable income subject to final tax	**(0.82)**	–	–
Derecognized DTA for NOLCO	**(0.82)**	–	–
Interest income subject to final tax	**(3.88)**	(3.59)	(3.88)
Effective income tax rate	**23.32%**	23.25%	22.07%

On December 19, 2017, the RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changed existing tax law and includes several provisions that generally affected businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the reporting date.

On November 26, 2008, the BIR issued Revenue Regulation No. 16-2008 which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD). This regulation allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect standard deduction in an amount equivalent to 40% of the gross income, as provided by law, in lieu of the itemized allowable deductions. In 2018, 2017 and 2016 certain subsidiaries elected OSD in the computation of its taxable income.

26. Earnings Per Share

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

	2018	2017	2016
Net income attributable to equity holders of the Parent Company	**₱5,107,328,539**	₱4,978,039,066	₱4,830,140,965
Weighted average number of common shares	**1,400,957,447**	1,385,000,000	1,385,000,000
Basic and Diluted EPS	**₱3.65**	₱3.59	₱3.49

	2018	2017	2016
No. of shares at the beginning of year	**1,385,000,000**	1,385,000,000	1,385,000,000
Weighted average number of shares issued during the year	**15,957,447**	–	–
Weighted average number of common shares	**1,400,957,447**	1,385,000,000	1,385,000,000

The Parent Company has no dilutive potential common shares in 2018, 2017 and 2016.

27. Risk Management and Financial Instruments

Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

Financial Risk

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

Market Risk

Market risk is the risk of loss to future earnings, to fair value of cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates equity prices and other market factors.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

Price Interest Rate Risk

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVTPL, FVOCI and AFS financial assets.

The table below shows the impact on income before tax of the estimated future yield of the related market indices of the Group's financial assets at FVTPL, FVOCI and AFS financial assets using a sensitivity approach.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**2018**	2017
+100 basis points (bps)	**₱9,198,181**	₱9,363,465
-100 bps	**(9,198,181)**	(9,363,465)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arises mainly from foreign currency-denominated cash and cash equivalents, interest receivable, financial assets at FVOCI, and AFS financial assets which are denominated in currency other than the Group's functional currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	2018	2017	**2018**	2017
USD	**+1.13%**	+0.85%	**₱48,071,706**	₱38,147,107
	-1.13%	-0.85%	**(48,071,706)**	(38,147,107)

The Group used foreign exchange rate of ₱52.58:USD1 and ₱49.93: USD1 as of December 31, 2018, and 2017, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.13% and 0.85% in 2018 and 2017 respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2018 and 2017 are as follows:

	2018		2017	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$1,447,926**	**₱76,131,949**	$6,112,971	₱305,220,642
Receivables	**766,277**	**40,290,845**	1,098,779	54,862,035
AFS financial assets	**–**	**–**	82,159,892	4,102,243,408
FVOCI with recycling	**78,704,449**	**4,138,279,928**	–	–
Total	**$80,918,652**	**₱4,254,702,722**	$89,371,642	₱4,462,326,085

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2018 and 2017. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2018 and AFS financial assets in 2017.

Quoted equity securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of December 31, 2018 and 2017.

The analyses below are performed for reasonably possible movements in the PSE Index with all other variables held constant, showing the impact on equity:

	Change in variable	Effect on equity- Other comprehensive income
2018		
	+17.95%	**₱68,645,011**
	-17.95%	**(68,645,011)**
2017	+11.86%	₱15,243,594
	-11.86%	(15,243,594)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 17.95% and 11.86% in 2018 and 2017, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Liquidity Risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2018 and 2017 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2018

	On Demand	**One (1) year**	**More than One (1) year**	**Total**
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱14,788,040,613**	**₱–**	**₱–**	**₱14,788,040,613**
Trade receivables	**173,451,559**	**1,935,168,711**	**–**	**2,108,620,270**
Nontrade receivables	**–**	**734,264,185**	**–**	**734,264,185**
Due from franchisees	**75,838,989**	**409,218,908**	**–**	**485,057,897**
Other noncurrent assets:				
Security and other deposits	**–**	**–**	**2,550,724,180**	**2,550,724,180**
Construction bonds	**–**	**–**	**33,092,201**	**33,092,201**
FVOCI	**–**	**–**	**18,086,295,711**	**18,086,295,711**
FVTPL	**–**	**–**	**1,665,171,011**	**1,665,171,011**
	₱15,037,331,161	**₱3,078,651,804**	**₱22,335,283,103**	**₱40,451,266,068**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱24,046,700,951**	**₱–**	**₱24,046,700,951**
Loans payable	**–**	**6,794,000,000**	**–**	**6,794,000,000**
Other current liabilities	**–**	**279,844,005**	**–**	**279,844,005**
Other noncurrent liabilities	**–**	**304,021,928**	**–**	**304,021,928**
	₱–	**₱31,424,566,884**	**₱–**	**₱31,424,566,884**

**Excluding statutory liabilities amounting ₱530,409,504.*

December 31, 2017

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱14,565,037,906	₱–	₱–	₱14,565,037,906
Trade receivables	123,004,663	1,429,217,927	–	1,552,222,590
Nontrade receivables	356,756,690	130,648,912	–	487,405,602
Due from franchisees	–	305,376,530	–	305,376,530
Other noncurrent assets:				
Security and other deposits	–	–	1,530,655,795	1,530,655,795
Construction bonds	–	–	27,475,941	27,475,941
AFS financial assets	–	–	20,667,367,094	20,667,367,094
	₱15,044,799,259	₱1,865,243,369	₱22,225,498,830	₱39,135,541,458
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱17,626,139,310	₱–	₱17,626,139,310
Loans payable	–	6,377,954,863	–	6,377,954,863
Other current liabilities	–	240,007,838	–	240,007,838
	₱–	₱24,244,102,011	₱–	₱24,244,102,011

**Excluding statutory liabilities amounting ₱148,095,672.*

Credit Risk

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

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

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱2.17 billion and ₱1.29 billion in 2018 and 2017, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

Financial assets at FVOCI, FVTPL and AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱36.46 billion and ₱37.73 billion as of December 31, 2018 and 2017, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost, loans and receivables, FVOCI and AFS financial assets as of December 31, 2018 and 2017.

2018

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	**₱12,613,663,128**	**₱–**	**₱–**	**₱12,613,663,128**
Trade receivables	**2,028,112,411**	–	**80,507,859**	**2,108,620,270**
Nontrade receivables	**734,264,185**	–	–	**734,264,185**
Due from franchisees	**409,218,908**	–	**75,838,989**	**485,057,897**
Other noncurrent assets:				
Security and other deposits	**2,550,724,180**	–	–	**2,550,724,180**
Construction bond	**33,092,201**	–	–	**33,092,201**
FVOCI	**18,086,295,712**	–	–	**18,086,295,712**
	₱36,455,370,725	**₱–**	**₱156,346,848**	**₱36,611,717,573**

2017

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱13,271,954,850	₱–	₱–	₱13,271,954,850
Trade receivables	1,505,673,809	–	46,548,781	1,552,222,590
Nontrade receivables	487,405,602	–	–	487,405,602
Due from franchisees	241,537,541	–	63,838,989	305,376,530
Other noncurrent assets:				
Security and other deposits	1,530,655,795	–	–	1,530,655,795
Construction bond	27,475,941	–	–	27,475,941
AFS financial assets	20,667,367,094	–	–	20,667,367,094
	₱37,732,070,632	₱–	₱110,387,770	₱37,842,458,402

Impairment of Financial Assets (applicable from January 1, 2018)
The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Trade receivables;
- Debt securities at FVOCI; and
- Other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include accrued interest receivables, refundable security and other deposits, advances to employees and officers and receivable from insurance. These are also subject to impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized provision for expected credit losses on its debt instruments at FVOCI amounting to ₱13.13 million in 2018 (Note 11).

Trade Receivables. The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group recognized provision for expected credit losses on its trade receivables amounting to ₱46.75 million in 2018 (Note 8).

The ending loss allowances as of December 31, 2018 reconcile to the opening loss allowances as follows:

Balances as of January 1, 2018, as calculated under PAS 39	₱110,387,770
Amount restated through opening retained earnings	–
Balances as of January 1, 2018, as calculated under PFRS 9	110,387,770
Provision	46,748,194
Write off (Note 8)	(789,116)
Balances as of December 31, 2018	₱156,346,848

A summary of Group exposure to credit risk under general and general approach as of December 31, 2018 follows:

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱12,613,663,128	₱–	₱–	₱–
Trade receivables	–	–	–	2,108,620,270
Due from franchisees	–	–	–	485,057,897
Nontrade receivables	734,264,185	–	–	–
Security and other deposits	2,583,816,381	–	–	–
FVOCI	18,086,295,711	–	–	–
Total gross carrying amounts	34,018,039,405	–	–	2,593,678,167
Less allowance	13,130,750	–	–	156,346,848
	₱34,004,908,655	₱–	₱–	₱2,437,331,319

In 2018, there were no movements between stage 1, 2 and 3.

Impairment of Financial Assets (applicable prior to January 1, 2018)
The Group recognizes impairment losses based on the results of its specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal overdue beyond a certain threshold. These and the other factors, either singly or in tandem, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent nor objective evidence of individual impairment yet. A particular portfolio is reviewed on a periodic basis in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment yet on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write-offs; (b) losses which are likely to occur but have not yet occurred; and (c) the expected receipts and recoveries once impaired.

In 2017 and 2016, provision for impairment losses on receivables amounted to ₱21.51 million and ₱58.83 million, respectively (Note 8).

Fair Values of Financial Assets and Liabilities
The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.

- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

- Debt and equity instrument financial assets amounting to ₱19.75 billion and ₱20.67 billion as at December 31, 2018 and 2017, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.

- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

In 2018 and 2017, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. Lease Commitments

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rental expense in 2018, 2017 and 2016 amounted to ₱6.26 billion, ₱5.49 billion and ₱4.99 billion, respectively (Notes 21 and 24).

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the "Royalty, Rent and Other Revenue" account in the consolidated statements of comprehensive income (Note 29).

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

Accrued rent recognized in the consolidated statements of financial position as of December 31, 2018 amounting to ₱304.02 million pertains to RSCI's lease agreements arising from lease straight-lining.

29. **Agreements**

a) The Group has exclusive right to use the Ministop System in the Philippines which was granted to the Group by Ministop Co. Ltd., a corporation organized in Japan. In accordance with the franchise agreement, the Group agrees to pay, among others, royalties to Ministop based on a certain percentage of gross profit.

   Royalty expense amounted to ₱82.17 million, ₱74.12 million and ₱72.67 million in 2018, 2017 and 2016, respectively (Note 21). Royalty payable to Ministop included under "Other current liabilities" as of December 31, 2018 and 2017 amounted to ₱7.91 million and ₱6.81 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱1.88 billion, ₱1.72 billion and ₱1.71 billion in 2018, 2017 and 2016, respectively.

   As of December 31, 2018 and 2017, amounts due from franchisees amounted to ₱409.22 million and ₱241.54 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱75.84 million and ₱63.84 million as of December 31, 2018 and 2017, respectively (Note 8).

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

   Royalty expenses amounted to ₱10.11 million, ₱7.95 million and ₱6.31 million in 2018, 2017 and 2016, respectively.

d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 14).

   Royalty expense amounted to ₱1.26 million in 2016.

e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱89.78 million, ₱82.15 million and ₱75.41 million in 2018, 2017 and 2016, respectively.

f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 14).

   The Group started Costa operations in June 2015. Royalty expenses amounted to ₱7.04 million, ₱5.52 million and ₱4.17 million in 2018, 2017 and 2016, respectively.

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

30. **Changes in Liabilities Arising from Financing Activities**

2018

	January 1, 2018	Net Cash Flows	Dividend Declaration	Others	December 31, 2018
Loans payable	₱6,377,954,863	(₱1,083,954,863)	₱–	₱1,500,000,000	₱6,794,000,000
Dividends payable	14,000,000	(1,266,370,255)	1,264,036,917	–	11,666,662
Total liabilities from financing activities	₱6,391,954,863	(₱850,325,118)	₱1,264,036,917	₱1,500,000,000	₱6,805,666,662

Others pertain to the short-term loans assumed in the acquisition of RSCI.

2017

	January 1, 2017	Cash Flows	Dividend Declaration	December 31, 2017
Loans payable	₱6,575,698,733	(₱197,743,870)	₱–	₱6,377,954,863
Dividends payable	310,843,333	(1,624,143,333)	1,327,300,000	14,000,000
Total liabilities from financing activities	₱6,886,542,066	(₱1,821,887,203)	₱1,327,300,000	₱6,391,954,863

Interest paid in 2018 and 2017 amounted to ₱159.07 million and ₱127.38 million, respectively.

31. **Contingencies**

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

32. **Approval of the Consolidated Financial Statements**

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 14, 2019.

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2018 and 2017 and have issued our report thereon dated March 14, 2019. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

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

March 14, 2019

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

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Debt and Equity Securities				
Various bonds	₱16,684,616,046	₱16,135,895,711	₱16,135,895,711	₱720,493,380
Notes	1,683,700,000	1,665,171,011	1,665,171,011	67,733,531
Investment in preferred shares	2,000,000,000	1,950,400,000	1,950,400,000	111,500,000
	₱20,368,316,046	₱19,751,466,722	₱19,751,466,722	₱899,726,911

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2018

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2018

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱545,066,408	₱9,038	₱–	₱545,075,446	₱–	₱545,075,446
Robinsons Toys, Inc.	197,711,461	16,284,251	–	213,995,712	–	213,995,712
Robinsons Convenience Stores, Inc.	39,106,088	–	–	39,106,088	–	39,106,088
Robinson's Supermarket Corporation	20,333,567	7,437,195	–	27,770,762	–	27,770,762
Robinson's Incorporated	14,295,704	983,566	–	15,279,270	–	15,279,270
Robinsons Handyman, Inc.	14,767,958	(7,383,979)	–	7,383,979	–	7,383,979
RHD Daiso - Saizen, Inc.	47,229,730	323,651,298	–	370,881,028	–	370,881,028
	₱878,510,916	₱340,981,369	₱–	₱1,219,492,285	₱–	₱1,219,492,285

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2018

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱3,381,413,966	₱9,109,386,061	–	₱–	₱–	₱12,490,800,027
Trademarks	3,195,930,460	3,398,600,043	(₱3,167,022)	–	–	6,591,363,481
License	60,606,062	–	(60,606,062)	–	–	–
Franchise	19,279,385	7,583,430	(2,736,930)	–	–	24,125,885
	₱6,657,229,873	₱12,515,569,534	(₱66,510,014)	₱–	₱–	₱19,106,289,393

See Note 14 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

DECEMBER 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱6,794,000,000	3.10%-6.50%	₱6,794,000,000	₱–
	₱6,794,000,000		₱6,794,000,000	₱–

See Note 17 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱284,181,714	₱259,085,303
Universal Robina Corporation	238,664,324	282,088,729
JG Summit Holdings, Inc.	20,769,302	–
	₱543,615,340	₱541,174,032

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2018

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
DECEMBER 31, 2018

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,576,489,360	–	774,805,025	259,344,156	542,340,179

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2018 and 2017

Financial Soundness Indicator	**2018**	2017
i. Liquidity ratio:		
Current ratio	**1.22**	1.34
ii. Profitability ratio:		
Gross profit margin	**0.22**	0.22
Return on assets	**0.06**	0.07
Return on equity	**0.09**	0.11
iii. Stability ratio:		
Solvency ratio	**0.23**	0.29
Debt to equity ratio	**0.48**	0.49
Asset to equity ratio	**1.48**	1.49
Interest rate coverage ratio	**41.65**	49.50

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
Current assets	**₱39,747,311,135**	₱34,069,910,661
Current liabilities	**32,488,636,348**	25,356,503,809
Current ratio	**1.22**	1.34
Gross profit	**29,835,082,422**	25,792,379,591
Net sales	**132,680,466,776**	115,238,459,529
Gross profit margin	**0.22**	0.22
After tax net profit	**5,825,137,424**	5,599,353,378
Depreciation and amortization	**2,395,085,036**	2,073,037,176
	8,220,222,460	7,672,390,554
Total liabilities	**35,072,939,195**	26,914,087,748
Solvency ratio	**0.23**	0.29
Total liabilities	**35,072,939,195**	26,914,087,748
Total equity	**72,704,167,999**	55,266,639,084
Debt to equity ratio	**0.48**	0.49
Total assets	**107,777,107,194**	82,180,726,832
Total equity	**72,704,167,999**	55,266,639,084
Asset to equity ratio	**1.48**	1.49
Earnings before interest and taxes	**6,625,876,142**	6,305,382,182
Interest expense	**159,071,734**	127,384,471
Interest rate coverage ratio	**41.65**	49.50
Net income	**5,825,137,424**	5,599,353,378
Average total assets	**94,978,917,013**	79,437,889,231
Return on assets	**0.06**	0.07
Net income	**5,825,137,424**	5,599,353,378
Average total equity	**63,985,403,542**	52,916,092,056
Return on equity	**0.09**	0.11

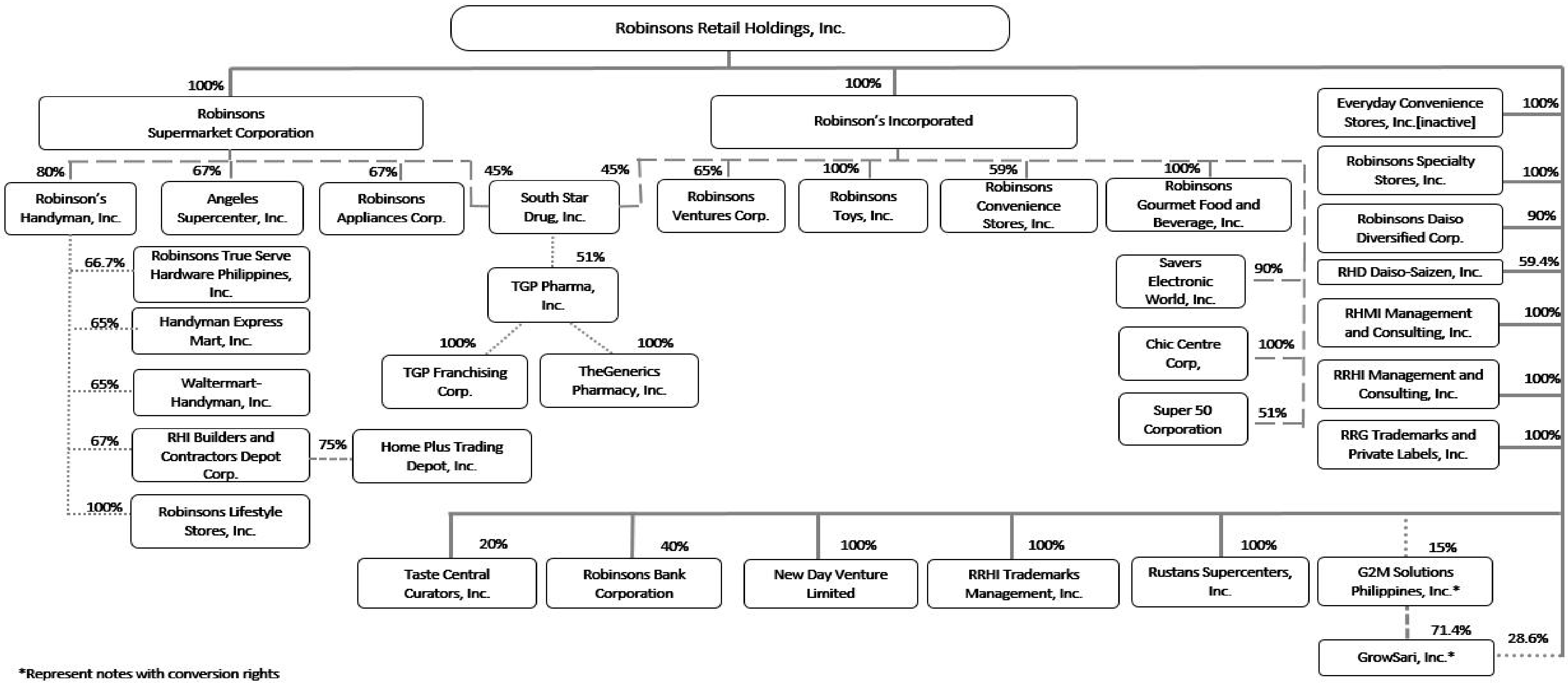
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2018

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2018:



*Represent notes with conversion rights

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2018

Unappropriated Retained Earnings of the Parent Company, January 1, 2018		₱4,207,321,135
Net income based on the face of audited financial statements	₱1,393,978,666	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of an associate	–	
Unrealized foreign exchange gain - net	4,393,754	
Unrealized actuarial gain	–	
Fair value adjustment (marked-to-market gains)	–	
Fair value adjustment of investment properties resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Add: Non-actual/unrealized losses net of tax	–	
Depreciation on revaluation increment	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment properties	–	
Net income actual/realized	1,389,584,912	
Less: Appropriations during the year		2,800,000,000
Dividend declarations during the year		997,200,000
Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2018		₱1,799,706,047

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

Standards tagged as "Not applicable" have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2018.

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2018. The Company will adopt the Standards and Interpretations when these become effective.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

CORPORATE DIRECTORY

CORPORATE HEAD OFFICE

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43rd Floor, Robinsons Equitable Tower
ADB Avenue corner Poveda Streets, Ortigas Center
Pasig City, Metro Manila, Philippines
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www.robinsonsretailholdings.com.ph

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Email: gina.dipaling@robinsonsretail.com.ph

GENERAL COUNSEL

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Email: gilbert.millado-jr@robinsonsretail.com.ph

INDEPENDENT PUBLIC ACCOUNTANTS

Sycip, Gorres, Velayo & Co.
Certified Public Accountants
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Makati City, Philippines

COMMON STOCK (Stock symbol: RRHI)

Listed on the
Philippine Stock Exchange, Inc.
3rd Floor Philippine Stock Exchange
Ayala Triangle, Ayala Avenue
Makati City, Philippines

STOCK TRANSFER AND DIVIDEND PAYING AGENT

Rizal Commercial Banking Corporation
Ground Floor, West Wing
221 GPL (Grepalife) Building
Sen. Gil Puyat Avenue
Makati City, Philippines


bobbie
bobbie
MYSUNDAE
SHISEIDO
benefit
ElizabethArden
SHISEIDO


THE Marketplace
Pet Lovers Centre
Costa coffee
Wellcome
ARCOVA
Jaynith's SUPERMART
SHOPWISE EXPRESS
DAISO JAPAN
SHOPWISE
Home Plus
SAVERS Appliances
true home
Dorothy Perkins
TOPSHOP
ROBINSONS BUILDERS
Miss Selfridge
TOPMAN
Burton Menswear
chic centre CORPORATION
Warehouse
CLUB CLIO
Benefit
ELIZABETH ARDEN
Shiseido