ROBINSONS RETAIL HOLDINGS, INC.

2013 Annual Report

ON THE COVER

(LEFT TO RIGHT, TOP TO BOTTOM)

Flashlight from True Value; Wristwatch from Robinsons Department Store; Sneakers from Robinsons Department Store; Apple from Robinsons Supermarket; Kettle from Robinsons Appliances; Capsicum from Robinsons Supermarket; Hook from True Value; Scrubber from True Value; Dress from Warehouse; Bulb from Handyman Do it Best; Kitchen sink faucet from True Value; Lipstick from Robinsons Department Store; Collapsible silicone colander from Howards Storage World; Screw from Handyman Do it Best; Easy Care paint from True Value; Japanese figurine from Daiso Japan; Nuts and bolt from Handyman Do it Best; Scale model car from Toys"R" Us; Manual mixer from Howards Storage World

WHAT'S INSIDE

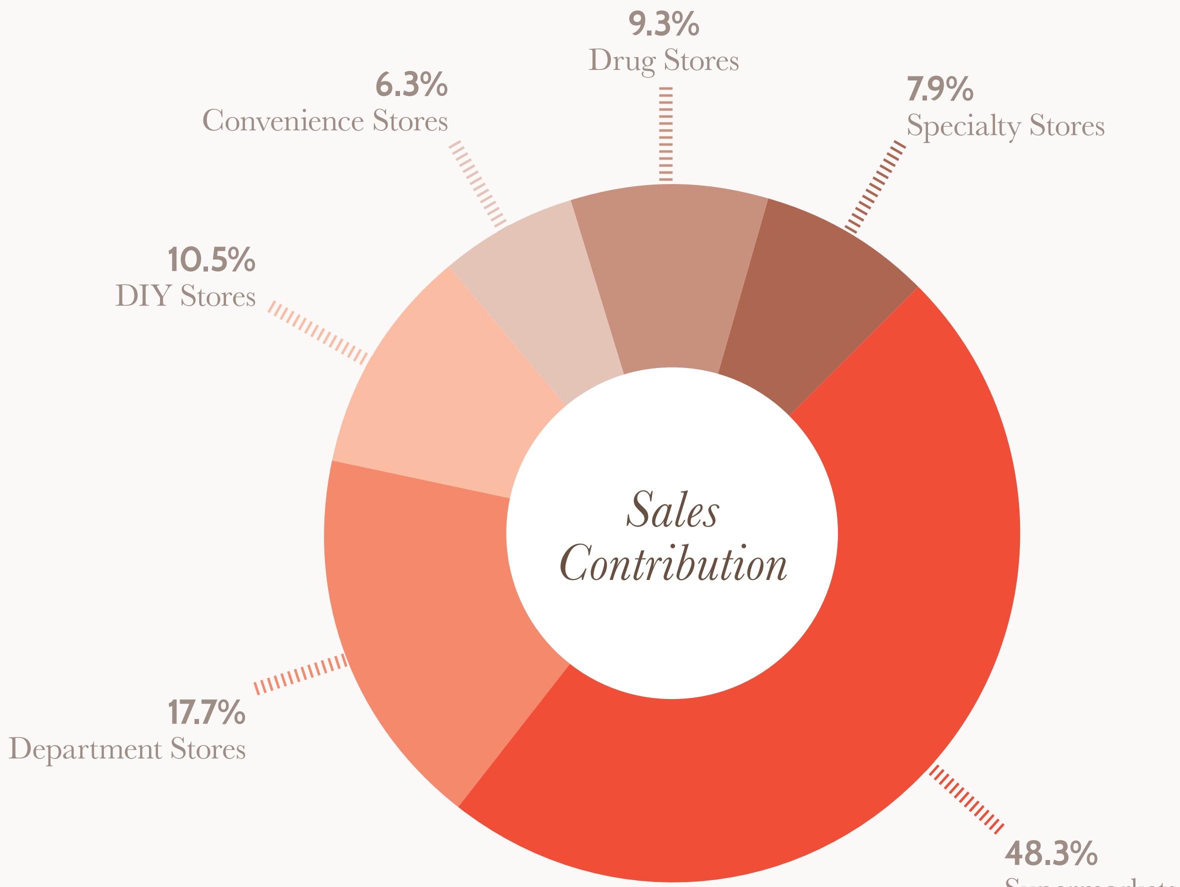
FINANCIAL HIGHLIGHTS

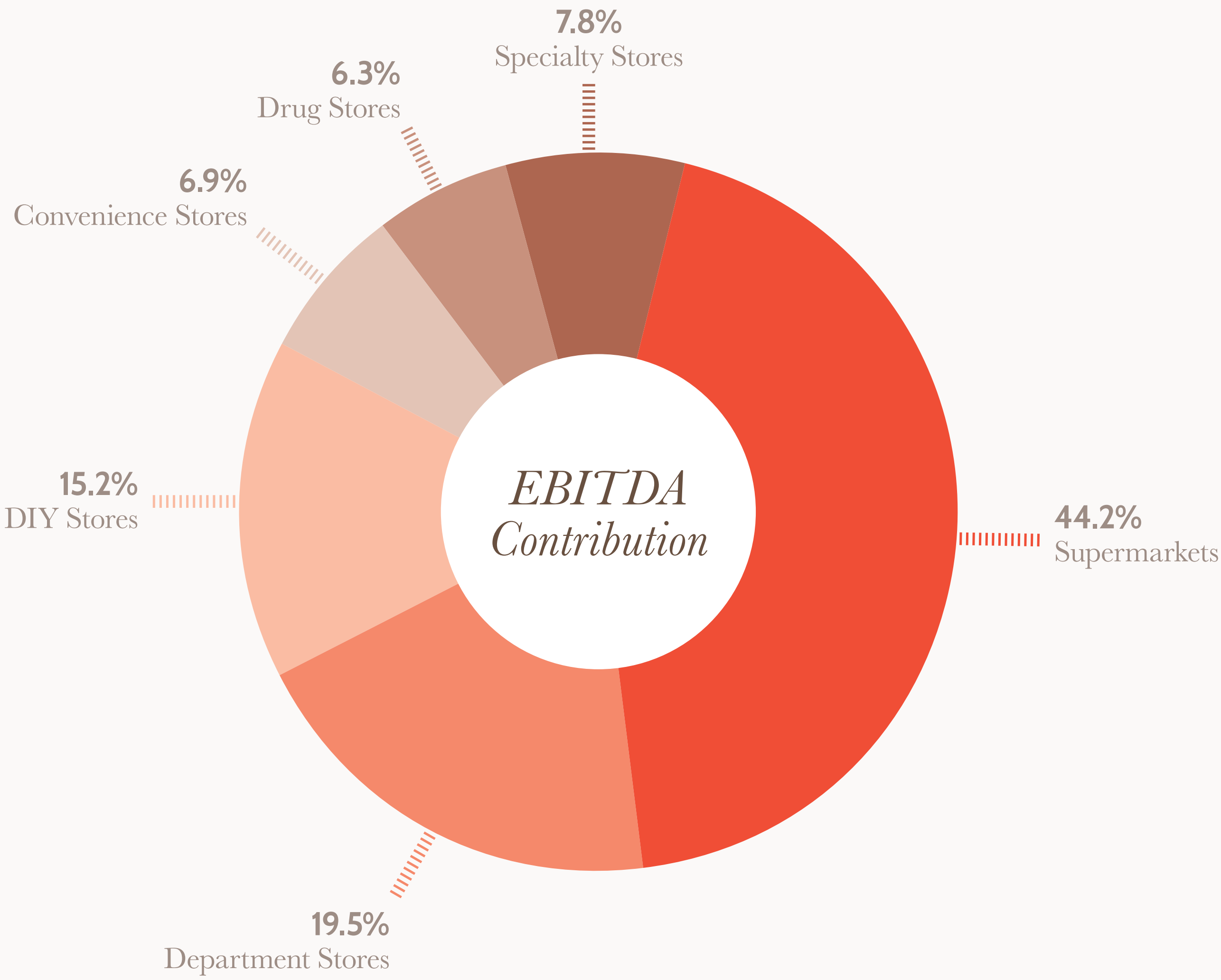
FOR THE YEAR (IN PHP MILLIONS)	*2012*	*2013*	2013 vs 2012 VARIANCE AMOUNT	%
Net Sales	57,393	67,254	9,861	17.2
Gross Profit	10,979	14,312	3,333	30.4
EBIT	1,441	4,063	2,622	182.0
EBITDA	3,040	5,063	2,023	66.5
Net Income	1,345	3,117	1,772	131.7
Net Income attributable to Equity Holders of the Parent Company	1,200	2,745	1,545	128.8

AT YEAR-END (IN PHP MILLIONS)	*2012*	*2013*	2013 vs 2012 VARIANCE AMOUNT	%
Total Assets	24,232	52,301	28,069	115.8
Total Liabilities	16,174	14,318	(1,856)	(11.5)
Total Stockholders' Equity	8,057	37,982	29,925	371.4

PER SHARE

(**PHP**)	*2012*	*2013*	AMOUNT	%
Basic Earnings	2.89	3.79	0.90	31.1
Book Value	19.42	27.81	8.39	43.2


Sales
Contribution
9.3%
Drug Stores
6.3%
Convenience Stores
7.9%
Specialty Stores
10.5%
DIY Stores
17.7%
Department Stores
48.3%
Supermarkets

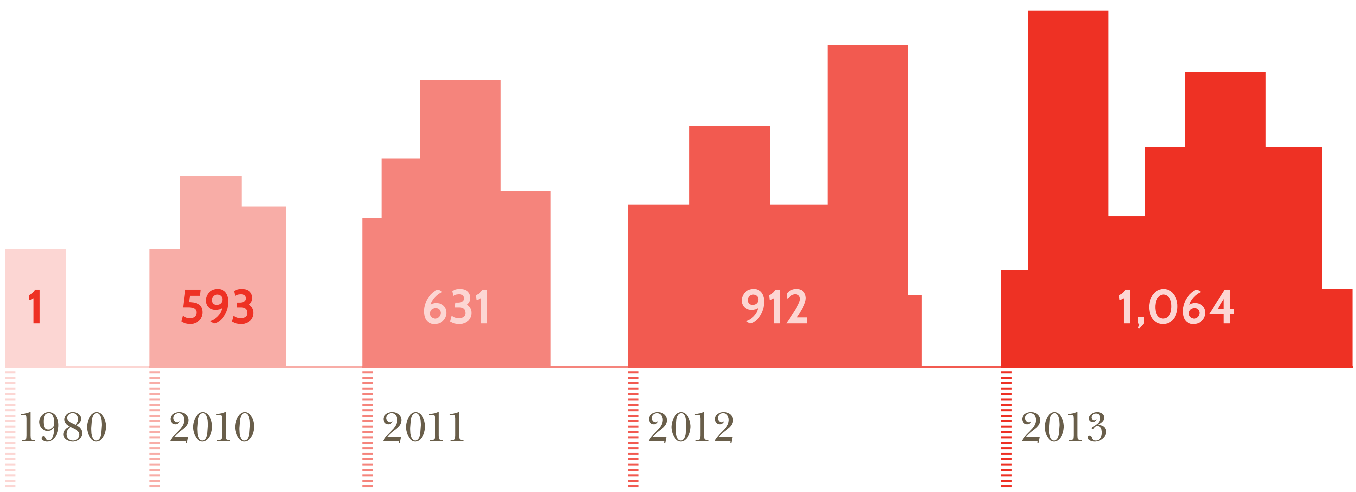

EBITDA
Contribution
7.8%
Specialty Stores
6.3%
Drug Stores
6.9%
Convenience Stores
15.2%
DIY Stores
44.2%
Supermarkets
19.5%
Department Stores

CORPORATE INFORMATION

Robinsons Retail Holdings, Inc. (PSE code: RRHI) is the second-largest multi-format retailer in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoys market leading positions across all its business segments. Robinsons Retail operates in six business segments: supermarkets (*Robinsons Supermarket*), department stores (*Robinsons Department Store*), DIY stores (*Handyman Do it Best*, *True Value* and *Howards Storage World*), convenience stores (*Ministop*), drug stores (*South Star Drug* and *Manson Drug*) and specialty stores (from consumer electronics and appliances retailer *Robinsons Appliances* to toys retailer *Toys "R" Us*, one price point retailer *Daiso Japan* and international fashion brands such as *Topshop*, *Topman* and *Dorothy Perkins* and international cosmetics brands such as *Shiseido* and *Benefit*). As of end 2013, the group had 1,064 stores located all over the country.

MILESTONES

Number of Stores



*2nd largest multi-format retailer in the Philippines**

*SOURCE: EUROMONITOR'S DATA AS PROVIDED IN RRHI'S OFFERING CIRCULAR

Timeline

2013

RIVER ISLAND

G2000

Shana

Robinsons Rewards

eZ Supermarket

2012

South Star Drug

manson drug

BEN SHERMAN

BASIC HOUSE

2011

Miss Selfridge

2010

howards storage world

2009

DAISO JAPAN

2007

True Value

2006

Toys R Us

WAREHOUSE

2004

DOROTHY PERKINS

2000

Robinsons Appliances

TOPSHOP

TOPMAN

MINI STOP

1994

HANDYMAN Do it Best

1985

Robinsons Supermarket

1980

Robinsons Department Store

AWARDS

ROBINSONS RETAIL

Special 15th Year Award in the Ayala Malls Merchant Rewards (May 2013) **[1]**

Bronze Award 2013 in the Retail Asia-Pacific Top 500 Awards **[2]**

HANDYMAN DO IT BEST

2012 Purchase Award by Do it Best Corporation **[3]**

TRUE VALUE

2012 Outstanding Achievement in Sales and Marketing of True Value Paint Products by True Value Company **[4]**

2011 Top Retailer Award by True Value International, USA **[5]**

HOWARDS STORAGE WORLD

Master Franchisee for 2012 by Howards Storage World Australia **[6]**

ROBINSONS SUPERMARKET

Chairman's Award for Highest Organic Growth for 2012 by Unilever Philippines **[7]**

2012 Outstanding Filipino Retailers Hall of Fame Supermarket Category by the Philippine Retailers Association **[8]**

2011 Outstanding Filipino Retailers Supermarket Category by the Philippine Retailers Association **[9]**

Chairman's Award for Highest Organic Growth for 3 years (2011-2013) by Unilever Philippines **[10]**

3

5

4

8

13

10

15

6

2

11

17

TOPSHOP
2012 Visual Merchandising Excellence Fashion Foreign Category, 15th Annual Ayala Malls Merchant Rewards **[11]**

TOPMAN
2012 Store Operations Excellence Award, 15th Annual Ayala Malls Merchant Rewards **[12]**

TOPSHOP
2012 Outstanding Filipino Retailers, Foreign Brand Retailer, Fashion Apparel - Medium Category by the Philippine Retailers Association **[13]**

ROBINSONS APPLIANCES
2012 Sony Philippines, Sony Designated Shops Holiday Challenge, Best Touch and Try Display, Sony Centre Magnolia **[14]**

2012 Elite 100 from Sharp Philippines **[15]**

MINISTOP
2011 Hall of Fame Entrepreneurs Franchise Award **[16]**

TOYS "R" US
2012 Marketing Partner, Toys "R" Us Alabang Town Center, 15th Annual Ayala Malls Merchant Rewards **[17]**

2012 Outstanding Filipino Retailers, Foreign Brand Retailer, Category Killer by the Philippine Retailers Association **[18]**

2012 Mattel Corporate Awards, Boys' Category, Best Performance Award (Hot Wheels R.O.V.E.R Program) **[19]**

2012 Little Tikes, Toys "R" Us Top Region, Philippines **[20]**

16

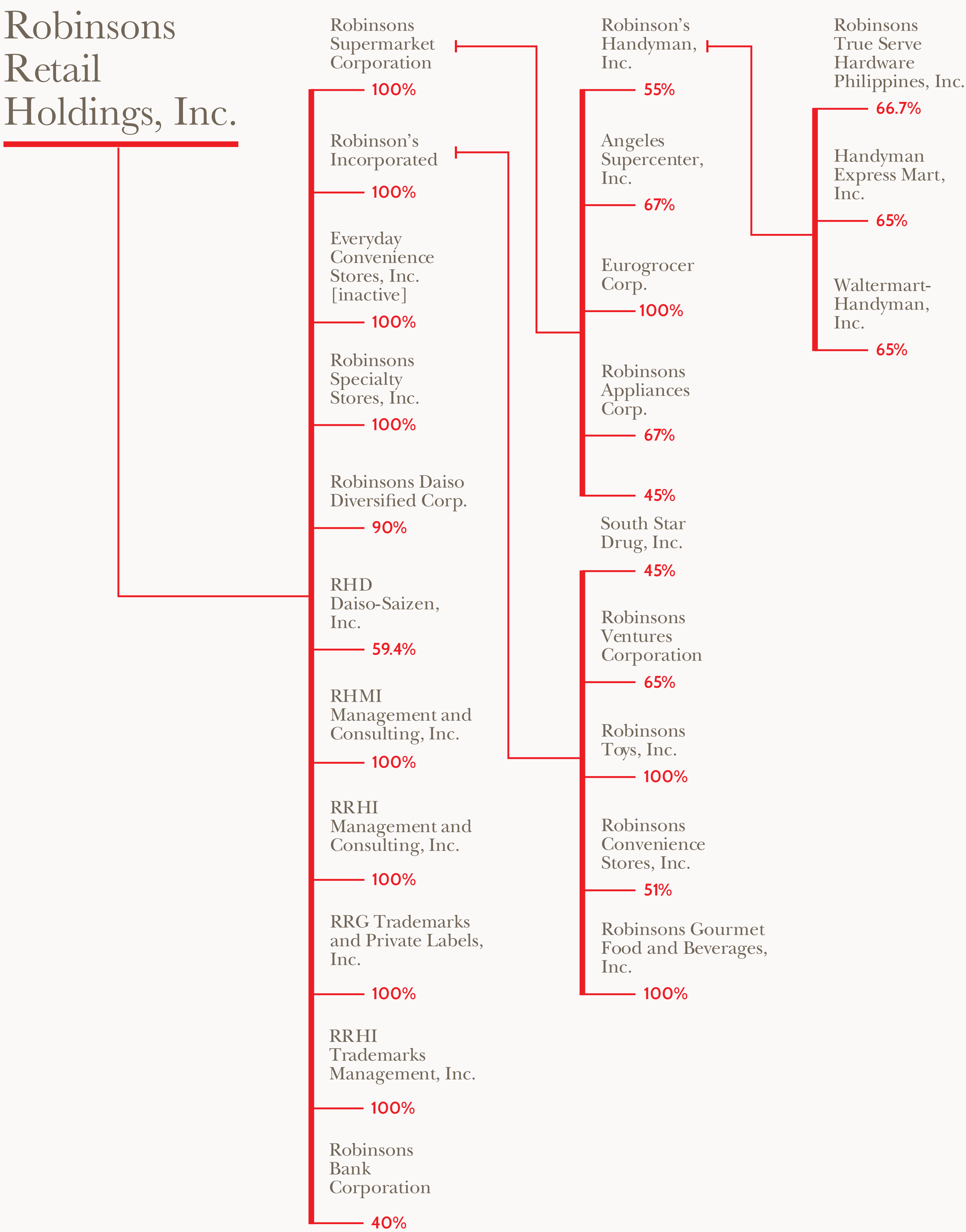
14

9

18

ORGANIZATIONAL *STRUCTURE*

AS OF END 2013

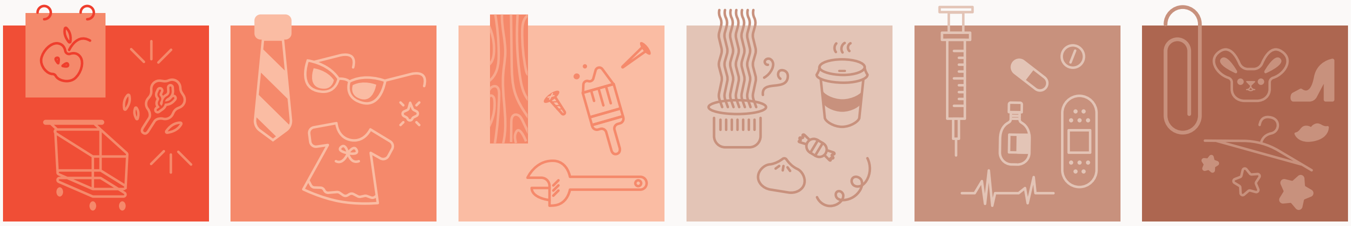


STORE *NETWORK*

1,064

STORES NATIONWIDE

AS OF END 2013



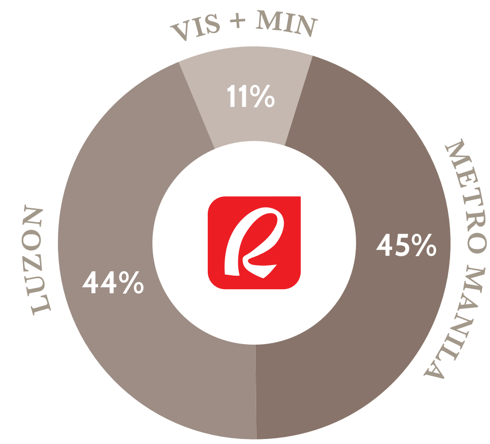
91	38	126	386	239	184
SUPERMARKETS	DEPARTMENT STORES	DIY STORES	CONVENIENCE STORES	DRUG STORES	SPECIALTY STORES

METRO MANILA TOTAL 483

LUZON outside of Metro Manila TOTAL 468

VISAYAS TOTAL 68

MINDANAO TOTAL 45



TOTAL STORE COUNT

John L. Gokongwei, Jr.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CHAIRMAN & PRESIDENT'S *MESSAGE*

Robina Y. Gokongwei-Pe
PRESIDENT AND CHIEF OPERATING OFFICER

Dear Shareholders:

2013 was a banner year for the Philippine economy as well as for our company. For the first two quarters of 2013, gross domestic product (GDP) grew by 7.7% and 7.6%, respectively, boosted by government's election and capital spending as well as increased consumer spending. However, the monsoon season and natural calamities, such as the 7.2 magnitude earthquake and Typhoon Haiyan, which hit the Visayas region, dampened GDP growth in the last two quarters to just 6.9% in the third quarter and 6.5% in the last quarter. Overall, however, 2013 still managed to surprise on the upside with GDP rising to 7.2% in 2013 from 6.8% in 2012, making the Philippines one of Asia's best performing economies, second only to China.

On improving fundamentals, the Philippines, for the first time ever in 2013, received investment-grade rating from the three international credit rating agencies: Standard and Poor's, Fitch Ratings and Moody's Investors Service. Remittances from overseas Filipinos grew by 6.4% to US$22.8 billion while the information technology and business process outsourcing (BPO) sector, one of the fastest growing sectors of the economy with close to 900,000 employees in 2013, generated approximately US$16 billion in revenues in 2013, growing by 17.6%. Tourism is likewise on the rise, with tourist arrivals increasing by 10% to 4.7 million in 2013 while travel receipts grew at a faster clip of an estimated 20% to US$4.8 billion for the same period. All these factors have benefited the retail sector with the increase in disposable income and consumption demand from the rising middle class.

Biggest IPO Ever

Amidst this backdrop, your company, Robinsons Retail Holdings, Inc. conducted the Philippines' largest ever initial public offering (IPO) amounting to US$621.8 million or PhP27.0 billion (at PhP43.448:US$1) in gross proceeds. Robinsons Retail was listed at the Philippine Stock Exchange on November 11, 2013, joining the roster of esteemed Philippine companies as the only listed pure multi-format retail company.

Starting out with our first retail store, Robinsons Department Store, in 1980 in Robinsons Place Manila, followed by Robinsons Supermarket in Robinsons Place Cebu in 1985, Robinsons Retail has grown to become one of the largest multi-format retailers in the country. Robinsons Retail now operates in six business segments: supermarkets (Robinsons Supermarket), department stores (Robinsons Department Store), DIY stores (Handyman Do it Best, True Value and Howards Storage World), convenience stores (Ministop), drug stores (South Star Drug and Manson Drug) and specialty stores (from consumer electronics and appliances retailer Robinsons Appliances to toys retailer Toys "R" Us, one price point retailer Daiso Japan and international fashion brands such as Topshop, Topman and Dorothy Perkins and international cosmetics brands such as Shiseido and Benefit. We ended the year 2013 with 1,064 stores located all over the country, growing our store network by 152 stores or by 11.5% increase in terms of net selling area to around 597,500 square meters.

The successful IPO signifies investor confidence in our company and in the Philippine economy in general, which is projected to continue its ascent in the coming years. As the economy grows, we expect the expansion of the middle class, our main target market, whose needs become more sophisticated as well. The proceeds of the IPO will allow us to aggressively expand our store network by opening new stores of our existing formats, pursue mergers and acquisitions as well as enter into new sub-formats of our existing formats to meet the evolving needs of the rising middle class.

Record High Earnings

Robinsons Retail registered a record high net income in 2013 of PhP3.1 billion, more than double the previous year of PhP1.3 billion, boosted by strong sales and surge in margins. Net income (attributable to equity holders) jumped by 128.8% to PhP2.7 billion in 2013, from only PhP1.2 billion in 2012.

For the past two years, sales have grown in the high teens as we have been aggressive in our store expansion. From only 631 stores in 2011, our store network grew to 912 stores in 2012 and to 1,064 in 2013. In 2013, Robinsons Retail posted net sales of PhP67.3 billion, a 17.2% increase from the previous year, due to new store openings as well as the full year sales contribution from South Star Drug, which we acquired in July 2012. Bulk of our sales (at 64%) came from non-discretionary retailing (supermarkets, convenience stores and drug stores) with the balance attributed to discretionary retailing (department stores, DIY stores and specialty stores). Same store sales growth of 2.5% likewise contributed to the increase in sales.

Due to increasing scale and additional support and discounts from our vendors, gross profit grew by 30.4% to PhP14.3 billion with margin expanding by 220 basis points (bps) to 21.3%. We have also kept operating expenses (excluding depreciation and amortization and provision for impairment losses) steady at 15.7% of sales, resulting to 66.5% increase in earnings before interest, taxes, depreciation and amortization (EBITDA) to PhP5.1 billion in 2013, translating to 220bps rise in EBITDA margin to 7.5%.

Stiff Competition

Facing intense competition in Metro Manila, primarily in our supermarket and department store businesses, same store sales for the group still managed to show respectable growth at 2.5% in 2013. Most, if not all, major modern retail trade players expanded their retail spaces in the high teens in 2013 as against the growth in domestic personal consumption of only high single-digit.

Aggressive Expansion

Banking on the continued buoyant growth in the Philippine economy, we are embarking on a more fast-paced expansion of our store network over the next three years, with a target of ending 2014 with close to 1,400 stores. Around 60% of new stores would be drug stores and convenience stores, both of which are under non-discretionary retailing and would address the health needs of the rising population as well as the growing BPO sector. Although we would be increasing stores across all formats, our supermarket business, which accounted for 48.3% of 2013 sales, would continue to be the largest contributor to net sales as it likewise accelerates its new store openings. Aside from organic growth, we are also looking at mergers and acquisitions, new

franchise deals with global brands and possible entry into e-commerce. We will also use the IPO proceeds to refurbish and renovate our existing stores to ensure they look fresh and exciting.

Front and Back

To support the rapid growth of our business, we have invested significant resources to develop our information technology systems to facilitate our store expansion plan, operational efficiency and cost control.

Our backroom system is supported by a merchandise management system which among others ensures timely replenishments to manage and optimize inventory at the warehouse and stores. This allows us to reduce overall inventory levels, while still maintaining sufficient inventory in the stores to serve customer demands.

As a value-added service to suppliers, we have a supplier portal system which allows us to collaborate with them and by which they can access our database, providing them better ability to manage inventory and deliver high service levels. We also use a fully-integrated Point-of-Sale and Loyalty System which provides stable store operations and enhanced customer experience.

We have strong supply chain capabilities with just-in-time delivery as all our business units have their own respective distribution centers. We engage third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from the distribution centers to our stores across the country.

Giving Back

One of the areas severely affected by Typhoon Haiyan was Tacloban, which hosts a Robinsons Mall. As part of our group's service in giving back to the community, six Robinsons Retail stores including the mall's main anchor tenants – Robinsons Supermarket and Robinsons Department Store – opened on December 19, 2013 in a compressed area of the mall. Although operating hours were limited due to the unstable power supply, we sought to address the essential needs of the residents like food, medicine and hardware as well as help the local government in bringing the trade activity in the city back to normal. Despite the higher costs of operations, retail prices were kept steady to pre-Haiyan days. Today, power is back and we have expanded the merchandise sold in the stores to include frozen food in the supermarket. The mall is undergoing renovation and will be re-launched this year.

Accolades

In recognition of our increasing scale and stellar operating performance, our business segments garnered various prestigious awards in 2013. The Philippine Retailers Association awarded three of our companies in January 2013 for being Outstanding Filipino Retailers in terms of growth and good ethical business

practices: Robinsons Supermarket – Hall of Fame Supermarket category (elevated after winning for two consecutive years), Toys "R" Us in the Foreign Brand Retailer – Category Killer, and Topshop (under international fashion specialty) in the Foreign Brand Retailer – Fashion Apparel Medium Category. Moreover, Robinsons Supermarket received the Chairman's Award for the highest same store sales growth for 2012 by Unilever Philippines for its three consecutive years of high comparable sales growth performance.

Toys "R" Us has likewise been awarded by Mattel Southeast Asia Pte. Ltd. in the 2012 Mattel Awards for Hotwheels, a regional recognition awarded to a Toys "R" Us store based in Asia considered to have the best performance (sales and event execution) in the Boys Category (Hot Wheels R.O.V.E.R Program).

Sales and growth has likewise been recognized for True Value (2012 Outstanding Achievement in Sales and Marketing of True Value Paint Products by True Value Company), Handyman Do it Best (2012 Purchase Award by Do it Best Corporation for achieving targeted purchases) and Ministop (2011 Hall of Fame Entrepreneurs Franchise Award).

The partner of choice

Being a multi-format retailer, our company continues to be a partner of choice of mall developers. Aside from being the anchor tenant in Robinsons Malls, we have also built strong relationships with other leading mall developers. Our ability to lease multiple sites and deliver the most appropriate mix of retail formats for a specific target customer base at a given location makes us an attractive anchor tenant for landlords of shopping malls and other high traffic commercial centers.

Global brand it is

As the Filipino middle class expands, we foresee a continuation in demand for new foreign brands. Thus, we will continue to bring in more foreign retail brands to cater to the demands of consumers for new foreign brands. For 2013, we opened stores for River Island (United Kingdom), Shana (Spain), and G2000 (HK). We also recently acquired eight Shiseido and two Benefit stores, paving the way for our entry into the cosmetics retail business.

Developing loyalty

We introduced the Robinsons Rewards Card loyalty program in May 2013. Current coverage is already eight out of our 11 formats (Robinsons Supermarket, Robinsons Department Store, Toys "R" Us, True Value, Howards Storage World, Daiso Japan, all of our international fashion specialty stores and an initial rollout to selected Handyman Do it Best stores). It will eventually allow holders to collect and redeem points across all our formats in the next two years.

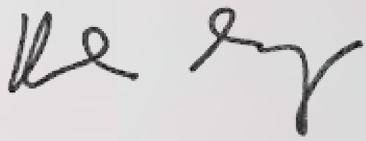
Strong Second and Profitable

We are a strong second in the retail industry for most of our formats (supermarkets, department stores, DIY stores, convenience stores and toy stores). In the race for more stores, new brands and additional retail space, we will remain focused on delivering growth in sales, margins and income while strengthening our market position.

We thank you for your patronage in our retail business and confidence in the company as we embark on an aggressive expansion plan in the next three years.

Happy shopping!

John L. Gokongwei, Jr.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



Robina Y. Gokongwei-Pe
PRESIDENT AND CHIEF OPERATING OFFICER

MANAGEMENT'S

DISCUSSION & ANALYSIS

2013 was a feat for Robinsons Retail Holdings, Inc. This year, we achieved exceptionally strong results across all of our businesses. Robinsons Retail closed the year with record high consolidated net income of PhP3.1 billion, for a jump of 131.8% year-on-year (yoy). Likewise, consolidated net income attributable to equity holders of the parent company increased by 128.8% to PhP2.7 billion. The surge in net earnings was largely due to the increase in sales from new stores, the full year consolidation of South Star Drug which was acquired in July 2012, the resilient same store sales growth (SSSG) of 2.5%, as well as the expansion in gross margins and steady operating expenses as a percentage of sales.

Robinsons Retail's consolidated net sales rose by 17.2% to PhP67.3 billion in 2013, which is largely due to the increase in sales volume as a result of new store openings and acquisitions. Gross profit also increased by 30.4% to PhP14.3 billion. Our Company was able to get better support and discounts from suppliers because of increasing scale, as well as from the offering of more value-added services to our vendors. After keeping operating expenses (excluding depreciation and amortization and provision for impairment losses) stable as a percentage of sales, the improvement in gross margin by 220 basis points (bps) yoy to 21.3% in 2013 has trickled down to the increase in EBITDA margin (+220bps to 7.5%). EBITDA surged 66.5% to PhP5.1 billion in 2013.

In 2013, Robinsons Retail added 152 more stores for a total of 1,064 as of end 2013. Of these, 483 are located in Metro Manila, 468 are in Luzon, 68 are in Visayas, and 45 are in Mindanao. Robinsons Retail's total net selling space expanded by 11.5% to 597,500 sqm in 2013. At the latter half of the year, we also acquired two companies, namely, Beauty Skinnovations Retail, Inc., operator of Shiseido and Benefit cosmetics stores, and Eurogrocer Corp., operator of EZ Supermarket.

At year-end, Robinsons Retail's balance sheet remained strong, with a current ratio of 3.0x and net cash position of PhP30.1 billion. Consolidated assets grew by 115.8% to PhP52.3 billion as of end December 2013. In November 2013, our Company was able to raise PhP27.0 billion in gross proceeds from our IPO, which is considered the largest public offering in the Philippines to date.

SUPERMARKET SEGMENT

Robinsons Supermarket (RSC) is the largest business segment of the group, accounting for 48.3% of the entire group's net sales in 2013. Due to rapid expansionary activities, its net sales registered growth of 10.9% to PhP32.5 billion. In 2013, RSC opened a total of 17 stores, of which six are EZ Supermarket (Eurogrocer Corp.) stores that were acquired in September. It ended the year with a total of 91 supermarkets and expanded its total net selling space by 14.4% to 193,300 sqm. SSSG stood at 1.0% despite the intense competition in the supermarket business.

Gross profit of the supermarket segment rose 24.4% to PhP6.0 billion because of increasing scale and higher vendor support due to value-added services. Meanwhile, EBITDA grew at a faster clip by 75.9% to PhP2.2 billion, translating to 260bps increase in margin to 6.9%, due to better cost control across all of its stores, particularly on the implementation of its energy conservation program and efficient control of store expenses.

DEPARTMENT STORES SEGMENT

It was a challenging year for the department store business. Robinsons Department Store (RDS), the second biggest sales contributor with 17.7% share, delivered a modest 4.4% growth in net sales to PhP11.9 billion in 2013. Hampering the segment's SSSG, which registered a flat growth of 0.5%, was the stiff competition evidently seen this year. The competitive pressures were not only coming from the other department stores but also from international fast fashion specialty stores. As of end 2013, RDS had a total of 38 stores, with three new branches in Malolos, Cagayan de Oro and Butuan.

Despite all these, RDS still achieved PhP3.1 billion of gross profit, recording a growth of 18.1% on the back of 300bps expansion in margin. Again, this was mainly from additional vendor discounts, advertising support and other value-added services due to the increase in store count. EBITDA posted strong growth at 44.1% to PhP987 million as operating expenses were kept well within limit.

DIY STORES SEGMENT

The DIY stores business segment, composed of Handyman Do it Best, True Value and Howards Storage World stores, accounted for 10.5% of Robinsons Retail's consolidated sales. 2013 was a good year for the DIY segment as it generated net sales of PhP7.1 billion. This is a strong increase of 14.5% from last year, arising from SSSG of 6.0% and from further expansion. The DIY stores greatly benefited from the sustained residential construction boom in the country. Moreover, in 2013, 15 DIY stores were opened, bringing the DIY store count to a total of 126 stores.

Gross profit increased by 39.7% to PhP2.2 billion, coupled with the 76.8% growth of its EBITDA to PhP770 million. This is mainly attributable to our increasing negotiating leverage for additional discounts and supplier support.

CONVENIENCE STORES SEGMENT

The systemwide sales of Ministop grew by 6.9% to PhP6.3 billion in 2013. Merchandise sales demonstrated a higher increase of 10.0% to PhP4.2 billion, driven by the sales contribution of new stores and the boom in the business process outsourcing sector. This year, Ministop became aggressive in its store expansion as it put up 50 additional Ministop branches, for a year-end total of 386 stores. SSSG on systemwide sales was at 3.3%. The convenience stores segment accounted for 6.3% of the group's consolidated net sales.

The gross profit and royalty income of the convenience stores segment increased by 13.3% to PhP1.5 billion, due to the improvement in the systemwide gross margin. On better cost controls, EBITDA rose by 19.4% to PhP351 million. Ministop has fully automated its replenishment process to improve on-shelf service levels or stockability, as well as instituted cost saving measures for cold chain deliveries to the stores.

On Robina: *Dress by Stella from Robinsons Department Store; skull necklace from Daiso Japan*

Being the first convenience store operator to offer on-site preparation of ready-to-eat products, Ministop will continue its efforts to increase the offering of its ready-to-eat category. The convenience stores will also continue its expansion mostly in the central business district areas.

DRUG STORES SEGMENT

In July 2012, we acquired 90% of South Star Drug (SSD) as a means to expand into the drug store business and to broaden our scope and overall product offering. Only the sales for August to December 2012, amounting to PhP2.4 billion, were included in Robinsons Retail's consolidated financials in 2012. Sales for the same period in 2013 worth PhP2.7 billion was up by 12.5%, due to the 21 stores that opened from January to December 2013. The drug store portfolio is made up of 239 stores under two brand names: South Star Drug and Manson Drug.

The drug stores' full year sales in 2013 was at PhP6.3 billion and accounted for 9.3% of the group's net sales. SSD also experienced strong same store sales performance, especially towards the end of the year, due to surge in demand for pharmaceutical products, thus closing the year with a 6.0% growth on same store sales. On increasing scale and better service levels, SSD realized 100bps increase in EBITDA margin and 140bps increase in gross margin.

SPECIALTY STORES SEGMENT

Our specialty stores segment accounted for 7.9% of Robinsons Retail's consolidated sales, and comprises four formats, namely, Robinsons Appliances (consumer electronics and appliances), Toys "R" Us (toys and juvenile products), international fashion and cosmetics specialty brands (such as Topshop, Topman, Dorothy Perkins, Shiseido and Benefit), and Daiso Japan (one-price point). All these combined delivered a double-digit growth of 22.1% in net sales to PhP5.8 billion. This is mainly due to the robust sales of high-end and more expensive products of Robinsons Appliances, which accounted for nearly half of the specialty store segment's sales, and which also drove the segment's SSSG at a fairly strong 7.2%.

The gross profit of the specialty store segment rose by 30.5% to PhP1.6 billion, with EBITDA further improving by 58.0% to PhP397 million. As reflected in the other business segments, this is a result of the implementation of the group's best practices across all segments, each leveraging on the size and reach of the group.

There were 47 additional specialty stores this year, which brings the total to 184 specialty stores at year-end. This translates to a 27.4% jump in net selling space to 53,400 sqm in 2013. Entering into cosmetics retailing, Robinsons Specialty Stores, Inc. acquired the assets of Beauty Skinnovations Retail, Inc, which is an operator of Shiseido and Benefit cosmetics stores.

OUTLOOK

2014 will be an exciting year for Robinsons Retail and greater milestones are yet to happen for us. The Philippine retail market is still highly underpenetrated with significant potential for growth and further upside that will benefit our expansion plans. We are banking on the attractive macro-economic environment, which includes rising middle income, shift from traditional to modern retail and increasing disposable income. In the race for retail space, Robinsons Retail will endeavor to maintain its market leading position across all of its businesses and actively participate in the consolidation of the retail industry.

As a continuing exercise, we will be on the lookout for possible acquisitions and expansion into other retail segments and pursue franchise deals with new global brands. For 2014, Robinsons Retail will more than double the number of stores that were opened last year. We will be spending an estimated PhP7 billion on capital expenditures to fund our aggressive nationwide expansion.

ACKNOWLEDGEMENTS

For helping our Company achieve such a successful year, we would like to express our appreciation to all of our suppliers, concessionaires, service providers, lessors and other business partners for their support and cooperation. We would also like to thank our customers and new shareholders for their trust and confidence in our Company. Lastly, we want to recognize our valued employees for all the years of hard work in building our Company into the retail giant that we are now. With you as our partners, we look forward to growing Robinsons Retail for many years to come.

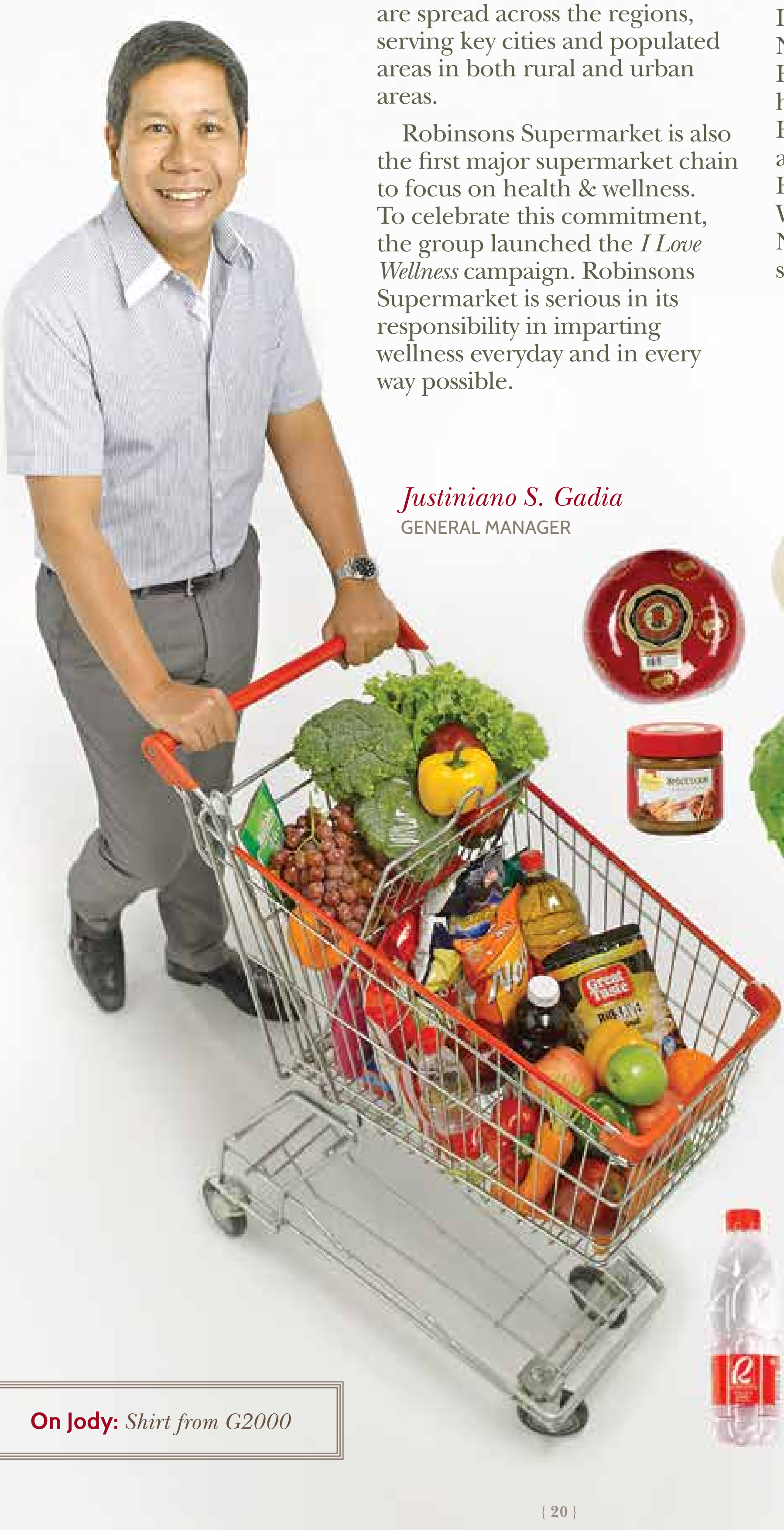
DISCUSSION PER SEGMENT

Robinsons Supermarket

Robinsons Supermarket opened its first store in 1985 in Robinsons Place- Cebu City. Today, Robinsons Supermarket is the second largest supermarket chain in the Philippines, with 91 stores as of end December 2013. It is located in all Robinsons Malls and other major shopping centers nationwide. The branches are spread across the regions, serving key cities and populated areas in both rural and urban areas.

Robinsons Supermarket is also the first major supermarket chain to focus on health & wellness. To celebrate this commitment, the group launched the *I Love Wellness* campaign. Robinsons Supermarket is serious in its responsibility in imparting wellness everyday and in every way possible.

Taking this pledge by heart, Robinsons Supermarket guides customers as to their food and grocery choices through the *Shop Smart* Tag. This is a four-colored tagging system, which helps shoppers choose products wisely. The green tag represents products that have met the Food & Nutrition Research Institute's Codex Standard of Nutrition Classification. The Health & Wellness section further highlights these healthy finds. Here, products are arranged according to: Choices for a Healthy Heart, Bone Builders, Weight Management, Kids Nutrition and Guilt-Free and sugar free choices.



Justiniano S. Gadia
GENERAL MANAGER

On Jody: *Shirt from G2000*

Vision

Robinsons Supermarket aims to be the supermarket of choice known for fresh and healthy food, clean hygienic stores and competitive prices.

Mission

Robinsons Supermarket hopes to educate and empower its customers on their choice of food and products that promote healthy living.

Did You Know?

There were 4,000 runners who participated in Robinsons Supermarket's 6th Fit & Fun Buddy Run last August 10, 2013. It is the first run in the Philippines where participants are asked to start and finish in pairs.

WHAT'S IN STORE

Exclusive Brands:

Supersavers

Robinsons Supermarket's private label, *Supersavers*, offers an alternative to mainstream brands. To further highlight this label, the group holds the Supersavers Festival every January.

Healthy You

Robinsons Supermarket also developed *Healthy You*, its own line of healthy products which continues to expand in terms of variety. The brand is sourced locally and all over the world to give shoppers choices on healthy products.

Special Destination Area:

Besides the Health & Wellness section, Robinsons Supermarket also has the following destinations to make shopping easy and enjoyable for its shoppers.

Island Favorites

Island Favorites is a destination area featuring the best delicacies, foods and condiments from all over the Philippines. All products are carefully chosen for their quality. Items are grouped according to their origin: Luzon, Visayas and Mindanao. It is currently available in 63 branches.

Fresh Department

Robinsons Supermarket prides itself with having one of the freshest and widest array of vegetables, fruits, meat, poultry, seafood, deli products and food-to-go selections at affordable prices.

Customers will find a mix of local and imported fruits, even exotic or hard to find varieties normally not available in most supermarkets like peaches, plums, nectarine and blueberries. There are also pre-cut packed fruits and vegetable mixes ready for picking, eating or cooking. Value added services such as fish cleaning, scaling and deboning are also offered.

Robinsons Supermarket is also the only supermarket offering Halal frozen deli. Items are sourced from Malaysia and have met international Halal quality standards. It is available in over 20 branches. The group is expected to introduce more Halal imported items from Australia and the US within the year.

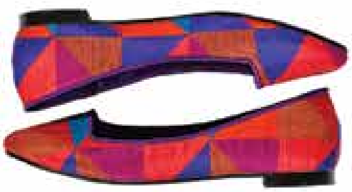
Health & Beauty

Robinsons Supermarket's *Health & Beauty* section showcases the widest selection of health and beauty essentials for total well-being.

Robinsons Department Store opened its first store in 1980 in Robinsons Place Manila and after 34 years in the industry – there's more to love at Robinsons Department Store as it continues to offer affordable high-quality fashion and other unique finds to its distinct and loyal customers, and give more reasons why RDS should be the department store of choice.

Robinsons Department Store offers a good mix of RDS private labels and national brands. Private labels are spread in almost all categories – from children's wear to men's wear, and from athletic apparel to towels, these provide differentiation in the merchandise offer from other retailers. Our private labels give customers wider choices in terms of product quality, design and pricing. *Stella* and *Ted Moss* for Ladies' Wear and Men's Wear, respectively, are the latest additions to RDS' roster of private labels and are designed to cater to the smart-casual dressing needs of career men and women. In addition, to capture that transition market between pre-teens and adults, RDS has exclusive labels like *Fun Tee* and *Never Been Kissed* which offer funky and upbeat fashion choices.

Johnson T. Go
GENERAL MANAGER



Located in Robinsons Malls and other major establishments all over the country and still growing with 38 branches (as of December 2013), RDS continues to evolve its merchandise offer and store format to keep up with the changing consumer lifestyles and demographics. What makes RDS truly unique is its ability to adapt to every regional market while remaining sincere to its core mission to be a primary fashion destination.

On Johnson: *Top, necktie and belt from Robinsons Department Store*

WHAT'S IN STORE

A Fashion Haven

Fashion in RDS is stylish and yet affordable with a great selection of brands for everyday casual wear to smart business dressing. Its mix of exclusive labels offers exciting fashion pieces for kids and grown-ups for just about any occasion.

A Homemaker's Delight

Home decorating and furnishing go beyond the basics in RDS as it has filled its stores with truly unique and novel finds for the home.

With private labels exclusively developed by and for RDS, shoppers are assured of a wide selection of great and value-for-money products.

For the Kids Too!

Children will love RDS for its wide selection of apparel and accessories. Toys "R" Us Toybox completes the cast with its compact and yet incredible array of toys for the young and the young at heart.

Business Center

Shopping at RDS is more convenient with the Business Center as it taps more partnerships to make visits practical and multi-tasking.

Did You Know?

Robinsons Department Store is the first retail format of Robinsons Retail Holdings, Inc.

DIY

Robinsons Retail Holdings, Inc. (RRHI) entered the Do-It-Yourself (DIY) segment in 1994 when it established the first store of Handyman in Robinsons Galleria, Quezon City. Today, it operates three formats under the DIY business segment: Handyman Do it Best, True Value and Howards Storage World. As of end 2013, the DIY segment had a total of 126 stores in its portfolio.

Stanley C. Co
GENERAL MANAGER

HANDYMAN

Do it Best

Established in July 1994 in partnership with Herco Trading Inc., Handyman was one of the first retailers to introduce the convenience of hardware shopping in malls. In 2001, Handyman became a member of one of the biggest hardware cooperatives in the USA, Do it Best Corporation, enabling the company to provide Filipino customers with thousands of affordable and high quality imported products.

Offering an extensive selection of hardware and tools, electrical, lawn and garden, plumbing, storage and organization, and automotive, these products are being highlighted in unique promotions—through discounts, instructional and interactive selling and through big sale events.

Handyman, your neighborhood hardware store, has a total of 108 stores nationwideas of end December 2013.

On Stanley: *Shirt from Ben Sherman*
Tools: *Paint roller; True Value EasyCare lead-free paint*

WHAT'S IN STORE

Hardware and Tools

One doesn't have to be a professional to do simple home repairs. Just know the right tools and hardware products needed to get the job done swiftly.

Electrical

Wiring, extension cords, AVR's and transformers, phones and accessories, doorbells and intercoms, exhaust fans, computer peripherals and batteries are all available in Handyman.

Lawn and Garden

Contribute to a greener environment and start planting! All the gardening tools needed can be found at Handyman from fertilizers to grass cutters to patio sets that can make a perfect accessory to any garden.

Plumbing

There are toilets and shower heads that help reduce water consumption. Having such fixtures at home could make a big difference on the water bill. One can find other water saving items and other plumbing and water solutions at Handyman.

Storage and Organization

Make sure a home or work place is spick and span all throughout the year. Make use of storage organizers from food keepers to stackable box organizers and even underbed boxes for all stuff.

Automotive

Many road mishaps occur everyday and the best way to avoid them is by ensuring the vehicle is ready to travel.

Did You Know?

Black and Decker was commissioned by NASA to design tools for its Apollo moon program such as the cordless rotary hammer drill. *(Source: http://www.nasa.gov)*

Handyman carries a total of 25 SKUs of battery-powered drills from Black and Decker, Bosch, Skil, Dewalt, Makita, Stanley and Homelite.

True Value is a lifestyle home improvement center that carries a wide variety of high-quality, hardware and houseware items sourced from the USA. 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. True Value's retail concept of a lifestyle home center goes beyond the conventional do-it-yourself store set-up to a family-friendly retail space that highlights its product mix offer.

True Value's first store 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. As of end 2013, True Value has eight (8) stores in Metro Manila and five (5) stores in key provincial cities.

As the first retail hardware outlet to incorporate lifestyle shopping, True Value offers extensive retail space to its customers, redefining 'one-stop' shopping to genuine convenience and offering better store layout, product segregations, brand highlights, interactive selling, promotions and most sought after sale events.

WHAT'S IN STORE

Lawn & Garden

Entertain guests outdoors. Choose from an array of grills – from the regular charcoal grill to the premium level gas grills. Enhance outdoor space with True Value's wide selection of stylish gazebo, durable patio furniture, well-designed garden tools and equipment.

Storage and Organization

Update the style, look and functionality of the kitchen or any other part of the home with quality organizers, shelvings and containers to make the home clutter-free.

Power Tools & Paints

The hardware section has a complete line of trusted products from reputable brands. With a little help from True Value's quality hand & power tools and supplies, plus the expert advice of True Value's Hardwarians, anyone can do his own home maintenance and repairs, restoration projects and even painting projects using True Value lead-free paints with great ease.

Electrical

True Value has what it takes to make every home brighter with various kinds of lighting products, as well as environmentally-friendly products that are good for the home and for Mother Earth. Choose from indoor to outdoor lights, CFL to LED bulbs, even solar lights that recharge at daytime and light at night time.

Automotive

Get cars geared up all the time. From basic necessities to eco-friendly car fresheners, cleaning chemicals and lubricants, seat covers, car mats and the most up-to-date car accessories, True Value has these in its stores.

Plumbing

Start here for plumbing projects. Upgrading bathrooms or replacing a leaky faucet? At True Value, there's a complete array of bath fixtures and accessories such as bath mats, shower curtains, soap dispensers and more.

Did You Know?

True Value sells True Value Weather All and EasyCare paints that are water based, lead-free and manufactured in the U.S..

Also, True Value's computerized paint mixing technology is capable of scanning any shade of color that a customer brings and coming up with a formula to achieve that same paint color or the color closest to it. The computer at the paint center also stores the data regarding the customer's paint order. So when they come back, they can have the same paint color and consistency mixed for them.

howards storage world

Howards Storage World Philippines is the authorized Master Franchisee of Howards Storage World Pty Ltd., based in Australia. Howards is an innovative specialty retailer of storage and organizational products with a focus on range, quality and service.

The Australian company began as a single establishment called “Stack and Store” in the Sydney suburb of Northbridge Australia in the early seventies, which later on rolled out into a concept franchise store in 1997 and rebranded as Howards Storage World.

The journey to provide space saving solutions to Filipinos began in March 5, 2010 when Howards Storage World opened its first store. As of 2013, Howards has five stores that can be found in premium malls in Metro Manila and in Cebu.

A range of Howards Storage World branded products are manufactured exclusively for the stores and are clearly identified with Howards’ unique labeling. Given Howards’ specialization in storage and organization for the home, products that offer the very best solutions are sought from all around the world and are delivered in store with the highest quality.

WHAT’S IN STORE

Kitchen

This range is designed to organize the pantry, fridge, cupboards, drawers, sink and bench tops with a focus on maximizing space and minimizing food waste.

Bathroom

Regardless of bathroom size, this range is designed to maximize storage opportunities. Unique to Howards Storage World is its wide range of trolleys, bathroom sets and makeup organizers.

Laundry

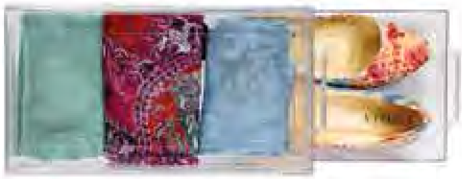
This range is designed to increase the function of the laundry room. An efficient laundry will allow customers to pre-sort, wash, dry/drip dry, iron, distribute and mend clothes.

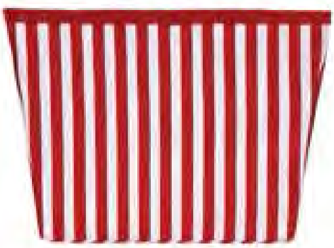
Wardrobe

Create a place for everything in the wardrobe and transform it into a place of comfort with Howards’ Elfa shelving system that’s designed and built in Sweden. This category also includes free standing wardrobes, drawer organizers and under the bed storage boxes.

Easy-build

This is a free-standing and fully adjustable shelving system that offers an organized solution for customers. It is simple to assemble and comes in pre-designed kits and individual components.





Did You Know?

Howards Storage World

is a hanger specialty store with over 50 types of hangers that range from flocked, Mahogany, Timber, and tiered to hold trousers, skirts, ties, belts and more!

Ministop is one of the largest convenience store chains in Japan. It has presence in other countries such as Korea, China, Vietnam and Indonesia. Robinsons Retail Holdings, Inc., through its subsidiary, entered into an agreement with Ministop Co. Ltd and Mitsubishi Corporation and acquired the country franchise of Ministop for the Philippines. It opened its first store in the year 2000 and ended 2013 with 386 stores nationwide.

Ministop is the second largest convenience store chain in the country and prides itself in being the only chain that has a full in-house kitchen facility that can churn out a wide variety of hot and fresh ready to eat meals 24/7. It also carries a wide assortment of grocery items that cater to the evolving lifestyle needs of Filipino consumers.

Ministop stores are largely concentrated in Metro Manila and Luzon. Ministop has also ventured in the Visayas region with Cebu as its first provincial location outside of Luzon in 2012. This year, Ministop aims to conquer other provinces in Luzon and Visayas regions.

Roena P. Sarte
GENERAL MANAGER

WHAT'S IN STORE

Ready to Eat

Ministop is known for its wide array of Ready to Eat Meals that address the fast paced lifestyle of young Filipinos. It is led by *Uncle John's fried chicken*, *kariman* and *Toppers* rice meals. Refreshing *Chillz* and *My Sundae* are also popular.

Grocery

Ministop's grocery assortment caters to the needs of Filipino customers and are available 24/7. These include beverages, snacks, wine and liquor and other food products. Also available are non-food items such as telecoms, cigarettes, home essentials and other non-food categories.

Private label

Ministop has also developed its own private label under the *My Choice* brand which is currently available for non food products such as party needs, personal and health care products. Ministop will also be launching food products under the *My Choice* Label.

Services

Services such as coin operated cell phone charging, phone calls, internet connection, copier machine, automated teller machine (ATM) and Lotto outlets are also available in selected stores.

On Roena: *Top and belt from Warehouse; Pants from G2000*

Did You Know?

Ministop's number 1 selling product is Uncle John's fried chicken, named after Robinsons Retail Holdings, Inc.'s Chairman and CEO, Mr. John L. Gokongwei,Jr.

South Star Drug

Dahlia T. Dy
MANAGING DIRECTOR

South Star Drug is the third-largest retail drugstore chain in the Philippines. In 2012, Robinsons Retail Holdings, Inc. (RRHI), through its subsidiaries, acquired 90% of South Star Drug, and since then has managed the chain together with the Dy family. At 77 years, it is also the longest-operating Philippine retailer of prescription and over-the-counter medicines. Over the years, it has evolved from a traditional pharmacy into a full-service pharmacy, offering a wide array of nutritional supplements, food, beverage and personal care products.

Anchored to its mission of providing convenient access to quality healthcare, South Star Drug offers a full range of health, wellness, beauty and convenience products in 239 locations (as of end 2013) nationwide. From small towns to big cities, South Star Drug makes sure that wherever its stores are, its customers are happy – delighting not only in the products, but also with the warmth of staff and sincerity of their service.

South Star Drug's growth is more rapid than ever before, and now, as part of RRHI, it faces the future better equipped with the best practices that both share. The company will reach more towns and cities, and deliver more quality products to its shelves so that Filipino families can live better, healthier and happier.

WHAT'S IN STORE

Pharmaceuticals

Stay healthy with the most recommended ethical, vitamins and supplements available from the shelves. Whether it's branded or generic, count on South Star Drug to offer only the most reliable products that the customer can afford.

Medical Supplies

Discover the convenience of having one's own first aid products, in-home healthcare equipment, medical supplies, and more.

Personal Care

Caring for one's self is made easier with the wide selection of shampoos, body wash, feminine hygiene products and other personal care products.

Milk Products

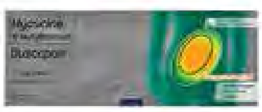
Nourish the body with the range of milk products for infants, children and adults.

Food and Beverage

South Star Drug is more than just a pharmacy. It's a convenience store, too. Choose from a selection of the most popular snacks and drinks.

Did You Know?

South Star Drug was established by a Chinese apothecary that sold Chinese herbal medicine in Naga City. It was originally called Southern Drug. The first branch was opened in 1937 and is still operational to this day.



On Dahlia: *Dress by Stella from Robinsons Department Store*

SPECIALTY STORES

Robinsons Retail Holdings, Inc.'s first foray into the specialty stores segment was in 2000 when it acquired the franchise to operate top British fashion chains *Topshop* and *Topman* in the Philippines. Since then, the group has broadened its portfolio and now operates several formats under its specialty stores segment: consumer electronics and appliances retail under *Robinsons Appliances*, toys and juvenile products retail under *Toys "R" Us*, one-price point retail under *Daiso Japan* and international fashion specialty retail. As of end-December 2013, there were a total of 184 specialty stores.

Robinsons Appliances

Hope Y. Gokongwei-Tang
GENERAL MANAGER

Robinsons Appliances offers a wide range of top of the line consumer electronics, consumer appliances and gadgets. Robinsons Appliances also operates concept stores such as Sony Centre and Samsung in Robinsons Magnolia and Sony Gadgets in Robinsons Place Lipa.

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. As of end 2013, it has 55 branches nationwide.

Did You Know?

The average Robinsons Appliances store has around 500 power outlets. That's more than enough to cover every product demo required by customers.

WHAT'S IN STORE

TV's and lots of 'em

The best TV brands that fit one's lifestyle can be found in Robinsons Appliances. Robinsons Appliances can give every size and spec of the latest video equipment and audio products that one could ever want to achieve for that perfect home-viewing experience.

Home Appliances

Realize the comfort, convenience and energy efficiency of home with Robinsons Appliances' line of Home Appliances. From air-conditioning to washers and dryers, home is covered.

Kitchen Appliances

Cooking has never been more enjoyable, safer and healthier. Robinsons Appliances will bring out one's inner chef with its complete line of Kitchen Appliances from refrigeration units to small kitchen appliances to cooking range to hob. In this category, design meets function.

Gadgets and Cameras

Don't be left behind with the latest trend in photography, mobile, tablet and laptop computers. Robinsons Appliances has the most selection of brands to suit one's techie needs.

On Hope: *Top, pants and belt from Dorothy Perkins*
Gadgets: *Sony MDR headphones and Sony Xperia T2 Ultra smartphone*

Celina N. Chua
GENERAL MANAGER

On Celina: *Top from Topshop; Pants from Warehouse*
Toys: *Huggable Plush Teddy Bears and Little Tikes Lalaloopsy Sit and Store Bench from Toys "R" Us*

Toys "R" Us is best known as the "World's Greatest Toy Store." The Philippine country franchise of the US-based specialty toy chain was awarded to Robinsons Toys, Inc. in 2006 and was officially launched in the Philippines with its first stand-alone store in Robinsons Galleria.

As of end 2013, there are 18 Toys "R" Us stand-alone stores located in some of the most prestigious malls in the country and 37 Toys "R" Us Toybox outlets found inside Robinsons Department store.

Offering Filipinos a unique shopping experience supported by excellent customer service, a well-planned Marketing program and a strong portfolio of brands that include its own line of private brands and exclusive merchandise, are what sets Toys "R" Us apart from its competition.

Toys "R" Us is cognizant of the role toys play in the holistic growth of every child. Thus, it continues to offer the right products that not only bring joy to kids but also toys that can nurture a child's basic skills from mental ability to physical growth development in a fun way. All these product assortments are found in exciting toy zones that make Toys "R" Us a go-to-store for toy lovers of all ages.

WHAT'S IN STORE

TOYS "R" US' SEVEN TOY ZONES:

Girls' Favorites

Girls will certainly love arts and crafts, role-playing stuff from dress-me-up dolls to mini-kitchens and playsets.

Boys' Action & Adventure

Boys and avid toy collectors will delight in the extensive line of action and anime figures, R/C and die-cast cars, trucks and wheelers.

Learning & Fun

Kids will benefit from the broad array of didactic educational items that range from the traditional books to blocks to the latest kid-friendly laptops at this Education Zone.

Family Fun & Games

Most sought-after board games, puzzles and other family fun stuff can be found in this Zone.

Babies "R" Us

Specializes in baby toys and accessories, which is essential for the early growth stages of newborns. Toys in this zone help develop children's skills and mental development through shape sorters, electronic books, color recognition and play mats to develop a baby's creative genius.

Sports & Outdoor

This Zone incorporates the "first sports toys" concept especially made for growing up kids to develop physical capabilities. It is also a significant factor in boosting resistance through a lot of interactions, which ensures a healthy way of playing while exercising.

R-Zone

Techie youngsters will enjoy the latest gadgets/consoles, accessories and assorted games from this hi-tech Zone.

Did You Know?

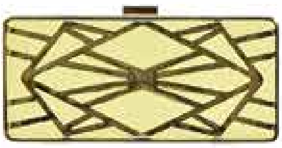
Curious why the letter "R" of the Toys "R" Us logo is written backwards? "The iconic Toys"R"Us logo was created featuring a backwards "R," in order to give the impression that a child wrote it."

(Source: www.toysrusinc.com/about-us/history/charles-lazarus/)

TOPSHOP TOPMAN DOROTHY PERKINS Miss Selfridge

WAREHOUSE BEN SHERMAN RIVER ISLAND Shana

G2000 BASIC HOUSE



Maria Carmina Pia G. Quizon
GENERAL MANAGER

On Mina: *Top from G2000; Skirt from Dorothy Perkins; Purse from Warehouse*

Robinsons Specialty Stores, Inc. (RSSI) is the fashion retail arm of Robinsons Retail Holdings, Inc. Established in 2000, it remains committed to bringing global fashion brands and caters to the stylish individual. RSSI is one of the leading fashion retailers in the country, being awarded franchises and exclusive distributorships of 10 apparel brands, namely Topshop, Topman, Dorothy Perkins, Miss Selfridge, Warehouse, Ben Sherman and River Island of United Kingdom, Shana of Spain, G2000 of Hong Kong and Basic House of Korea. From its first store, Topshop and Topman in Robinsons Place Manila, RSSI has expanded to 53 stores nationwide (as of end 2013), covering more than 11,000 sqm. of prime retail space. Backed by a strong brand management team, the best of global brands are now within reach through RSSI as it continues to introduce new and exciting brands for everyone to love.

Did You Know?

Topshop receives
100 new styles every week!

WHAT'S IN STORE

Topshop
Topman
Dorothy Perkins
Warehouse
Miss Selfridge
Ben Sherman
River Island
Shana
G2000
Basic House

DAISO JAPAN

Katherine Michelle Yu
GENERAL MANAGER

On Kat: *Top from Warehouse; Pants from G2000; Neon Bear necklace and fan from Daiso Japan*

Daiso Japan Philippines is the authorized retailer of Daiso Industries Co. Ltd., Japan's Number 1 retailer of living ware goods. Daiso Japan is more popularly known for its 100 yen stores and has started to develop items that offer more variety and quality to customers at higher price points (200 yen, 300 yen and above). Daiso Japan Philippines delivers the same product variety with a continuous replenishment of new items that peak the customer's curiosity and provide a fun shopping experience.

Daiso Japan opened its first store on April 29, 2009 at Robinsons Galleria. As of end-December 2013, it has 21 stores all over the country and is continuously expanding to reach even more Filipinos who too can have a fun shopping experience.

The company makes sure that the items in stores are grounded by three pillars: variety, quality and uniqueness and strives to offer these at affordable prices starting at P88!







Did You Know?

Daiso Japan Philippines has more than 10,000 unique items in store but customers can always discover new finds every month!

CORPORATE
SOCIAL RESPONSIBILITY

ROBINSONS RETAIL HOLDINGS, INC.

A long line greeted the opening of Robinsons Retail stores in Tacloban on December 19, 2013, just six weeks after Typhoon Yolanda struck.

Reopening of Tacloban Stores

The most powerful tropical cyclone of the year, Typhoon Yolanda (international name: Haiyan), hit the Philippines on November 8, 2013. It barreled through most of the Visayas region, leaving a trail of devastation in its wake.

As per official reports, Typhoon Yolanda affected over 16 million people. It also destroyed and damaged about 1.1 million houses, thereby displacing around 4.1 million people. Hardest hit was Eastern Visayas, especially Tacloban City.

Besides the loss of lives and homes, livelihoods or businesses ceased operations for a time. Unlike other stores in the Visayas region where most were able to open a day after the typhoon hit, the same cannot be said for Tacloban stores. Like the city, Robinsons Retail Holdings, Inc.'s stores in Robinsons Place Tacloban mall were severely damaged.

Reopening the Tacloban stores at the earliest possible time was a Herculean task the Group was faced with. Despite the many problems, the Group was able to open its doors six weeks after Yolanda struck, or on December 19, 2013, just in time for Christmas. Robinsons Retail ensured that despite the expensive operating costs incurred (high fuel cost of running the generator, cost of transportation of merchandise, and so forth), none of these added costs would be passed on to customers. All goods were sold at their original prices, a way for the group to give back to the city's loyal patronage.

The first day was greeted with a long line of customers, who were excited and relieved to finally have access to basic necessities. Robinsons Retail was the first retailer in Tacloban to open after the onslaught of super Typhoon Yolanda.

Power was restored on January 1, 2014, allowing the improvement in merchandise mix to include the sale of frozen products in Robinsons Supermarket. This has also allowed Robinsons Place Tacloban mall to go full blast in its rehabilitation, with expected relaunch within the first half of 2014.

One Love A Day

Robinsons Retail holds an annual *One Love A Day* reach out program where each business unit sponsors a charity of its choice. This event focuses on engaging Robinsons Retail's employees to participate not only to spread social awareness but also to personally get involved in sharing love, monetary and in-kind donations, and other related support to the less fortunate during the Christmas season.

World Vision kids with Robinsons Supermarket team

ROBINSONS SUPERMARKET

One of the partners of Robinsons Supermarket is World Vision - a Christian humanitarian organization dedicated to less-than privileged communities. Percentage of sales from cause-related marketing programs, e.g. Lunchbox of Hope, Ice Cream Festival, Christmas Basket, and others are donated to World Vision's child sponsorship program.

Since the realization of the partnership in 2009 with 15 sponsored children, Robinsons Supermarket and its partners now support 115 kids from two communities.

Robinsons Supermarket and its partners also launched the Living Wellness Caravan which hopes to educate sponsored kids and their parents about proper health and hygiene practices, good nutrition and cleanliness at home.


World Vision kids were taught the many benefits of eating a variety of fruits everyday.

ROBINSONS DEPARTMENT STORE

Since 2010, Robinsons Department Store has been supporting Right Start Foundation in some of its major projects that benefit underprivileged children. It contributes to the foundation's after-school center through provisions and supplies and also supports the foundation's feeding program. Last Christmas season, Robinsons Department Store hosted an afternoon of fun and games to give joy to underprivileged children.


The kids of Right Start Foundation in their center located in West Crame, San Juan were grateful to receive their presents from Robinsons Department Store.

Handyman employees with Ancop officers and residents

Handyman managers painting the houses at Ancop community

DIY

HANDYMAN DO IT BEST

Answering the Cry of the Poor (ANCOP), the social dimension of Couples for Christ (CFC) in the Philippines, is the chosen beneficiary of Handyman for its 2013 goodwill program. Handyman supports ANCOP's advocacy in enabling people from poor communities to own decent homes while putting focus on building strong models and Christ-centered neighborhoods.

To further assist them in their current project in the CFC-ANCOP Anvaya Village along Visayas Avenue in Quezon City, Handyman employees eagerly volunteered a day to participate in painting houses. Aside from helping out in painting, Handyman, with the support of its trade partners, was able to donate useful home items such as paints, paint brushes, ladders and paint thinners to provide assistance in the completion of another batch of well-maintained, Christ-centered homes.

Now on its fifth year of partnership with Mano Amiga, Handyman employees treated the students and faculty of Mano Amiga to a morning of gifts, games and goodies. Handyman also turned over some appliances and school supplies for the school's future use.

Happy Mano Amiga students welcoming Handyman representatives

TRUE VALUE

True Value has been regularly supporting Hands On Manila's Servathon, an annual day of community service where corporate groups work together in providing assistance to various sectors and communities of Metro Manila simultaneously in half a day.

Last 2013, Servathon's chosen cause was doing makeover projects for local public schools. True Value chose to do a painting and decoration project at Dr. Celedonio A. Salvador's Social Hall. 30 volunteers from True Value cleaned, repainted and decorated the room with Christmas ornaments. True Value also donated some painting materials and accessories to the said school.

In the same year, True Value donated several gallons of Painter's Select Exterior Paint and paint primer to Play Pilipinas, a member of the International Play Association (IPA) and UNICEF. IPA is a social enterprise that promotes, enriches and cultivates the benefit of play at home, in school and communities. The project is a 200 square meter playground at Barangay Kasiglahan, Area 1-C San Jose, Montalban, Rizal.

True Value participated at Hands On Manila's Servathon last November 16, 2013 at Dr. Celedonio Salvador Elementary School in Manila.


Children at Barangay Kasiglahan, Area 1-C, San Jose, Montalban, Rizal enjoy their colorful, newly-built playground.

Daiso Japan employees gave an early Christmas to one of the children under the care of PAHVI.

In previous years, Daiso Japan has also partnered with several organizations like AFP Educational Benefit System Office, Children's Hour, Give a Life Foundation and Child Haus to bring resources and cash donations to help the underprivileged sick.

Howards Storage World and Daiso Japan employees donated school materials and basic necessities to be distributed to the 23 children with hydrocephalus.

HOWARDS STORAGE WORLD AND DAISO JAPAN

In 2013, Howards Storage World and Daiso Japan, through the Philippine Association for Hydrocephalus Victims, Inc. (PAHVI) shared a joyous Christmas with the 23 children under their care. Employees of Howards Storage World and Daiso Japan visited a neighborhood, where some of the patients reside, to personally distribute Christmas gifts and heartwarming smiles.

MINISTOP

Ministop has been sponsoring nonprofit organizations and institutions focusing on children's welfare such as Precious Heritage Children's Home and Gentle Hands, Inc. in the past two years.

Ministop Officers spent a day interacting with underprivileged children in orphanages through games and group activities. Ministop Ready-to- Eat meals were also given to the children and their mentors/caregivers. The institution was also given various food and non food grocery products to help in their daily needs.

Ministop officers and employees spent a fun afternoon with the kids of Gentle Hands, Inc.

SPECIALTY STORES

ROBINSONS APPLIANCES

Robinsons Appliances chose Cancer Warriors Foundation (CWF) as the beneficiary for the *One Love A Day* program - the second time this 2013. The program aims to support the healing and recovery of the child patients by giving them a short rest from their battle with cancer.

The "scholars" with Robinsons Appliances officers and sponsors during the appreciation ceremony

Cancer Warriors Foundation "scholars" pose with Tom's World mascots after the dance showdown.

The children, with their parents and guardians, were treated to a day of fun and activities at Tom's World in Robinsons Galleria with games, prizes, a magic show and kiddie rides that lifted their spirits.

The support was also aimed towards Cancer Warriors Foundation's *Bigay Buhay* campaign by providing appliances such as LED TV sets with DVD players, refrigerators and cooling equipment to be used for the CWF satellite offices and clinics.

TOYS "R" US

Toys "R" Us, in cooperation with Walt Disney Philippines, held a special block screening of Walt Disney's *Planes* as an early Christmas treat for the differently-abled children of Leonard Cheshire Disability Philippines Foundation Inc. The block screening was held at Robinsons Galleria Movieworld.

Toys "R" Us Officers present cash donations and toys to Leonard Cheshire's Founding Chairperson, Lourdes Reyes. With her are the foundation's Programs Manager, Hazel Borja and Project Officer Eduardo Lorenzo.

Toys "R" Us mascot, Geoffrey (extreme right), together with other mascots and Toys "R" Us staff entertained the kids of Leonard Cheshire Disability Phils. Foundation during its *One Love A Day* Movie Treat at Robinsons Movieworld, Galleria.

John L. Gokongwei, Jr.
CHAIRMAN
AND CHIEF EXECUTIVE OFFICER

James L. Go
VICE CHAIRMAN
AND DEPUTY CHIEF EXECUTIVE OFFICER

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VICE CHAIRMAN AND DIRECTOR

Robina Y. Gokongwei-Pe
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Faith Y. Gokongwei-Lim
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Atty. Gilbert S. Millado, Jr.
ASSISTANT CORPORATE SECRETARY
AND GENERAL COUNSEL

Katheryn T. Lim
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AND TREASURER

Justiniano S. Gadia
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ROBINSONS SUPERMARKET

Johnson T. Go
GENERAL MANAGER
ROBINSONS DEPARTMENT STORE

Wilfred T. Co
VICE CHAIRMAN
HANDYMAN DO IT BEST
AND TRUE VALUE

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

Roena P. Sarte
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GENERAL MANAGER
ROBINSONS SPECIALTY STORES

Celina N. Chua
GENERAL MANAGER
TOYS "R" US

Katherine Michelle Yu
GENERAL MANAGER
DAISO JAPAN AND
HOWARDS STORAGE WORLD

Dahlia T. Dy
MANAGING DIRECTOR
SOUTH STAR DRUG, INC.

Manuel T. Dy
VICE PRESIDENT
SOUTH STAR DRUG, INC.

Paz Regina A. Salgado
HEAD OF BUSINESS CENTER

Thelma Teresa Roxas-Jacob
HEAD OF CUSTOMER RELATIONSHIP
MANAGEMENT

Cecil Bien M. Sebastian
GENERAL MANAGER
ROBINSONS GOURMET
FOOD AND BEVERAGES, INC.

Mark O. Tansiongkun
VICE PRESIDENT
PROCUREMENT AND ADMINISTRATION

Cesar T. Solomon, Jr.
VICE PRESIDENT
INFORMATION SYSTEMS

Ma. Luisa Guidote-Vargas
VICE PRESIDENT
HUMAN RESOURCES

Mariano C. Joaquin, Jr.
VICE PRESIDENT
BUSINESS DEVELOPMENT

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

FINANCIAL STATEMENTS

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (formerly Robinsons Holdings, Inc. and Subsidiaries), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

SYCIP GORRES VELAYO & CO.

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

April 7, 2014

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Robinsons Holdings, Inc. and Subsidiaries)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Robinsons Holdings, Inc. and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company is 35.49% owned by JE Holdings, Inc., 34.1% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

The registered office address and principal place of business of the Parent Company is at 110 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

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

2. Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Group's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

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

Statement of Compliance

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

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

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

	2013		2012		2011	
	Percentage of Ownership					
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinsons, Inc. (RI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	**100.00%**	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	–	**51.00%**	–	51.00%	–	51.00%
Robinsons Distribution Center, Inc. (RDCI)	–	–	–	–	–	100.00%
SSDI	–	**45.00%**	–	45.00%	–	–
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	**100.00%**	–	–	–	–
Robinsons Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Angeles Supercenter, Inc. (ASI)	–	**67.00%**	–	67.00%	–	67.00%
Eurogrocer Corp. (EC)	–	**100.00%**	–	–	–	–
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%	–	67.00%
SSDI	–	**45.00%**	–	45.00%	–	–
Robinsons Handyman, Inc. (RHMI)	–	**55.00%**	–	55.00%	–	55.00%
Handyman Express Mart, Inc. (HEMI)	–	**65.00%**	–	65.00%	–	65.00%
Waltermart Handyman, Inc. (WHI)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**66.67%**	–	66.67%	–	66.67%
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–	90.00%	–
RHD Daiso-Saizen (RHDDS)	**59.40%**	–	59.40%	–	81.00%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	–	–	–	–
RRHI Management and Consulting, Inc.	**100.00%**	–	–	–	–	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	–	–	–	–
RRHI Trademarks Management, Inc.	**100.00%**	–	–	–	–	–

All subsidiaries were incorporated in the Philippines.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Changes in Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

Restatement in Prior Year's Consolidated Financial Statements

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

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

As at January 1, 2012

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

As at December 31, 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Future Changes in Accounting Policies

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

Effective 2014

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

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

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

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

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

Effective 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

Interest income
Interest on cash, cash equivalents and short-term cash investments is recognized as the interest accrues using the effective interest method.

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

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

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

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

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

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

Determination of fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

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

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

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

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

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

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

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

When the security is disposed of, the cumulative gain or loss previously recognized in the consolidated statement of changes in equity is recognized in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; thus, the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial liability

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

Embedded Derivative

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

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

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

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

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

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

Merchandise Inventories
Merchandise inventories are stated at the lower of cost or net realizable value (NRV). Cost is determined using the retail inventory method. Under the retail inventory method, which approximates the lower of cost or NRV, inventory is valued by applying a cost-to-retail ratio to the ending retail value of inventory. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statement of comprehensive income.

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

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

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

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

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

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

Business Combination and Goodwill
PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

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

Property and Equipment

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

Construction in-progress are transferred to the related 'Property and equipment' account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter. The EUL of property and equipment are as follows:

	Years
Leasehold improvements	10
Store furniture and fixtures	10
Office furniture and fixtures	10
Transportation equipment	10
Building and other equipment	20
Computer equipment	10

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

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

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

Intangible Assets

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

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

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

License

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

Trademark

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

Impairment of Nonfinancial Assets

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

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

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

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

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

Such reversal is recognized in the consolidated statement of comprehensive income.

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

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

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

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

Pension 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. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

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

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

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

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

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

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

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

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 19). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Retained Earnings

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

Treasury Shares

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

Leases

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

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

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

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

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing and Exchange Corp. (PDEX) closing rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

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

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on EPS.

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2013, 2012 and 2011 (Note 27).

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

Allowance for impairment losses on trade and other receivables
The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the debtor, the debtor's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

The related balances follow (Note 10):

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

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

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

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

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

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

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

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

The related balances follow (Notes 13 and 22):

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

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

The Group estimates the recoverable amount as the higher of the fair value les cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect property and equipment, investment in an associate and intangible assets.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2013 and 2012, no indicators of impairment exist for property and equipment, investment in an associate and intangible assets.

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

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

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

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

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

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

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

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces

deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable profit against which recognized deferred tax assets will be realized.

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

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

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

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

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

6. Operating Segment

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

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

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

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

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

The Group derives its revenue from the following reportable units:

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

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

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

- *Convenience Store Division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug Store Division*
  South Star Drug Store offers over a thousand brands from food and pharmaceuticals to personal care products.

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

2013

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

2012

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

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

2011

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

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

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

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

Capital expenditures consist of additions to property and equipment.

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

7. Cash and Cash Equivalents

This account consists of:

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

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.25% to 3.88%, 1.20% to 4.75% and 1.50% to 8.00% in 2013, 2012 and 2011, respectively.

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

8. Short-Term Investments

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

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

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

9. Available-for-Sale Financial Assets

This account consists of investment in equity securities as follows:

Movements in AFS financial assets follow:

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

The disposal represents sale of shares in stock.

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

10. Trade and Other Receivables

This account consists of:

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

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

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

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

The movement in the allowance for doubtful accounts follows:

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

11. Merchandise Inventories

This account consists of:

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

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

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

There are no merchandise inventories pledged as security for liabilities.

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

12. Other Current Assets

This account consists of:

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

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

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

13. Property and Equipment

The rollforward analysis of this account follows:

2013

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

2012

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

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

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

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

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

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

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

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

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

14. Investments in Shares of Stock

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

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

The preferred stock has the following features:

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

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

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

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

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

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

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

The Group has 40% ownership in RBC.

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

Financial information of RBC follows:

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

The consolidated statement of comprehensive income follows:

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

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

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

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

15. **Intangible Assets**

This account consists of:

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

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

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

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

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

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

Acquisition of trademark by RSSI to secure a franchise/license
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121,212,122. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12,121,212 for the year ended December 31, 2013 (Note 22). No amortization expense was recognized in 2012 and 2011.

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

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

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

16. Other Noncurrent Assets

This account consists of:

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

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

Others include franchises to carry various global brands.

17. Trade and Other Payables

This account consists of:

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

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

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

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

Others consist of taxes and licenses payable and salaries payable.

18. **Loans Payable**

The rollforward analysis of this account follows:

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

The loans were obtained by the following:

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

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

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

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

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

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

19. Equity

Capital Stock
The details of this account follows:

	2013		2012		2011	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱500,000,000	500,000,000	₱500,000,000	500,000,000
Issued shares	**1,385,000,000**	**1,385,000,000**	415,000,000	415,000,000	415,000,000	214,285,714
Treasury shares	**(1,100,373,100)**	**(18,971,950)**	–	–	–	–

The rollforward of issued shares account follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Management
The primary objective of the Group's capital management policy is to ensure that it maintains a healthy capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013, 2012 and 2011.

The Group considers its equity as follows:

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

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

20. Business Combinations

Acquisition of SSDI

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

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

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

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

(Forward)

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

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

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

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

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

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

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

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

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

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

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

21. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores. Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱1,532,430,214, ₱1,326,345,166 and ₱1,037,823,229 in 2013, 2012 and 2011, respectively.

22. Operating Expenses

This account consists of:

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

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

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

23. **Personnel Costs and Contracted Services**

This account consists of:

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

24. **Employee Benefits**

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

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

Pension expense

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

Net pension liabilities

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

Remeasurement effects recognized in OCI

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

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

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

Movements in the fair value of plan assets follow:

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

Changes in the present value of defined benefit obligation follow:

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

Amounts of the current and previous periods follow:

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

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

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

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

The distribution of the plan assets at year end follows:

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

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

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant.

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

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Metrobank's current strategic investment strategy consists of 4% of debt instruments, 5% of equity instruments, and 11% for cash and receivables. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

Salaries, allowances and benefits (Note 23):

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

25. Related Party Disclosures

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

Significant Related Party Transactions

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

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

2013

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

2012

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

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

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

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

2011

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

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

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2012, 2011 and 2010. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

26. **Income Tax**

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

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

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

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

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

Details of the Group's NOLCO follows:

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

Details of the Group's MCIT follow:

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

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

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

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

27. **Earnings Per Share**

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

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

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

28. **Risk Management and Financial Instruments**

Governance Framework
The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The BOD approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets and specify reporting requirements.

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

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

**Includes current portion*

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

The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk, foreign currency risk and equity price risk. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Fair Value Hierarchy

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

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

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

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

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

Financial Risk

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

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

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and operations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2013, 2012 and 2011 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

2013

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

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

2012

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

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

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

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.
The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

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

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

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

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

[1] The exchange rate used was ₱44.39 to US$1.

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

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

Sensitivity analysis

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

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

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

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

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

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

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

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

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

29. **Lease Commitments**

Group as lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to fifteen (15) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense for the years ended December 31, 2013, 2012 and 2011amounted to ₱3,155,378,453, ₱2,745,120,983 and ₱2,453,423,425, respectively (Notes 22 and 25).

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

30. Agreements

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

a) The Group has exclusive right to use the Ministop System in the Philippines was granted to the Group by Ministop Co. Ltd., a corporation organized in Japan. In accordance with the franchise agreement, the Group agrees to pay, among others, royalties to Ministop based on a certain percentage of gross profit.

   Royalty expense amounted to ₱52,538,597, ₱35,160,595 and ₱31,055,970 in 2013, 2012 and 2011, respectively (Note 17). Royalty payable to Ministop included under “Nontrade payable” as of December 31, 2013, 2012 and 2011 amounted to ₱1,078,033,467, ₱35,160,595 and ₱31,055,970, respectively (Note 17).

b) The Group has franchise/lease agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty fee amounted to ₱941,336,384, ₱770,401,722 and ₱726,872,539 in 2013, 2012 and 2011, respectively (Note 29).

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

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

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

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

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

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

31. **Contingencies**

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

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

32. **Subsequent Events**

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

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

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

33. **Approval of the Consolidated Financial Statements**

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

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221 GPL (Grepalife) Building
Sen. Gil Puyat Avenue
Makati City, Philippines

ON THE BACK COVER

(LEFT TO RIGHT, TOP TO BOTTOM)

Guntacker from True Value; Ukulele toy from Toys "R" Us; Soap dispenser with sponge holder from Howards Storage World; Digital camera from Robinsons Appliances; Medicine capsule from South Star Drug; Pouch from Robinsons Department Store; Perfume from Robinsons Department Store; Throw pillow from Robinsons Department Store; Necktie from G2000; Strawberry shaped lunch box from Daiso Japan; Juicer from Robinsons Appliances; Watermelon from Robinsons Supermarket; Nail polish from Robinsons Department Store; Robot toy from Toys "R" Us; Kokeshi doll from Daiso Japan; Hotdog sandwich from Ministop; Battery operated lamp from True Value; Backpack from Robinsons Department Store