COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

COMPANY NAME

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
30	Last Thursday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mylene A. Kasiban	Mylene.Kasiban@robinsonsretail.ph	635-0751 local 214	0998 840 4227

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

Securities and Exchange Commission
Electronic Records Management Division
5 APR 16 2018
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
I C T D

1. For the fiscal year ended ....31 December 2017

2. SEC Identification Number A200201756

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

4. Exact name of issuer as specified in its charter ....

   ROBINSONS RETAIL HOLDINGS, INC.

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

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

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

   1605
   Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	1,385,000,000

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

    Yes [/] No [ ]

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

12. Check whether the issuer:

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

Yes [/]   No [ ]

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

Yes [/]   No [ ]

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

Shares Held by Non-Affiliates as of December 31, 2017	Market Value per Share as of March 31, 2018	Total Market Value
520,065,500 shares	89.30	₱46,441,849,150

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

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

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

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Business Development

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

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

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

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

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

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

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

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

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

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

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

Acquisitions by RRHI's subsidiaries

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

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

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

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

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

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

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

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

In December 2013, Robinsons Specialty Stores, Inc. acquired the assets of Beauty Skinnovations Retail, Inc., which operates eight Shiseido stores and two Benefit stores. The acquisition includes the right to sell Shiseido and Benefit cosmetics under the distribution agreement with Luxasia, Inc. and L Beauty Luxury Asia, Inc.

In September 2013, Robinsons Supermarket Corporation, a subsidiary, acquired 100% ownership of Eurogrocer Corp. (EC), the operator of a six-store supermarket chain in Northern Luzon. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and EC wherein the former is the surviving corporation.

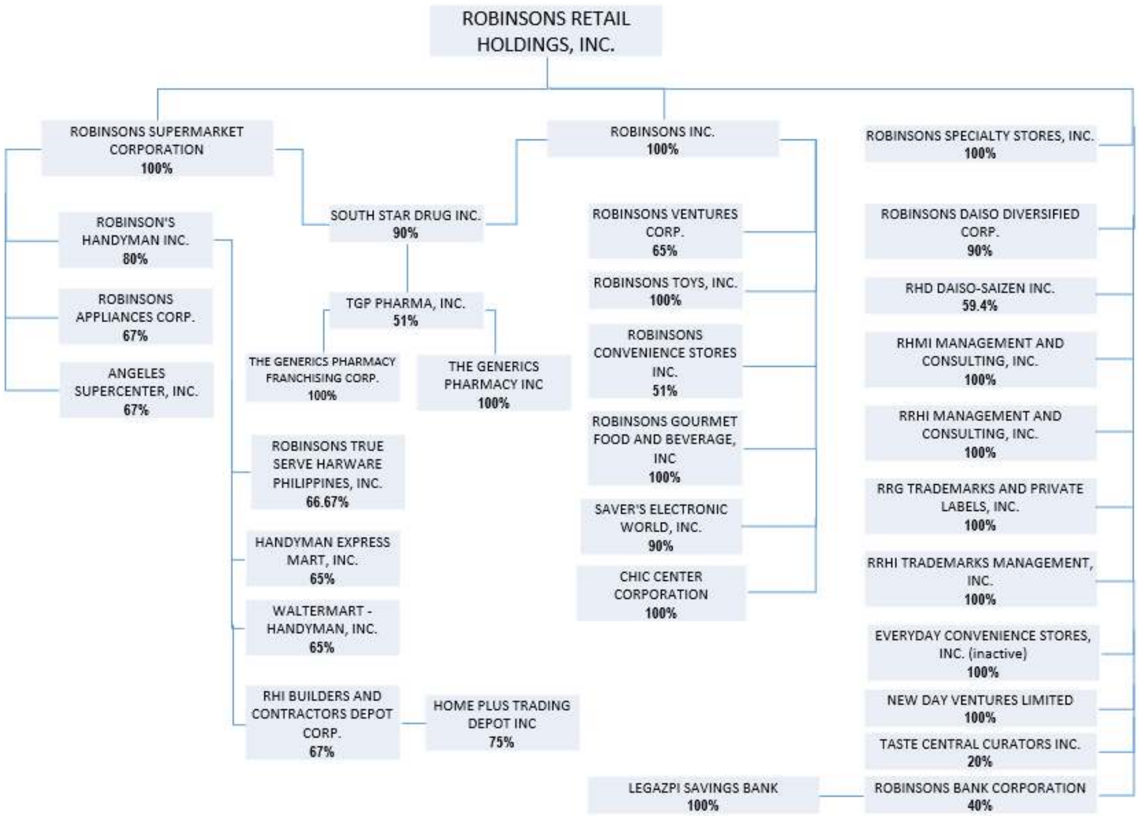
The percentage contribution to the Company's revenues for each of the three years ended December 2015, 2016, and 2017 by each of the Company's business segments after elimination are as follows:

	For the years ended December 31		
	2015	2016	2017
Supermarket	47.6%	46.0%	45.4%
Department store	16.4%	15.0%	14.0%
Hardware	10.9%	10.6%	10.7%
Convenience store	6.0%	5.4%	5.0%
Drug store*	8.9%	11.3%	12.6%
Specialty segment	10.2%	11.7%	12.3%

The Company ended 2017 with 1,718 stores with total gross floor area of 1,149,511 square meters.

(B) Business of Issuer

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



(a) Description of the Registrant

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

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

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

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including Beauty and Personal Care), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others. RDS is focused on catering to middle-income customers and approximately 92.0% of Robinsons Department Stores' sales for 2017 are on consignment basis.

- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines and the recently acquired big box hardware A.M. Builders' Depot/Robinsons Builders/Home Plus. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products; True Value positioned as an up market lifestyle home center; and A.M. Builders' Depot/Robinsons Builders/Home Plus focused on home builders. In 2017, around 63% of DIY store segment revenue was derived from sales of consigned merchandise.

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

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

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

  The Company, as of end of 2017 has 1,718 stores, consisting of 154 supermarkets, 49 department stores, 193 DIY stores, 496 convenience stores, 484 drug stores and 342 specialty stores. This excludes 2,015 TGP franchised stores and 3,000 distribution outlets of Chic Centre. Of the total stores, 706 of these stores are located in Metro Manila, another 738 located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

(ii) **Significant Subsidiaries.** As of December 31, 2017, Robinsons Retail Holdings, Inc. (RRHI) has twelve wholly-owned subsidiaries and seventeen partly-owned subsidiaries in which RRHI's ownership allows it to exercise control, all of which are consolidated with the Group's financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. ***Robinsons Convenience Stores, Inc.*** Robinsons Convenience Stores, Inc. (RCSI) was registered with the SEC on March 15, 2000. Its primary purpose is to engage in the business of acquiring and granting licenses and/or rights to proprietary marks, trademarks, trade names, patents, copyrights, know-how, technology, processes, methods, techniques, devises, systems and the like. The Company is also engaged in the business of trading of goods, such as food and non-food, on a wholesale basis. RCSI is 51% owned by RI.

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

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

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

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

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

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

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

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

23. ***RHMI Management and Consulting, Inc.*** RHMI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2017, the Company has not yet started commercial operations.

24. ***RRHI Management and Consulting, Inc.*** RRHI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2017, the Company has not yet started commercial operations.

25. ***RRG Trademarks and Private Labels, Inc.*** RRG Trademarks and Private Labels, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2017, the Company has not yet started commercial operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Supermarkets.* The Philippine food retail market has become increasingly competitive in recent years. Robinsons Supermarket primarily competes with modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, store ambiance, presentation, price, supply chain and additional benefits such as loyalty programs. Main competitors as of 2017 are SM Retail, Rustan's/Dairy Farm Group, Puregold Price Club and Metro Retail Stores Group. Similar to Robinsons Supermarket, these retail chains have an established presence in the Philippines and continue to open supermarkets in the same cities, and often in the same neighborhoods where the Company has opened or intend to open its supermarkets.

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

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

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

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

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

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

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

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

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

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

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

International Fashion Specialty Retail. The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. H&M, Fast Retailing Philippines, Inc. (Uniqlo), Forever Agape and Glory, Inc. (Forever 21), Stores Specialists, Inc. (Zara, Gap, etc) and Suyen Corporation (Cotton On, American Eagle Outfitters, etc) are the major competitors of the Company's high-street fashion retail business.

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

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

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

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

Supermarkets. With over 2,000 regular suppliers as of 2017, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and Universal Robina Corporation (URC) and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 24.4%, 27.8% and 27.6% of the net sales in 2015, 2016 and 2017, respectively

Department Stores. For outright sales, Robinson Department Store sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of beauty and personal care, household merchandise and children's apparel. RDS' outright sales include a private label named Essentials that carries paper products. It has also strengthened sourcing for home and children's departments, thus adding more offerings to customers. As of 2017, Unilever, L'Oreal, Mondelez Phils., Procter & Gamble, Brandlines (Nivea) and Johnson & Johnson were some of RDS' largest outright sales suppliers.

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

Convenience Stores. To effectively satisfy customer preferences, the Company has established working relationships with over 200 regular suppliers as of 2017. The supplier base is diversified from large local suppliers such as Globe, URC and San Miguel Corp; smaller local suppliers for Ministop's ready-to-eat and private label products; to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop selects its suppliers using a number of criteria, including customer preferences, suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

Drug Stores. South Star Drug sources pharmaceutical products from over 380 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, GSK, Abbot Nutrition, Boehringer, Intermed Marketing and Sanofi. SSD's top five largest pharmaceutical suppliers accounted for 30.8% of the total purchases in 2017 and 31.0% in 2016 and 31.0% in 2015. The Company only accepts products which are FDA-certified in the Philippines and ensures that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 300 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

The Generics Pharmacy. TGP sources generic and branded medicines from established distributors and toll-manufacturers that produce private label generic medicines for the Company. TGP selects its partners using a number of criteria, including quality, affordability and capacity to serve the Company's demands. All products are FDA-certified in the Philippines to ensure that the medicines are compliant with the prescribed standards of the regulatory agency. As of 2017, Eurohealth Group of Companies, Sandoz Philippines, Kylemed Group of Companies and Zuellig Pharma were among TGP's largest suppliers.

Specialty stores.

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

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

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

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

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

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

(viii) **Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 13.0% of consolidated net sales in 2017, 12.90% in 2016, and 11.9% in 2015. The Company does not rely a single or few customers but to the buying public in general.

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

The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2016.

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

Following are the marks of the subsidiaries of RRHI as of December 31, 2017:

Supermarket Trademarks

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

Department Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS DEPARTMENT STORE	
2. EXECUTIVE BY ROBINSONS	
3. PLAYGROUND	
4. PORTSIDE	
5. NITELITES	
6. BRIDGET`S CLOSET	

7. HOME ESSENTIALS
8. ESSENTIALS
9. B+ACTIVE
10. ALL ABOUT KIDS
11. RAFAEL
12. GRAB A TEE
13. NEVER BEEN KISSED
14. JUMPING BEANS
15. DAZED & CONFUSED
16. SIMPLY ME
17. PUNKBERRY
18. PRIVILEGED
19. HIP ACTIVE WEAR
20. FELICITY
21. SUN KISSED
22. MARJOLAINE
23. LIBERTE
24. STELLA
25. TED MOSS
26. VANITY
27. ICANDY
28. PORTSIDE ACTIVE
29. MALEBOX

30. BELLA
31. BOTTOMS UP
32. WORKSHOP
33. JULIA

DIY Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS HANDYMAN	
2. THUNDER	
3. HIGH GEAR	
4. WISHY WASHY	
5. BOW WOW	
6. SUPER CHOW	
7. BATH BASICS	
8. ROBINSONS BUILDERS	
9. TRUE HOME	
10. BIANCA	
11. BLANCO	
12. BON GIORNO	
13. HOME PLUS TRADING DEPOT	
14. A.M BUILDERS DEPOT	
15. ICONO	

16. ICONO PREMIO
17. ICONO CLASSICO
18. IMAGO

Convenience Store Trademarks

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

Drug Store Trademarks

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

Specialty Store Trademarks

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

Others

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

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

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

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

(xiii) Research and Development

None during the year.

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

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

(xv) Employees. As of December 31, 2017, the Group had 15,199 employees. The following table sets out certain details of the Company's employees by business segment, as follows:

Supermarket…………………………	5,189
Department stores……………………	1,727
DIY stores……………………………	1,876
Convenience stores…………………...	345
Drug stores……………………………	3,625
Specialty stores………………………	2,437

The Company anticipates that it will have approximately 18,499 employees within the next 12 months for the planned store openings in 2018. The Company's management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

(xvi) Risks

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

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

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

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

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

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

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

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

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

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

Region	Rental Scheme	Lease Rate	Term
Metro Manila	Fixed	P100 to P5,793per sqm	1-20 years
	% to sales	2.0% to 7.2% of sales	1-20 years
	Fixed or % to sales, whichever is higher	P220 to P2,335 per sqm or 1.5% to 6% of sales	1-20 years
	Fixed plus % to sales	P260 to P3,322 per sqm plus 1.5% to 6% of sales	1-20 years
Luzon (outside Metro Manila)	Fixed	P49.87 to P2,132 per sqm	1-25 years
	% to sales	2.0% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P110 to P680 per sqm or 3.0% to 6% of sales	1-25 years
	Fixed plus % to Sales	P100 to P3,020 per sqm plus 2% to 6% of sales	1-5 years
Visayas	Fixed	P57.57 to P1,405 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-5 years
	Fixed or % to sales, whichever is higher	P300 to P1,067 per sqm or 2.0% to 6% of sales	1-3 years
	Fixed plus % to Sales	P300 to P1,980 per sqm plus 1.5% to 6.0% of sales	1-5 years
Mindanao	Fixed	P151 to P2,563 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P554 to P1,067 per sqm or 2% to 3% of sales	1-10 years
	Fixed plus % to sales	P300 to P990 per sqm plus 1.5% to 4% of sales	1-5 years

Supermarket. The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2017.

	No. of stores	Gross Selling Area in sqm
Metro Manila	52	128,995
Luzon	67	173,320
Visayas	22	61,993
Mindanao	13	42,900
Total	**154**	**407,208**

Department stores. The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2017.

	No. of stores	Gross Selling Area in sqm
Metro Manila	13	122,262
Luzon	19	110,933
Visayas	9	68,993
Mindanao	8	54,605
Total	**49**	**356,793**

DIY Stores. The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2017, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	54	50,896
Luzon	82	57,292
Visayas	37	38,758
Mindanao	20	23,724
Total	**193**	**170,670**

Convenience Stores. The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2017, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	319	31,345
Luzon	150	15,156
Visayas	27	2,231
Mindanao	-	-
Total	**496**	**48,732**

Drug Stores. The following table sets out the number of South Star Drug stores by region as December 31, 2017, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	121	9,549
Luzon	299	32,420
Visayas	40	2,793
Mindanao	24	1,720
Total	**484**	**46,482**

Specialty Stores. The following table sets out the number of stores of *Robinsons Appliances and Savers Appliances* stores, *Toys "R" Us* stores (including the *Toy "R" Us Toybox* sections located in RDS stores), *Daiso Japan* stores, international fashion specialty retail and beauty brand formats, and Costa Coffee Stores as of December 31, 2017, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	146	49,837
Luzon	121	54,190
Visayas	47	16,869
Mindanao	28	9,734
Total	**342**	**130,631**

Item 3. Legal Proceedings. As of December 31, 2017, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

STOCK PRICES
2018

	High	Low
January 2018	₱101.80	₱93.00
February 2018	96.95	92.00
March 2018	94.90	83.80

2017

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

2016

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

2015

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

2014

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

(B) Holders

The number of shareholders of record as of December 31, 2017 was 31. Common shares outstanding as of December 31, 2017 were 1,385,000,000.

List of Top 20 stockholders as of December 31, 2017

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	484,749,997	35.00%
2. PCD Nominee Corporation (Non-Filipino)	328,124,141	23.70%
3. PCD Nominee Corporation (Filipino)	154,488,906	11.15%
4. Lance Y. Gokongwei	126,727,500	9.15%
5. Robina Y. Gokongwei-Pe	105,952,500	7.65%
6. Lisa Y. Gokongwei-Cheng	35,317,500	2.55%
6. Faith Y. Gokongwei-Lim	35,317,500	2.55%
6. Marcia Y. Gokongwei	35,317,500	2.55%
7. Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	2.55%
8. James L. Go	35,000,000	2.53%
9. James Lim Go	6,550,000	0.47%
10. Wilfred T. Co	2,027,936	0.15%
11. Lucio W. Yan &/or Clara Y. Yan	100,000	0.00%
12. Pacifico B. Tacub	2,000	0.00%
12. Stephen T. Teo &/or Teresita R. Teo	2,000	0.00%
13. Vicente Piccio Mercado	1,000	0.00%
13. John T. Lao	1,000	0.00%
13. David L. Kho	1,000	0.00%
13. Miguel P. Guerrero or Alice T. Guerrero	1,000	0.00%
14. Maria Lourdes Medroso Mercado	600	0.00%
15. Julius Victor Emmanuel D. Sanvictores	100	0.00%
15. Hector A. Sanvictores	100	0.00%
15. Felicitas F. Tacub	100	0.00%
15. Christine F. Herrera	100	0.00%
16. Dondi Ron R. Limgenco	11	0.00%
17. Owen Nathaniel S. Au ITF: Li Marcus Au	5	0.00%
18. John L. Gokongwei, Jr.	1	0.00%
18. Hope Y. Gokongwei-Tang	1	0.00%
18. Antonio L. Go	1	0.00%
18. Roberto R. Romulo	1	0.00%
18. Joselito T. Bautista	1	0.00%
Total Outstanding	1,385,000,000	100.00%

(C) Dividends

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

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

On July 16, 2015, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.51 per share from the unrestricted retained earnings of the Company as of December 31, 2014 to all stockholders of record as of August 7, 2015 and payable on September 4, 2015.

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

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

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

December 31, 2017 vs December 31, 2016

Consolidated Results of Operations
(Amounts in Million Pesos)

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

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

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

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

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

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

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

Segment Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Position

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

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

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

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

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

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

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

December 31, 2016 vs December 31, 2015

Consolidated Results of Operations
(Amounts in Million Pesos)

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

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

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

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

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

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

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

Segment Operations

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

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

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

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

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

Despite the strong sales growth from existing stores, the over-all profitability of RDS was greatly affected by the underperformance of the new stores in Cebu and Tagum. The resulting EBIT (earnings before interests and taxes) of RDS for 2016 is lower at ₱839 million as against ₱919 million for 2015. RDS' EBITDA also went down to ₱1,139 million this year as compared to ₱1,153 million last year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Position

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

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

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

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

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

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

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

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

December 31, 2015 vs December 31, 2014

Consolidated Results of Operations
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income of ₱4,577 million for the twelve months ended December 31, 2015, an increase of 16.4% as compared to ₱3,933 million for the twelve months ended December 31, 2014. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,342 million for the twelve months ended December 31, 2015, an increase of 21.9% as compared to ₱3,561 million for the twelve months ended December 31, 2014.

Consolidated revenues increased by 13.0% from ₱80,401 million for the twelve months ended December 31, 2014 to ₱90,883 million for the twelve months ended December 31, 2015. The robust revenue growth was largely due to increase in sales volume from the 179 new stores that were added this year, the full year sales contribution of the stores that opened in 2014 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,433 million to ₱1,862 million or a 30% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2015 amounted to ₱19,749 million, 13.3% higher than ₱17,429 million for the twelve months ended December 31, 2014. The increase was on the back of higher sales and vendor discounts.

Operating expenses grew by 17.4% from ₱14,375 million to ₱16,883 million for the twelve months ended December 31, 2015 due to higher rent and utilities expenses and the accelerated store network expansion.
Earnings before interests and taxes (EBIT) grew by 5.4% from ₱4,487 million to ₱4,729 million for the twelve months ended December 31, 2015. As a percentage of sales, EBIT is at 5.2% this year as against 5.6% last year.

Other income and charges increased by 53% from ₱732 million to ₱1,119 million for the twelve months ended December 31, 2015 primarily due to the increase in interest income as a result of acquisition of AFS financial assets during the year which earned a total of ₱729 million interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 10.6% from ₱5,768 million for the twelve months ended December 31, 2014 to ₱6,376 million for the twelve months ended December 31, 2015.

Segment Operations

(i) ***Supermarket.*** Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA in 2015. Supermarket registered net sales ₱43,239 million for the twelve months ended December 31, 2015, a lift of 10.3% from ₱39,199 million of the same period last year. The growth was driven by the store expansion this year with addition of 13 new stores to 124 stores coupled with strong performance of existing stores.

Cost of sales grew by 10.0% from P31,836 million in 2014 to ₱35,036 million in 2015. As a result, gross margin expanded to ₱8,203 million, 11.4% higher than last year's ₱7,362 million. The improvement was due to the increasing scale which gives Supermarket a leverage in negotiating for higher discounts. As a percentage to sales, gross margin was at 19.0% this year against 18.8% last year.

After keeping our operating expenses steady at 14.0% of sales in 2015, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱2,380 million for the twelve months ended December 31, 2015, 11.8% growth from ₱2,129 million in the same period last year. Consequently, EBITDA expanded by 12.9% to ₱3,009 million for the twelve months of 2015 against ₱2,664 million for the same period in 2014. As a percentage to sales, EBITDA stood at 7.0% in 2015 against 6.8% in 2014.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) completed the year 2015 with sales of ₱14,906 million, realizing growth of 8.5% from ₱13,738 million for the same period last year. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new and re-launched stores. RDS opened a store in RP Maxilom Cebu in December 2015.

RDS' cost of sales amounted to ₱10,975 million for the twelve months ended December 31, 2015, relatively increasing with sales at 8.3% from ₱10,132 million for the same period last year. As a result, gross profit amounted to ₱3,931 million for 2015 while last year's was at ₱3,607 million. The 8.9% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Owing to higher sales, RDS was able to generate EBIT (earnings before interests and taxes) of ₱923 million for the twelve months ended December 31, 2015 representing 4.8% increase against P881 million in the same period last year. RDS' EBITDA grew at a faster clip of 9.6% YOY to P1,157 million for the year 2015 from ₱1,056 million in 2014.

(iii) ***Convenience Stores.*** Convenience stores segment registered a systemwide sales and merchandise sales of ₱7,961 million and ₱5,493 million, respectively for the twelve months ended December 31, 2015, a 18.6% and 19.0% growth from ₱6,711 million and ₱4,615 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from ₱1,544 million this year to ₱1,170 million last year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱784 million or 18.7%, to ₱4,966 million for the twelve months ended December 31, 2015 from ₱4,182 million in 2014 due to higher sales volume. Gross margin increased from 9.4% last year to 9.6% this year on increasing scale. Convenience stores recorded an EBIT of ₱8 million this year versus last year's P85 million.

EBITDA generated for the twelve months ended December 31, 2015 was ₱271 million, 6.2% lower than the P289 million recorded in the same period last year.

(iv) ***Drug Stores.*** The drug store segment registered net sales of ₱8,070 Million as of December 31, 2015, representing a growth of 14.3% from last year's net sales of ₱7,061 Million. The growth was mainly driven by the strong same store sales growth of 3.3%, as well as the contribution of 47 new stores opened in 2015.

The segment's cost of sales as of December 31, 2015 reached ₱6,805 Million, representing an increase of 14.7% from the same period last year. Consequently, gross profit expanded by 12.1% from ₱1,129 Million in 2014 to ₱1,265 Million this year.

EBIT as of December 31, 2015 reached ₱311.0 Million, a 13.4% increase from last year. Likewise, EBITDA also grew by 16.2% from ₱321 Million in 2014 to ₱373 Million this year.

(v) ***DIY Stores.*** The DIY segment ended the year of 2015 with healthy increases in sales and gross profit. Net sales lifted by 15.9% from ₱8,521 million to ₱9,872 million for the year ended December 31, 2014 and December 31, 2015, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the five new store additions from period ended December 2014.

DIY's cost of sales grew by 15.7% from ₱5,880 million in 2014 to ₱6,805 million in 2015, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 16.1% to ₱3,067 million from ₱2,641 million for the year ended 2015. As a percentage to sales, gross profit was at 31.1% this year against 31.0% last year. However, operating expenses as a percentage to sales swelled by 1.7 percentage points from 21.8% to 23.5% because the sales of the new stores are still ramping-up.

Consequently, EBIT was down by 4.3% at ₱747 million for the year 2015 versus ₱781 million in the same period last year. Nonetheless, EBITDA showed a modest growth of 3.8% to ₱945 million for the year ended December 31, 2015 against ₱911 million for the same period in 2014.

(vi) ***Specialty Stores.*** The net sales of the Specialty Stores segment increased by 31.3% from ₱7,889 million to ₱10,359 million for the twelve months ended December 31, 2015. The higher net sales were attributed to sales contribution from the new stores. The Segment added 45 net new stores in 2015 including the 25 stores of Savers Appliance Depot through partnership with Savers Electronic World, Inc., bringing the store network to 288 by the end of December 2015.

The cost of merchandise sold of Specialty Stores segment increased by 34.7% from ₱5,642 million to ₱7,598 million in 2015. As a result, gross profit jump by 22.9% from ₱2,247 million in 2014 to ₱2,761 million in 2015.

For the twelve months ended December 31, 2015, the Specialty Stores segment generated an EBITDA of ₱635 million, an increase of 19.0% as compared to ₱533 million last year.

Financial Position

As of December 31, 2015, the Company's balance sheet showed consolidated assets of ₱65,160 million, which is 13.3% higher than the total consolidated assets of ₱57,495 million as of December 31, 2014.

Cash and cash equivalents significantly decreased from ₱9,970 million as of December 31, 2014 to ₱9,757 million as of December 31, 2015. Net cash generated from operating activities totaled ₱4,449 million. Net cash used in investing activities amounted to ₱6,835 million, ₱3,099 million of which were used to acquire properties and equipment and ₱1,359 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,172 million.

Trade and other receivables increased by 16.0% from ₱1,529 million to ₱1,774 as of December 31, 2015.

Goodwill increased from ₱1,355 million to ₱2,070 million due to the acquisition of Savers Electronic World, Inc.

Other noncurrent assets also increased from ₱1,216 million to ₱1,328 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,139 million to ₱14,796 million as of December 31, 2015.

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

Stockholder's equity grew from ₱41,237 million as of December 31, 2014 to ₱45,505 million as of December 31, 2015 due to higher net income during the period.

Material Changes in the 2017 Financial Statements (Increase/decrease of 5% or more versus 2016)

Consolidated Statements of Comprehensive Income-Year Ended December 31, 2017 versus year ended December 31, 2016

9.4% Increase in Sales
The robust revenue growth was largely due to increase in sales volume from the 140 new stores that were added this year, the full year sales contribution of the stores that opened in 2016 as well as strong same stores sales growth.

12.0% increase in Gross Profit
The increase in gross profit was on the back of higher sales and vendor discounts.

6.8% increase in royalty, rent and other income
Primarily due to higher royalty fee income of the convenience store segment.

10.7% increase in operating expenses
Primarily due to accelerated store network expansion.

92.7% decrease in foreign exchange gain
Primarily due to the decrease in foreign exchange rate between peso and dollar.

47.2% increase in interest expense
Increase during the year is due to loan availments during the year.

20.4% increase in equity in net earnings of an associate
Due to higher operating income of RBC.

15.8% increase in provision for income tax
Due to higher taxable income of the subsidiaries.

7.8% increase in net income
Largely due to increased income from operations as a result of new store openings and strong same store sales growth.

167.2% decrease in other comprehensive income
Primarily due to movements in remeasurement in pension liability and available-for-sale investments.

Consolidated Statements of Financial Position - December 31, 2017 versus December 31, 2016

14.5% increase in cash and cash equivalents
Primarily from operations and loans availed during the year.

12.4% increase in trade and other receivables
Due to increase in trade receivables relative to the growth of sales.

11.3% increase in merchandise inventories
Due to increased volume of inventories relative to the expansion of store network.

10.9% increase in other current assets
Due to increase in input value added tax.

8.3% increase in property and equipment
Due to the Group's continuing store expansion and renovation of existing stores.

22.5% increase in deferred tax asset-net
Primarily due to the benefit on tax from remeasurement on defined benefit plans and NOLCO.

8.9% increase in other noncurrent assets
Due to additional security deposit for new stores.

5.8% Trade and other payables
The increase pertains to purchases in relation to store expansions.

15.4% increase in income tax payable
Increase is due to increase in taxable income during the year.

11.1% decrease in Other current liabilities
decrease in other current liabilities is due to payments to concessionaires of deposits.

10.4% decrease in net retirement obligation
Primarily due to contributions to plan assets during the year.

17.8% decrease in other comprehensive income
decrease is due to movements in fair value of AFS.

20.4% increase in retained earnings
Movement is due to net income during the year, net of dividends declared.

25.4% increase in non-controlling interest in consolidated subsidiaries
Primarily due to non-controlling interest's share in net income.

Key Performance Indicators

A summary of RRHI's key performance indicators follows:

Key Performance Indicators	**2017**	**2016**	**2015**
	(in millions)		
Net sales	₱115,238	₱105,293	₱90,883
EBIT	6,305	5,493	4,729
EBITDA	8,378	7,531	6,376
Core Net Earnings	4,679	4,120	3,624
	Ratios		
Liquidity ratio:			
Current ratio	1.34	1.24	1.28
Profitability ratio:			
Gross profit margin	0.22	0.22	0.22
Debt to equity ratio	0.49	0.52	0.43
Asset to equity ratio	1.49	1.52	1.43
Interest rate coverage ratio	49.50	63.48	321.29

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

Key Performance Indicators

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

The Company pursued its efforts in converting the proceeds from its IPO into acquisition of investments and network expansion. The current ratio increased from 1.24 to 1.34 times in 2016 and 2017, respectively. The Company does not expect any liquidity problems that may arise in the near future.

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

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

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

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

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

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

Not Applicable

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

Not Applicable

Item 7. Financial Statements

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

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

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

(A) External Audit Fees and Services

Audit and Audit - Related Fees

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

	2017	2016	2015
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱6,721,068	₱6,359,160	₱5,813,695
Professional Fees related to the Initial Public Offering	None	None	None
Tax Fees	None	None	None
All Other Fees	317,625	288,750	None
Total	₱7,038,693	₱6,647,910	₱5,813,695

No other service was provided by external auditors to the Company for the calendar years 2017, 2016 and 2015.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

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

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

Name	Age	Position	Citizenship
John L. Gokongwei, Jr.	91	Director	Filipino
James L. Go	78	Vice Chairman	Filipino
Lance Y. Gokongwei	51	Chairman and Chief Executive Officer	Filipino
Robina Y. Gokongwei-Pe	56	President and Chief Operating Officer	Filipino
Lisa Y. Gokongwei-Cheng	49	Director	Filipino
Faith Y. Gokongwei-Lim	47	Director	Filipino
Hope Y. Gokongwei-Tang	47	Director	Filipino
Antonio L. Go*	77	Independent Director	Filipino
Roberto R. Romulo	79	Independent Director	Filipino

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

All of the above directors have served their respective offices since June 27, 2017. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

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

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

Name	Age	Position	Citizenship
Bach Johann M. Sebastian	56	Senior Vice President, Chief Strategy Officer and Compliance Officer	Filipino
Mylene A. Kasiban	48	Chief Financial Officer	Filipino
Graciela A. Banatao	42	Treasurer	Filipino
Gina R. Dipaling	53	Investor Relations Officer	Filipino
Rosalinda F. Rivera	47	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	44	Assistant Corporate Secretary and General Counsel	Filipino

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

John L. Gokongwei, Jr*., 91,* is a director of the Company and had been Chairman and Chief Executive Officer until his retirement in March 2016. He is also the Chairman Emeritus and a director of Robinson's Incorporated, Robinsons Convenience Stores, Inc., Robinsons Supermarket Corporation, Robinsons Specialty Stores, Inc., and Robinsons Toys, Inc. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

James L. Go, *78,* is the Vice Chairman of the Company. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

Lance Y. Gokongwei, *51*, is the Chairman and Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc., Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., and Robinsons True Serve Hardware Philippines, Inc. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the President and Chief Executive Officer of Universal Robina Corporation and Cebu Air, Inc. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is also the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation, and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Robina Y. Gokongwei-Pe, 56, is the President and Chief Operating Officer of the Company. She is a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a Trustee of the Gokongwei Brothers Foundation Inc. and the Immaculate Conception Academy Scholarship Fund. She was also a member of the University of the Philippines Centennial Commission and was a former Trustee of the Ramon Magsaysay Awards Foundation. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. Ms. Pe joined the group in 1984 as a management trainee. She is a daughter of Mr. John L. Gokongwei, Jr.

Lisa Y. Gokongwei-Cheng, 49, is a Director of the Company. She is also the President of Summit Media, Director and President of Summit Media Informatix Holdings, Inc. and General Manager of GBFI. She graduated from Ateneo de Manila University with a Bachelor of Arts degree (Communications) in 1990 and obtained a Master of Science degree (Journalism) from Columbia University in 1993. She is the daughter of Mr. John L. Gokongwei, Jr.

Faith Y. Gokongwei-Lim, 47, is a Director of the Company. She is currently the General Manager of Costa Coffee and was the Vice President- Merchandising for Ministop. She is also currently the General Manager of Chic Centre Corporation, a cosmetics business and also an official distributor of Universal Robina Corporation's slush and juice drinks. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She started out as a management trainee and has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

Hope Y. Gokongwei-Tang, 47, is a Director of the Company. She is also the General Manager of Robinsons Appliances, effective as of April 1, 2012. She had been with the Robinsons Department Store for 21 years, starting out management trainee. She then became Vice President of the merchandising department of the Department Store. Ms. Hope graduated from De La Salle University with a Bachelor of Arts degree (English Literature). She has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

Antonio L. Go, *77,* has been an independent director of the Company since July 4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Roberto R. Romulo, *79,* has been an independent director of the Company since July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc., PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

(i) Officers

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

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

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

Bach Johann M. Sebastian, 56, is Senior Vice President and Chief Strategy Officer of the Company. In addition, he is also Senior Vice President and Chief Strategy Officer of JG Summit Holdings Inc., Universal Robina Corporation, Robinsons Land Corporation and Cebu Air, Inc. Prior to joining JG Summit in 2002, he was Senior Vice President and Chief Corporate Strategist of RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received a Bachelor of Arts in Economics from the University of the Philippines in 1981, and a Master in Business Administration degree from the Asian Institute of Management in 1986.

Mylene A. Kasiban, 48, is the Chief Financial Officer (CFO) of the Company since May 2016. She has more than 15 years of experience as a CFO in country and regional capacities for multinational companies such as Mondelez, The Hershey Company and Johnson and Johnson. Mylene is a Certified Public Accountant and graduated Cum Laude with a Bachelor of Science in Accounting and Economics from St. Scholastica's College. She has a Masters in Business Administration from the University of Bath, UK and a Post Graduate Diploma in Financial Strategy from the Said Business School, University of Oxford.

Graciela A. Banatao, 42, is the Company Treasurer. She graduated Cum Laude with a Bachelors Degree in Accountancy from St. Paul University (Tuguegarao City) in 1996 and became a Certified Public Accountant in the same year. She started her career in Sycip, Gorres and Velayo (SGV) as account-in-charge in 1996 and has a total of 19 years experience in treasury and accounting from companies such as SGV, Questronix Corporation, Abbott Laboratories and Universal Robina Corporation. She joined the Robinsons Retail group in 2014.

Rosalinda F. Rivera, 47, is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. Prior to joining the Company, she was a Senior Associate at Puno and Puno Law Offices. She received a degree of Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law.

Atty. Gilbert S. Millado Jr., 44, is the General Counsel and Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

(B) Significant Employees

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

(C) Family Relationships

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

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

As of December 31, 2017, and to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers, in the past five years up to the date of this report: (i) have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

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

(A) Summary Compensation Table

The following table sets out the Company's chief operating officer and four most highly compensated senior officers for the last three years and projected for the ensuing year (2018).

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

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2018 are as follows:

ACTUAL

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

(B)

PROJECTED 2018 (in ₱ million)			
	Salaries	Bonuses	Total
President, managing director of SSDI, and general managers of Robinsons Supermarket and Robinsons Department Store named above	46.30	3.14	49.44
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	100.73	7.75	108.48

(C) Standard Arrangements

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

(D) Other Arrangements

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

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

Not applicable.

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

Not applicable.

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

(A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of December 31, 2017

As of December 31, 2017, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	484,749,997	35.00%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	328,124,141 (See note 3)	23.70%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	154,488,906	11.15%
Common	Lance Y. Gokongwei 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	126,727,500	9.15%
Common	Robina Y. Gokongwei-Pe 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	105,952,500	7.65%

Notes:

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

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and

3. introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares though his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

4. Out of the PCD Nominee Corporation account, "The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct." and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of December 31, 2017:

	No. of shares	% to Outstanding
The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct.	158,514,767	11.45%
Deutsche Bank Manila-Clients A/C	109,904,166	7.93%

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

(B) Security Ownership of Management as of December 31, 2017

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership Direct	Indirect	Citizenship	% to Total Outstanding
Named Executive Officers (Note 1)						
Common	1. Lance Y. Gokongwei	Director, Chairman and Chief Executive Officer	162,044,999 (Note 2)	-	Filipino	11.70%
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Operating Officer	105,952,500	-	Filipino	7.65%
	(Note: The "named executive officers" listed above are based on last year. Kindly confirm or update. Thank you.)					
	Sub-Total		267,997,499	-		19.35%
Other Directors and Executive Officers						
Common	3. James L. Go	Director and Vice Chairman	41,550,000	-	Filipino	3.00%
Common	4. John L. Gokongwei, Jr.	Director	1	-	Filipino	*
Common	5. Lisa Y. Gokongwei-Cheng	Director	35,317,500	-	Filipino	2.55%
Common	6. Faith Y. Gokongwei-Lim	Director	35,317,500	-	Filipino	2.55%
Common	7. Hope Y. Gokongwei-Tang	Director	1	-	Filipino	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President, Chief Strategy Officer and Compliance Officer	-	-	Filipino	-
-	11. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	12. Graciela A. Banatao	Treasurer	-	-	Filipino	-
-	13. Gina R. Dipaling	Investor Relations Officer	1,500	-	Filipino	-
-	14. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	15. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		112,187,004	-		8.10%
All directors and executive officers as a group unnamed			380,184,503	-		27.45%

Notes:
1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2017.
2. Sum of the shares in the name of "Lance Y. Gokongwei" for 126,727,500 shares and "Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 35,317,499 shares.

* less than 0.01%

(C) Voting Trust Holders of 5% or more - as of December 31, 2017

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

Changes in Control

As of December 31, 2017, there has been no change in the control of the Corporation since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

See Note 25 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Corporate Objectives

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

Dividend Policy

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

In 2017, Robinsons Retail Holdings, Inc. (RRHI) confirmed its compliance with its Corporate Governance Manual which contains relevant provisions of the Code of Corporate Governance. RRHI submitted the following documents in compliance with Securities and Exchange Commission and the Philippine Stock Exchange mandate:

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

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

PART V – EXHIBITS AND SCHEDULES

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

List of Corporate Disclosures / Replies to SEC letters
Under SEC Form 17-C
July 1, 2017 to December 31, 2017

Date of Disclosure	Description
September 20, 2017	It’s Business as Usual for Toys “R” Us Philippines
September 30, 2017	Robinsons Retail’s 9M2017 Core Net Income Up 12.9%
December 13, 2017	Robinsons Retail acquires 20% of Taste Central Curators Inc., operator of BeautyMNL e-commerce site

Item 15. Use of Proceeds from Initial Public Offering

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

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

For the year ended December 31, 2017, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱1,488,532,458
Renovation of existing stores	751,268,969
Repayment of bank loans	131,706,699
Other corporate purposes	214,525,148
Total	₱2,586,033,274

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon on March 23, 2018.

By:

LANCE Y. GOKONGWEI
Chairman of the Board and Chief Executive Officer

ROBINA Y. GOKONGWEI-PE
President and Chief Operating Officer

MYLENE A. KASIBAN
Chief Financial Officer

ROSALINDA F. RIVERA
Corporate Secretary

GRACIELA A. BANATAO
Treasurer

SUBSCRIBED AND SWORN to before me this _____ day of APR 06 2018 _____ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	TIN: 116-312-386		
Robina Y. Gokongwei-Pe	TIN: 139-634-860		
Mylene A. Kasiban	TIN: 127-019-194		
Rosalinda F. Rivera	SSS: 33-2484959-1		
Graciela A. Banatao	TIN: 907-401-098		

Notary Public

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S

I certify that on this date before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Proof of Identity	Place/Date of Issue
Lance Y. Gokongwei	DI No. N01-85-011251	
Robina Y. Gokongwei-Pe	UMID : 0003-7860984-5	
Mylene A. Kasiban	Passport: EC4475232	6-23-15/DFA Manila
Rosalinda F. Rivera	SSS: 33-2484959-1	
Graciela A. Banatao	DL No. D06-06-255881	

Who are personally known to me to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their respective principals..

Witness my hand and seal this 06 April 2018.

Doc. No. 441
Page No. 89
Book No. III
Series of 2018

ATTY. GILBERT S. MILLADO, JR.
Roll No. 45039
Notary Public
Until December 31, 2018
110 E. Rodriguez Jr. Ave., Bagumbayan Quezon City
PTR No. 5520430; January 3. 2018; Quezon City
IBP No. 020662; January 3, 2018; CALMANA
TIN 166-215-465 ,
Commission-Adm. No. 272 (2017-2018)
MCLE Compliance No. [illegible]

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

ROBINSONS RETAIL
HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for all information and representations contained in the financial statements for the years ended **December 31, 2017, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

Lance Y. Gokongwei
Chairman

Lance Y. Gokongwei
Chief Executive Officer

Robina Y. Gokongwei-Pe
President & Chief Operating Officer

Mylene A. Kasiban
Chief Financial Officer

Graciela A. Banatao
Treasurer

Signed this 23rd day of March 2018.

ROBINSONS RETAIL
HOLDINGS, INC.

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

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

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

Witness my hand and seal this ________ day of APR 1 3 2018 2018.

Doc. No. 474 ;
Page No. 95 ;
Book No. 111 ;
Series of 2018.

ATTY. GILBERT S. MILLADO, JR.
Roll No. 45039
Notary Public
Until December 31, 2018
110 E. Rodriguez Jr. Ave., Bagumbayan Quezon City
PTR No. 5520430; January 3, 2018; Quezon City
IBP No. 020662; January 3, 2018; CALMANA
TIN 166-215-465
Commission-Adm. No. 272 (2017-2018)
MCLE Compliance No. V-0014038

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

COMPANY NAME

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
30	Last Thursday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mylene A. Kasiban	Mylene.Kasiban@robinsonsretail.ph	635-0751 local 214	0998 840 4227

CONTACT PERSON's ADDRESS

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

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies*

SGV
Building a better
working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Existence and completeness of inventory

The Group's inventories comprise 18% of its total assets as of December 31, 2017, as disclosed in Note 9 of the consolidated financial statements. The Group has 1,719 company-owned stores and warehouses throughout the country as of December 31, 2017. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

Audit Response

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

Impairment assessment of trademarks and goodwill

As of December 31, 2017, the Group's trademarks and goodwill arising from business combinations amounted to ₱3.20 billion and ₱3.38 billion, respectively, which are considered significant to the consolidated financial statements. Under PFRS, the Group is required to annually test the amount of trademarks with indefinite useful lives and goodwill for impairment. The recoverability of trademarks and goodwill is considered a key audit matter as the balances of these assets are considered material to the consolidated financial statements. In addition, the management's assessment process requires significant judgment and is based on assumptions, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple. The Group's disclosures about trademarks and goodwill are included in Note 14 of the consolidated financial statements.

Audit Response

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

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31,2017, which are expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621276, January 9, 2018, Makati City

March 23, 2018

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

	Total Equity Attributable to Equity Holders of the Parent Company								
	For the Year Ended December 31, 2017								
					Retained Earnings				
	Capital Stock (Note 18)	**Additional Paid-in Capital** (Note 18)	**Other Comprehensive Income (Loss)** (Notes 11, 13, 18 and 23)	**Equity Reserve** (Note 18)	**Appropriated** (Note 18)	**Unappropriated** (Note 18)	**Total**	**Non-controlling Interest in Consolidated Subsidiaries** (Note 18)	**Total**
Balance at beginning of year	**₱1,385,000,000**	**₱27,227,385,090**	**₱352,393,412**	**(₱1,021,894,669)**	**₱15,262,852,847**	**₱4,381,691,262**	**₱47,587,427,942**	**₱2,978,117,087**	**₱50,565,545,029**
Net income	**–**	**–**	**–**	**–**	**–**	**4,978,039,066**	**4,978,039,066**	**621,314,312**	**5,599,353,378**
Other comprehensive loss	**–**	**–**	**(62,694,749)**	**–**	**–**		**(62,694,749)**	**1,735,426**	**(60,959,323)**
Total comprehensive income (loss)	**–**	**–**	**(62,694,749)**	**–**	**–**	**4,978,039,066**	**4,915,344,317**	**623,049,738**	**5,538,394,055**
Additional investment in a subsidiary (Notes 2, 18 and 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**490,000,000**	**490,000,000**
Dividends (Note 18)	**–**	**–**	**–**	**–**	**–**	**(969,500,000)**	**(969,500,000)**	**(357,800,000)**	**(1,327,300,000)**
Reversal of appropriation	**–**	**–**	**–**	**–**	**(50,000,000)**	**50,000,000**	**–**	**–**	**–**
Balance at end of year	**₱1,385,000,000**	**₱27,227,385,090**	**₱289,698,663**	**(₱1,021,894,669)**	**₱15,212,852,847**	**₱8,440,230,328**	**₱51,533,272,259**	**₱3,733,366,825**	**₱55,266,639,084**
	For the Year Ended December 31, 2016								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	₱251,829,138	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱43,523,764,526	₱1,981,511,324	₱45,505,275,850
Net income	–	–	–	–	–	4,830,140,965	4,830,140,965	365,587,338	5,195,728,303
Other comprehensive income	–	–	100,564,274	–	–	–	100,564,274	(9,803,679)	90,760,595
Total comprehensive income	–	–	100,564,274	–	–	4,830,140,965	4,930,705,239	355,783,659	5,286,488,898
Acquisition of subsidiaries (Notes 2, 18 and 19	–	–	–	5,508,177	–	–	5,508,177	951,665,437	957,173,614
Dividends (Note 18)	–	–	–	–	–	(872,550,000)	(872,550,000)	(310,843,333)	(1,183,393,333)
Appropriation	–	–	–	–	3,709,000,000	(3,709,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(1,443,598,606)	1,443,598,606	–	–	–
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029
	For the Year Ended December 31, 2015								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	(₱23,641,261)	(₱991,931,906)	₱10,311,451,453	₱1,740,057,473	₱39,648,320,849	₱1,588,776,294	₱41,237,097,143
Net income	–	–	–	–	–	4,341,794,218	4,341,794,218	235,372,068	4,577,166,286
Other comprehensive income	–	–	275,470,399	–	–	–	275,470,399	6,779,947	282,250,346
Total comprehensive income	–	–	275,470,399	–	–	4,341,794,218	4,617,264,617	242,152,015	4,859,416,632
Acquisition of a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	30,544,015	30,544,015
Additional investment in a subsidiary (Notes 2 and 18)	–	–	–	–	–	–	–	183,000,000	183,000,000
Investment from non-controlling interest (Notes 2 and 18)	–	–	–	(35,470,940)	–	–	(35,470,940)	–	(35,470,940)
Dividends (Note 18)	–	–	–	–	–	(706,350,000)	(706,350,000)	(62,961,000)	(769,311,000)
Appropriation	–	–	–	–	2,813,000,000	(2,813,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(127,000,000)	127,000,000	–	–	–
Balance at end of year	₱1,385,000,000	₱27,227,385,090	₱251,829,138	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱43,523,764,526	₱1,981,511,324	₱45,505,275,850

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

The Parent Company is 35.0% owned by JE Holdings, Inc., 34.85% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

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

2. Basis of Preparation

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

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

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

	Effective Percentages of Ownership					
	2017		2016		2015	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's, Incorporated (RI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	**100.00%**	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	–	**51.00%**	–	51.00%	–	51.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	–
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%	–	–
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%	–	–
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	**100.00%**	–	100.00%	–	100.00%
Savers Electronic World, Inc. (SEWI)	–	**90.00%**	–	90.00%	–	90.00%
Chic Centre Corporation (CCC)	–	**100.00%**	–	100.00%	–	–

(Forward)

Investee Companies	Effective Percentages of Ownership					
	2017		2016		2015	
	Direct	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Eurogrocer Corp. (EC)	–	–	–	–	–	100.00%
JAS 8 Retailing Mngt. Corporation (JRMC)	–	–	–	–	–	100.00%
Angeles Supercenter, Inc. (ASI)	–	**67.00%**	–	67.00%	–	67.00%
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%	–	67.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	–
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%	–	–
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%	–	–
Robinson's Handyman, Inc. (RHMI)	–	**80.00%**	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	**52.00%**	–	52.00%	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	**52.00%**	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**53.33%**	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	**53.60%**	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	**40.20%**	–	40.20%	–	–
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	**59.40%**	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	**100.00%**	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	**100.00%**	–	100.00%	–	–	–

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

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2017 and 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mergers

Merger of EC and JRMC to RSC

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

Merger of GPC to SSDI

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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three (3) main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

- PFRS 9, *Financial Instruments*

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

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

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two (2) options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

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

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

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective beginning on or after January 1, 2019

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

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

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

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two (2) recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two (2) types of leases: operating and finance leases.

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

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

Deferred Effectivity

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

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

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

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

4. **Summary of Significant Accounting Policies**

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

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

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

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

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

Interest income
Interest on cash in bank, cash equivalents and available-for-sale (AFS) financial assets is recognized as the interest accrues using the effective interest method.

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

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

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

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

Initial recognition
Financial instruments are recognized initially at the fair value of the consideration given. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

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

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

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

As of December 31, 2017 and 2016, the financial instruments of the Group are classified as AFS financial assets, loans and receivables, and other financial liabilities.

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

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

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

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

This accounting policy relates primarily to the Group's investments in equity and debt securities (Note 11).

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

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

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

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

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

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

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

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

AFS financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is

recorded under interest income in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is also reversed through profit or loss in the consolidated statement of comprehensive income.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

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

'Day 1' Difference

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

Offsetting of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

Merchandise Inventories
Merchandise inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. Costs comprise of purchase price, including duties,

transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventory to its present location and condition.

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

Investment in Associates

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

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

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

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

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

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

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

Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

Combination of Entities under Common Control

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group performed its annual impairment test for the years ended December 31, 2017 and 2016. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Stock

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

Equity Reserve

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

Retained Earnings

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

Leases

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

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

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

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

Group as Lessee

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

Group as Lessor

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

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

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

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

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

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

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2017, 2016 and 2015 (Note 26).

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

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

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

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

5. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

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

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial

position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

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

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

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

Recoverability of goodwill and trademarks
In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives. As of December 31, 2017 and 2016, below are the business segments from which goodwill and trademarks arise:

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

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

Value in use
The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services.

The pre-tax discount rate applied to cash flow projections in 10.70% in 2017 (11.50% in 2016) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2017 growth rate (5.00% to 10.00% in 2016) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

The calculation of value in use of the CGUs is most sensitive to the following assumptions:

- Gross margins
- Discount rate
- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins
Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 5.00% to 11.50% for 2017 and 5.00% to 11.50% for 2016 would result in impairment.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 8.00% to 12.00% and 11.00% to 16.89%, in 2017 and 2016, respectively, would result in impairment.

Price inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2017 and 2016. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

Growth rate estimates
Rates are based on published industry research. A reduction to 3.00% in the long-term growth rate would result in impairment.

EV/EBITDA Multiple
The Group utilized the use of EV/EBITDA multiple in the impairment testing of its goodwill from the acquisitions of some of its subsidiaries wherein the Group obtained and selected comparable entities which closely represent each entity from which goodwill was acquired. The characteristics taken into account include, among others, the geographical area where the comparable resides, nature of business or operations of the comparable entities and economic environment from which the comparable entities operate.

As such, the Group has selected EV/EBITDA multiples limited to retail entities in the Philippines as the management of the Group believes that these entities reasonably represent each acquired entity after carefully taking into account the future viability of the assumptions used and ability of each entity to attain such position in the future as it relates to the overall growth in the industry and in the country.

In 2017 and 2016, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

If such EV/EBITDA multiple used falls lower than 4.45 multiple, goodwill will be impaired.

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

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

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

As of December 31, 2017 and 2016, the carrying value of the Group's trade and other receivables amounted to ₱2.23 billion and ₱1.99 billion, respectively (Note 8).

Estimating NRV of merchandise inventories
The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels, losses or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date.

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

Merchandise inventories amounted to ₱14.85 billion and ₱13.34 billion as of December 31, 2017 and 2016, respectively (Note 9).

Evaluation of impairment of nonfinancial assets
The Group reviews property and equipment, investment in associates and intangible assets with definite lives for impairment of value.

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

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2017 and 2016, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates and intangible assets with definite useful lives.

As of December 31, 2017 and 2016, the carrying value of the Group's property and equipment amounted to ₱13.60 billion and ₱12.56 billion (Note 12), investment in associates amounted to ₱5.27 billion and ₱5.08 billion (Note 13), licenses amounted to ₱60.61 million and ₱72.73 million, and franchise amounted to ₱19.28 million and ₱21.83 million, respectively (Note 14).

Retirement and other benefits
The determination of the obligation and cost of retirement and other benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23, and include, among others, discount rate and salary rates increase.

As of December 31, 2017 and 2016, the carrying value of the net retirement obligation amounted to ₱546.19 million and ₱609.53 million, respectively (Note 23).

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable income against which recognized deferred tax assets will be realized.

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

Revenue recognition - points for loyalty programme
The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As of December 31, 2017 and 2016, the estimated liability for unredeemed points was approximately ₱133.64 million and ₱123.84 million, respectively.

6. **Operating Segments**

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket division*
  Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to consumers.

- *Department store division*
  Robinsons Department Store (RDS) offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.

- *Do-It-Yourself (DIY) division*
  The five (5) DIY brands Handyman Do it Best, True Value, True Home, Robinsons Builders and Home Plus have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

- *Convenience store division*
  Ministop is a 24 - hour convenience store chain and is a franchise of Ministop Co. Ltd. – Japan (Ministop), one (1) of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.

- *Drug store division*
  The Drug Store segment primarily offers high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including The Generics Pharmacy house brands for the generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty store division*
  The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market, including some of the best loved international lifestyle brands in top entertainment systems, coffee shops, unparalleled selections of toys and games; and well-known global fast fashion brands, local and international cosmetics, a wide selection of nail care products, and innovative slush and fruit juice mixes.

2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱52,363,396,276	₱16,115,725,158	₱12,322,762,318	₱5,710,247,583	₱14,518,058,506	₱14,208,269,688	₱–	₱–	₱115,238,459,529
Intersegment net sales	–	–	–	–	–	1,341,616,164	–	(1,341,616,164)	–
Total net sales	52,363,396,276	16,115,725,158	12,322,762,318	5,710,247,583	14,518,058,506	15,549,885,852	–	(1,341,616,164)	115,238,459,529
Segment cost of merchandise sold	42,209,389,308	10,538,329,174	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	–	89,446,079,938
Intersegment cost of merchandise sold	–	1,341,616,164	–	–	–	–	–	(1,341,616,164)	–
Total cost of merchandise sold	42,209,389,308	11,879,945,338	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	(1,341,616,164)	89,446,079,938
Gross profit	10,154,006,968	4,235,779,820	3,946,020,651	545,390,750	2,711,690,994	4,199,490,408	–	–	25,792,379,591
Segment other income	120,868,029	138,074,608	–	1,725,718,541	270,727,657	6,769,712	–	–	2,262,158,547
Intersegment other income	133,949,774	39,483,612	–	–	–	–	–	(173,433,386)	–
Total other income	254,817,803	177,558,220	–	1,725,718,541	270,727,657	6,769,712	–	(173,433,386)	2,262,158,547
Gross profit including other income	10,408,824,771	4,413,338,040	3,946,020,651	2,271,109,291	2,982,418,651	4,206,260,120	–	(173,433,386)	28,054,538,138
Segment operating expenses	6,719,660,260	3,387,373,060	2,707,420,540	1,967,946,315	1,857,091,371	3,005,556,758	31,070,475	–	19,676,118,779
Intersegment operating expenses	27,646,477	49,936,472	33,717,792	–	29,989,079	32,143,566	–	(173,433,386)	–
Total operating expenses	6,747,306,737	3,437,309,532	2,741,138,332	1,967,946,315	1,887,080,450	3,037,700,324	31,070,475	(173,433,386)	19,676,118,779
Earnings before interest, taxes and depreciation and amortization	3,661,518,034	976,028,508	1,204,882,319	303,162,976	1,095,338,201	1,168,559,796	(31,070,475)	–	8,378,419,359
Depreciation and amortization	836,921,560	357,966,174	194,730,487	260,947,950	105,255,226	317,215,779	–	–	2,073,037,176
Earnings before interest and taxes	2,824,596,474	618,062,334	1,010,151,832	42,215,026	990,082,975	851,344,017	(31,070,475)	–	6,305,382,183
Interest expense	(3,102,201)	(30,916,715)	(2,329,834)	(1,620,135)	(76,451,034)	(43,340,288)	–	30,375,736	(127,384,471)
Interest income	22,249,950	10,478,717	26,726,722	8,284,275	8,777,648	15,735,288	811,548,241	(30,375,736)	873,425,105
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	16,104,012	–	16,104,012
Equity in net earnings of an associate	–	–	–	–	–	–	123,639,511	–	123,639,511
Income before income tax	₱2,843,744,223	₱597,624,336	₱1,034,548,720	₱48,879,166	₱922,409,589	₱823,739,017	₱1,031,721,289	₱–	₱7,302,666,340
Assets and liabilities									
Segment assets	₱19,576,200,337	₱4,668,650,988	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱29,968,508,062	₱2,443,690,652	₱82,180,726,832
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱22,366,307,561	₱8,446,251,362	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱35,254,538,825	(₱9,410,547,709)	₱82,180,226,832
Total segment liabilities	₱9,438,322,396	₱3,695,163,782	₱2,479,559,578	₱1,296,096,948	₱5,172,322,481	₱4,927,876,020	₱98,435,577	(₱193,689,034)	₱26,914,087,748
Other segment information:									
Capital expenditures	₱1,267,354,339	₱752,664,136	₱344,385,945	₱114,748,739	₱242,003,566	₱383,562,968	₱–	₱–	₱3,104,719,693

2016

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱48,465,116,481	₱15,827,461,781	₱11,128,587,163	₱5,665,537,500	₱11,934,225,572	₱12,272,395,535	₱–	₱–	₱105,293,324,032
Intersegment net sales	–	–	–	–	–	1,143,728,881	–	(1,143,728,881)	–
Total net sales	48,465,116,481	15,827,461,781	11,128,587,163	5,665,537,500	11,934,225,572	13,416,124,416	–	(1,143,728,881)	105,293,324,032
Segment cost of merchandise sold	39,170,260,834	10,569,752,771	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	–	82,267,043,806
Intersegment cost of merchandise sold	–	1,143,728,881	–	–	–	–	–	(1,143,728,881)	–
Total cost of merchandise sold	39,170,260,834	11,713,481,652	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	–	(1,143,728,881)	82,267,043,806
Gross profit	9,294,855,647	4,113,980,129	3,503,543,846	569,896,052	2,067,888,432	3,476,116,120	–	–	23,026,280,226
Segment other income	106,656,358	98,757,999	–	1,720,834,220	174,335,416	17,894,601	–	–	2,118,478,594
Intersegment other income	128,124,168	29,683,939	–	–	–	–	–	(157,808,107)	–
Total other income	234,780,526	128,441,938	–	1,720,834,220	174,335,416	17,894,601	–	(157,808,107)	2,118,478,594
Gross profit including other income	9,529,636,173	4,242,422,067	3,503,543,846	2,290,730,272	2,242,223,848	3,494,010,721	–	(157,808,107)	25,144,758,820
Segment operating expenses	6,054,208,278	3,050,249,733	2,405,685,246	1,971,334,998	1,502,734,344	2,620,352,265	9,078,744	–	17,613,643,608
Intersegment operating expenses	22,820,930	48,943,207	31,315,216	–	28,760,952	25,967,802	–	(157,808,107)	–
Total operating expenses	6,077,029,208	3,099,192,940	2,437,000,462	1,971,334,998	1,531,495,296	2,646,320,067	9,078,744	(157,808,107)	17,613,643,608
Earnings before interest, taxes and depreciation and amortization	3,452,606,965	1,143,229,127	1,066,543,384	319,395,274	710,728,552	847,690,654	(9,078,744)	–	7,531,115,212
Depreciation and amortization	745,747,598	299,129,254	224,579,663	374,183,611	82,617,606	311,972,401	–	–	2,038,230,133
Earnings before interest and taxes	2,706,859,367	844,099,873	841,963,721	(54,788,337)	628,110,946	535,718,253	(9,078,744)	–	5,492,885,079
Interest expense	(10,985,079)	(30,285,417)	–	(19,897,917)	(28,399,575)	(35,002,583)	–	38,037,041	(86,533,530)
Interest income	12,386,680	11,032,919	19,731,969	565,635	1,522,313	14,118,790	805,953,362	(38,037,041)	827,274,627
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	219,216,013	–	219,216,013
Equity in net earnings of an associate	–	–	–	–	–	–	102,659,711	–	102,659,711
Income before income tax	₱2,708,260,968	₱824,847,375	₱861,695,690	(₱74,120,619)	₱601,233,684	₱514,834,460	₱1,230,250,342	₱–	₱6,667,001,900
Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	–	–	–	–	5,286,030,763	(11,344,238,361)	–
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱–	₱–	₱3,436,420,104

2015

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

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱1.34 billion, ₱1.14 billion and ₱1.06 billion in 2017, 2016 and 2015, respectively, were eliminated on consolidation.

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

Capital expenditures consist of additions to property and equipment arising from current acquisitions and those acquired through business combinations plus any adjustments made in the fair values of the acquired property and equipment.

The Group has no significant customer which contributed to 10.00% or more to the revenue of the Group.

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱14.57 billion and ₱12.72 billion as of December 31, 2017, and 2016, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.09% to 3.50%, 0.88% to 2.50% and 0.24% to 2.75% in 2017, 2016 and 2015, respectively.

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

8. Trade and Other Receivables

This account consists of:

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

Movement in the allowance for impairment losses is as follows:

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

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

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

9. Merchandise Inventories

The rollforward analysis of this account follows:

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

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

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

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

10. Other Current Assets

This account consists of:

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

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

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

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

Others consist mainly of excess payments of income taxes.

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

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

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

Debt Securities
Quoted debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

Rollforward analysis of quoted debt securities as of December 31, 2017 and 2016 follows:

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

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

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

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

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

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

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

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

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

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

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

12. **Property and Equipment**

2017

	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱1,702,152,553	₱11,920,754,884	₱8,420,080,407	₱1,608,399,579	₱187,203,438	₱2,246,842,007	₱2,681,895	₱26,088,114,763
Additions	33,595,861	1,552,902,866	569,482,284	592,202,817	21,571,480	312,907,293	22,057,092	3,104,719,693
Transfers	697,499	23,662,485	557,999	(253,804)	–	74,808	(24,738,987)	–
Disposals and derecognition	–	(118,446,275)	(4,335,026)	(90,499)	(3,087,394)	(770,805)	–	(126,729,999)
At end of year	1,736,445,913	13,378,873,960	8,985,785,664	2,200,258,093	205,687,524	2,559,053,303	–	29,066,104,457
Accumulated depreciation and amortization								
At beginning of year	703,482,472	6,012,335,160	4,886,039,083	386,206,802	112,085,066	1,350,004,881	–	13,450,153,464
Depreciation and amortization (Note 21)	59,432,836	948,737,678	546,961,032	272,036,045	17,893,431	213,307,598	–	2,058,368,620
Disposals and derecognition	–	(114,156,465)	(3,000,104)	–	(1,689,521)	(760,492)	–	(119,606,582)
At end of year	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Allowance for impairment losses								
At beginning and end of year	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱973,530,605	₱6,482,389,914	₱3,529,902,667	₱1,542,015,246	₱77,398,548	₱996,152,043	₱–	₱13,601,389,023

2016

	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱1,592,152,864	₱10,443,772,361	₱7,635,219,254	₱1,166,650,417	₱148,608,875	₱1,889,939,378	₱1,737,563	₱22,878,080,712
Additions through business combination (Note 19)	41,487,800	85,238,315	21,221,511	1,104,079	34,681,109	8,793,280	–	192,526,094
Additions	68,511,889	1,587,528,804	791,004,515	440,930,797	3,913,454	351,060,219	944,332	3,243,894,010
Disposals and derecognition	–	(195,784,596)	(27,364,873)	(285,714)	–	(2,950,870)	–	(226,386,053)
At end of year	1,702,152,553	11,920,754,884	8,420,080,407	1,608,399,579	187,203,438	2,246,842,007	2,681,895	26,088,114,763
Accumulated depreciation and amortization								
At beginning of year	657,431,659	5,200,301,916	4,314,599,834	238,834,811	84,511,884	1,157,226,375	–	11,652,906,479
Depreciation and amortization (Note 21)	46,050,813	1,007,817,842	598,804,122	147,657,705	27,573,182	195,729,376	–	2,023,633,040
Disposals and derecognition	–	(195,784,598)	(27,364,873)	(285,714)	–	(2,950,870)	–	(226,386,055)
At end of year	703,482,472	6,012,335,160	4,886,039,083	386,206,802	112,085,066	1,350,004,881	–	13,450,153,464
Allowance for impairment losses								
At beginning and end of year	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱998,670,081	₱5,858,852,051	₱3,508,158,338	₱1,222,192,777	₱75,118,372	₱896,487,853	₱2,681,895	₱12,562,161,367

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

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

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

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

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

13. Investment in Associates

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

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

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

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

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

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

Summarized financial information of RBC follows:

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

The consolidated statements of comprehensive income follow:

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

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

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

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

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

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

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site. The Group's share in equity in net loss of TCCI in 2017 amounted to ₱0.27 million.

14. Intangible Assets

This account consists of:

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

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

	2017	2016
SSDI	**₱1,566,917,532**	₱1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	₱3,195,930,460	₱3,195,930,460

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

	2017	2016
TGPPI	**₱1,281,428,830**	₱1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	₱3,381,413,966	₱3,381,413,966

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

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

Licenses

Acquisition of trademark by RSSI to secure a franchise/license

On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million in 2017, 2016 and 2015 (Note 21).

The rollforward analysis of this account follows:

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

Franchise

On July 29, 2014, Costa International Limited granted the Group, the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of December 31, 2017 and 2016, the Group has franchise amounting to ₱19.28 million and ₱21.83 million, respectively.

The rollforward analysis of the franchise follows:

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

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

15. Other Noncurrent Assets

This account consists of:

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

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

16. Trade and Other Payables

This account consists of:

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

Trade payables are noninterest-bearing and are normally settled on forty-five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others consist of taxes and licenses payable.

17. Short-term Loans Payable

Details of short-term loans follow:

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

The balances of loans of the subsidiaries follow:

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

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

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

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

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

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

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

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

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

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

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

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

The above loans are not subject to any loan covenants.

18. **Equity**

Capital Stock
The details of this account follow:

	2017		2016		2015	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	**1,385,000,000**	**1,385,000,000**	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000

<u>Registration Track Record</u>
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1.10 billion. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

On December 9, 2014, the Parent Company sold its treasury shares at ₱69.00 per share or ₱1.31 billion, incurring transaction costs amounting to ₱8.22 million.

<u>Equity Reserve</u>
Acquisition of a Subsidiary under Common Control
On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million.

As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve".

Acquisition of Additional Shares from a Non-Controlling Shareholder
On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion included in "Equity reserve" in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. The remaining balance was fully settled in cash in 2015.

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱23.65 billion and ₱19.64 billion as of December 31, 2017 and 2016, respectively, while the accumulated equity in net income of the associates amounted to ₱834.96 million and ₱711.05 million as of December 31, 2017 and 2016, respectively (Note 13).

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

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

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

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

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

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.00 million.

On December 12, 2016, the Group's BOD approved the appropriation of ₱3.71 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

Details as follow:

Entity	Amount
RSC	₱1,390,000,000
RHMI	735,000,000
RI	600,000,000
SSDI	300,000,000
RRHI	230,000,000
RAC	145,000,000
RTSHPI	108,000,000
WHMI	92,000,000
RHDDS	50,000,000
RSSI	40,000,000
ASI	14,000,000
HEMI	5,000,000
	₱3,709,000,000

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

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

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

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

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

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

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

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

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

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

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

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

<u>Declaration of Dividends of the Subsidiaries</u>
In 2017, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	December 12, 2017	₱1,050,000,000
	May 10, 2017	1,028,400,000
TGP	February 1, 2017	300,000,000
	October 1, 2017	300,000,000
RTI	February 1, 2017	130,000,000
WHMI	March 12, 2017	40,000,000
RTSHPI	December 12, 2017	30,000,000
Chic Centre Corporation	February 1, 2017	20,000,000
Total		₱2,898,400,000

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

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

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

The dividends were paid in 2017.

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

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

The cash dividends were paid in 2016.

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

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

The cash dividends were paid early 2015.

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

<u>NCI</u>
Acquisitions of NCI from Business Combinations
In May 2016, the Group has acquired NCI through business combination on the acquisition of TGPPI amounting to ₱942.17 million.

In 2016 and 2015, the Group has acquired NCI through business combinations on the acquisition of HPTDI and SEWI amounting ₱9.50 million and ₱30.54 million, respectively.

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

In 2016, no additional investment was recognized from NCI.

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

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

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2017 and 2016.

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

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

19. **Business Combinations**

Combination of Entities under Common Control
On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Chic Center Corporation is an entity under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

The carrying amounts of total assets and liabilities of Chic Centre Corporation at the date of acquisition were:

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment (Note 12)	55,957,840
Deferred tax assets	2,748,968
	340,713,072
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

The assets, liabilities and equity of Chic Centre Corporation are included in the consolidated financial statements at their carrying amounts. The profit and loss of the acquirees are consolidated from the date of acquisition. The difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve". Comparative periods are not restated.

On January 4, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

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

Acquisition of TGPPI
On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion. In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.

	Fair values recognized on acquisition
Assets	
Current assets	₱1,231,511,879
Trademarks (Note 14)	1,264,098,435
Property and equipment (Note 12)	102,639,683
Other non-current assets	15,682,708
Assets	2,613,932,705

(Forward)

	Fair values recognized on acquisition
Liabilities	(₱311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 14)	1,281,428,830
Acquisition cost	₱2,262,050,000

From the date of acquisition, TGPPI contributed ₱2.6 billion revenue and ₱284.42 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax in 2016 would have been higher by ₱1.34 billion and ₱165.47 million, respectively. TGPPI is incorporated on September 15, 2010.

The goodwill of ₱1.28 billion comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Material partly-owned subsidiary
In 2017 and 2016, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱408.86 million, ₱624.99 million and ₱426.56 million in 2017, 2016 and 2015, respectively. Profit allocated to material non-controlling interest amounted to ₱237.23 million, ₱155.08 million and ₱426.56 million in 2017, 2016 and 2015, respectively.

Acquisition of HPTDI
On August 1, 2016, RHIB acquired 75% ownership of HPTDI for a total consideration of ₱58.50 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.00 million.

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 12)	₱33,928,571
Input VAT	4,071,429
Net assets before non-controlling interest	38,000,000
Non-controlling interest measured at share of net assets (25%)	9,500,000
Net assets (75%)	28,500,000
Goodwill arising on acquisition (Note 14)	30,000,000
Acquisition cost	₱58,500,000

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016. The goodwill of ₱30.00 million comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

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

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

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

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

**Presented under trade and other payables account*

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

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

20. Sales Revenue

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

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

21. Operating Expenses

This account consists of:

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

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

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

22. Personnel Costs and Contracted Services

This account consists of:

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

Details of salaries, allowances and benefits:

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

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan and South Star Drug Retirement Plan (the Plan).

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

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

The Group is a member of the Plan which is administered separately by the Trustee, RBC and Metrobank Corporation, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follow:

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

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

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

Remeasurement effects recognized in OCI:

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

Movements of cumulative remeasurement effect recognized in OCI:

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

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

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

Movements in the fair value of plan assets follow:

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

Changes in the present value of defined benefit obligation follow:

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

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

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

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

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

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

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

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

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

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

		Increase (Decrease)	Effect in Defined Benefit Obligation
2017	**Salary increase**	**+1.00%**	**₱290,936,127**
		-1.00%	**(161,085,306)**
	Discount rates	**+1.00%**	**(133,966,262)**
		-1.00%	**328,900,041**
2016	Salary increase	+1.00%	₱457,814,920
		-1.00%	(225,527,731)
	Discount rates	+1.00%	(227,933,624)
		-1.00%	457,252,429

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

Shown below is the maturity analysis of the undiscounted benefit payments:

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

24. Related Party Disclosures

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

Significant Related Party Transactions

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

1. The following are the Group's transactions with its related parties:

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

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

a. As of December 31, 2017 and 2016, the Group has outstanding balances from its other affiliates amounting to ₱146.83 million and ₱185.55 million, respectively, arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

   In 2017, 2016 and 2015, sales of merchandise inventories to related parties amounted to ₱2.80 billion, ₱3.00 billion and ₱2.66 billion, respectively, and royalty income amounted to ₱1.26 billion, ₱1.25 billion and ₱1.03 billion, respectively (Note 29).

b. As of December 31, 2017 and 2016, the Group has outstanding payable to its other affiliates amounting to ₱543.62 million and ₱536.84 million, respectively, arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year and renewable every year.

   In 2017, 2016 and 2015, purchases of merchandise inventories for resale to customers amounted ₱2.83 billion, ₱2.73 billion and ₱2.35 billion, respectively while payment for rent and utilities amounted to ₱3.95 billion, ₱3.57 billion and ₱3.37 billion, respectively.

c. The Group maintains savings and current accounts and money market placements with RBC. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

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

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

   The details of compensation and benefits of key management personnel for 2017, 2016 and 2015 follow:

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

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2017, 2016 and 2015. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. Income Tax

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

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

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

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

In 2017, the Parent Company recognized deferred tax assets pertaining to MCIT amounting to ₱3.92 million which was unrecognized in prior years.

The components of the net deferred tax liabilities of the Group as of December 31, 2017 and 2016 represent deferred income tax effects of the following:

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

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

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

Details of the Group's NOLCO follow:

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

Details of the Group's MCIT follow:

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

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

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

On December 19, 2017, the RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

On November 26, 2008, the BIR issued Revenue Regulation No. 16-2008 which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD). This regulation allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect standard deduction in an amount equivalent to 40% of the gross income, as provided by law, in lieu of the itemized allowable deductions. In 2017, 2016 and 2015 certain subsidiaries elected OSD in the computation of its taxable income.

26. Earnings Per Share

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

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

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

27. Risk Management and Financial Instruments

Governance Framework

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

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

Financial Risk

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

Interest Rate Risk

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

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

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's AFS financial assets.

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

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

Liquidity Risk

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

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

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2017 and 2016 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

2017

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱14,565,037,906**	**₱–**	**₱–**	**₱14,565,037,906**
Trade receivables	**123,004,663**	**1,429,217,927**	**–**	**1,552,222,590**
Nontrade receivables	**356,756,690**	**130,828,912**	**–**	**487,405,602**
Due from franchisees	**–**	**305,376,530**	**–**	**305,376,530**
Other noncurrent assets:				
Security and other deposits	**–**	**–**	**1,530,655,795**	**1,530,655,795**
Construction bonds	**–**	**–**	**27,475,941**	**27,475,941**
AFS financial assets	**–**	**–**	**20,667,367,094**	**20,667,367,094**
	₱15,044,799,259	**₱1,865,423,369**	**₱22,225,498,830**	**₱39,135,541,458**

	On Demand	**One (1) year**	**More than One (1) year**	**Total**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱17,626,139,310**	**₱–**	**₱17,626,139,310**
Loans payable	**–**	**6,377,954,863**	**–**	**6,377,954,863**
Other current liabilities	**–**	**240,007,838**	**–**	**240,007,838**
	₱–	**₱24,244,102,011**	**₱–**	**₱24,244,102,011**

**Excluding statutory liabilities amounting ₱148,095,672*

2016

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

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

Credit Risk

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

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

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

2017

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	**₱13,271,954,850**	**₱–**	**₱–**	**₱13,271,954,850**
Trade receivables	**1,505,673,809**	**–**	**46,548,781**	**1,552,222,590**
Nontrade receivables	**487,405,602**	**–**	**–**	**487,405,602**
Due from franchisees	**241,537,541**	**–**	**63,838,989**	**305,376,530**
Other noncurrent assets:				
Security and other deposits	**1,530,655,795**	**–**	**–**	**1,530,655,795**
Construction bond	**27,475,941**	**–**	**–**	**27,475,941**
	₱17,064,703,538	**₱–**	**₱110,387,770**	**₱17,175,091,308**

2016

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱12,026,536,651	₱–	₱–	₱12,026,536,651
Trade receivables	1,229,619,835	123,463,818	34,034,616	1,387,118,269
Nontrade receivables	416,279,219	15,817,506	–	432,096,725
Due from franchisees	202,709,522	–	54,838,989	257,548,511
Other noncurrent assets:				
Security and other deposits	1,396,875,108	–	–	1,396,875,108
Construction bond	33,845,521	–	–	33,845,521
	₱15,305,865,856	₱139,281,324	₱88,873,605	₱15,534,020,785

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

Credit Quality
Neither past due nor impaired financial assets are graded as either “A” or “B” based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group’s collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties’ low probability of insolvency.

Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱17.06 billion and ₱15.31 billion as of December 31, 2017 and 2016, respectively are all graded "A" based on the Group's assessment.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arise mainly from foreign currency-denominated cash and cash equivalents, interest receivable and AFS financial assets which are denominated in currency other than the Group's functional currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	2017	2016	**2017**	2016
USD	**+0.85%**	+0.44%	**₱38,147,107**	₱17,692,567
	-0.85%	-0.44%	**(38,147,107)**	(17,692,567)

The Group used foreign exchange rate of ₱49.93:USD1 and ₱49.72: USD1 as of December 31, 2017, and 2016, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 0.85% and 0.44% in 2017 and 2016 respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2017 and 2016 are as follows:

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

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2017 and 2016. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets.

Quoted AFS securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of December 31, 2017 and 2016.

The analyses below are performed for reasonably possible movements in the PSE Index with all other variables held constant, showing the impact on equity:

	Change in variable	**Effect on equity- Other comprehensive income**
2017	**+11.86%**	**₱15,243,594**
	-11.86%	**(15,243,594)**
2016	+2.30%	₱48,760,000
	-2.30%	(48,760,000)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 11.86% and 2.30% in 2017 and 2016, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

<u>Fair Values of Financial Assets and Liabilities</u>
The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.
- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.
- AFS financial assets amounting to ₱16.54 billion and ₱16.64 billion as at December 31, 2017 and 2016, respectively were carried at fair values. AFS investments in bonds and quoted equity securities are derived from quoted market prices in active markets.
- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

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

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

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

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

28. Lease Commitments

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rental expense in 2017, 2016 and 2015 amounted to ₱5.49 billion, ₱4.99 billion and ₱4.50 billion, respectively (Notes 21 and 24).

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the "Royalty, Rent and Other Revenue" account in the statements of comprehensive income (Note 29).

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

29. Agreements

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

   Royalty expense amounted to ₱74.12 million, ₱72.67 million and ₱65.83 million in 2017, 2016 and 2015, respectively (Note 21). Royalty payable to Ministop included under "Nontrade payable" as of December 31, 2017 and 2016 amounted to ₱6.81 million and ₱6.65 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱1.72 billion, ₱1.71 billion and ₱1.54 billion in 2017, 2016 and 2015, respectively.

   As of December 31, 2017 and 2016, amounts due from franchisees amounted to ₱241.54 million and ₱202.72 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱63.84 million and ₱54.83 million as of December 31, 2017 and 2016, respectively (Note 8).

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

   Royalty expenses amounted to ₱7.95 million, ₱6.31 million and ₱4.34 million in 2017, 2016 and 2015, respectively.

d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 14).

   Royalty expense amounted to nil, ₱1.26 million and ₱2.43 million in 2017, 2016 and 2015, respectively.

e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱82.15 million, ₱75.41 million and ₱67.80 million in 2017, 2016 and 2015, respectively.

f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 14).

   The Group started Costa operations in June 2015. Royalty expenses amounted to ₱5.52 million, ₱4.17 million and ₱1.26 million in 2017, 2016 and 2015, respectively.

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

30. Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Cash Flows	Dividend Declaration	December 31, 2017
Loans payable	₱6,575,698,733	(₱197,743,870)	₱–	₱6,377,954,863
Dividends payable	310,843,333	(1,624,143,333)	1,327,300,000	14,000,000
Total liabilities from financing activities	₱6,886,542,066	(₱1,821,887,203)	₱1,327,300,000	₱6,391,954,863

Interest paid in 2017 amounted to ₱127.38 million.

31. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

32. Events After the Reporting Date

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

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

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

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

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

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

33. Approval of the Consolidated Financial Statements

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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated March 23, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic Group financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621276, January 9, 2018, Makati City

March 23, 2018

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

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Various bonds	₱14,490,176,164	₱16,879,667,094	₱16,879,667,094	₱707,915,356
Notes	1,683,700,000	1,683,700,000	1,683,700,000	72,249,100
Investment in preferred shares	2,000,000,000	2,104,000,000	2,104,000,000	111,500,000
	₱18,173,876,164	₱20,667,367,094	₱20,667,367,094	₱891,664,456

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2017

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2017

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱32,677,203	₱512,389,205	₱–	₱545,066,408	₱–	₱545,066,408
Robinsons Toys, Inc.	–	197,711,461	–	197,711,461	–	197,711,461
Robinsons Convenience Stores, Inc.	–	39,106,088	–	39,106,088	–	39,106,088
Robinson's Supermarket Corporation	20,934,401	(600,834)	–	20,333,567	–	20,333,567
Robinson's, Incorporated	17,689,258	(3,393,554)	–	14,295,704	–	14,295,704
Robinsons Handyman, Inc.	–	14,767,958	–	14,767,958	–	14,767,958
RHD Daiso - Saizen, Inc.	47,229,730	–	–	47,229,730	–	47,229,730
	₱118,530,592	₱759,980,324	₱–	₱878,510,916	₱–	₱878,510,916

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS
DECEMBER 31, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱3,381,413,966	₱–	₱–	₱–	₱–	₱3,381,413,966
Trademarks	3,195,930,460	–	–	–	–	3,195,930,460
License	72,727,274	–	(12,121,212)	–	–	60,606,062
Franchise	21,826,729	–	(2,547,344)	–	–	19,279,385
	₱6,671,898,429	₱–	(₱14,668,556)	₱–	₱–	₱6,657,229,873

See Note 14 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

DECEMBER 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱6,377,954,863	2.80%-3.0%	₱6,377,954,863	₱–
	₱6,377,954,863		₱6,377,954,863	₱–

See Note 17 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱319,287,068	₱284,181,714
Universal Robina Corporation	210,197,264	238,664,324
JG Summit Holdings, Inc.	7,358,001	20,769,302
	₱536,842,333	₱543,615,340

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2017

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,385,000,000	–	484,749,997	380,184,503	520,065,500

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		P		
PFRSs Practice Statement Management Commentary				P
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			P
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			P
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			P
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			P
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			P
	Amendment to PFRS 1: Government Loans			P
	Amendments to PFRS 1: Borrowing costs			P
	Amendments to PFRS 1: Meaning of “Effective PFRSs”			P
PFRS 2	Share-based Payment			P
	Amendment to PFRS 2: Vesting Conditions			P
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			P
	Amendments to PFRS 2: Definition of Vesting Condition			P

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		P	
PFRS 3 (Revised)	Business Combinations	P		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	P		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	P		
PFRS 4	Insurance Contracts			P
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4		P	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			P
PFRS 5 (Amended)	Non-current Assets Held for Sale and Discontinued Operations			P
	Amendment to PFRS 5: Changes in Methods of Disposal			P
PFRS 6	Exploration for and Evaluation of Mineral Resources			P
PFRS 7 (Amended)	Financial Instruments: Disclosures	P		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	P		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	P		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	P		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	P		
	Amendment to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	P		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		P	
PFRS 8	Operating Segments	P		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets	P		
PFRS 9	Financial Instruments (2010 version)		P	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		P	
	Financial Instruments (2014 or final version)		P	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		P	
PFRS 10	Consolidated Financial Statements	P		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	P		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	P		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		P	
PFRS 11	Joint Arrangements			P
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			P
PFRS 12	Disclosure of Interests in Other Entities	P		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	P		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			P
	Amendment to PFRS 12: Clarification of the Scope of the Standard			P
PFRS 13	Fair Value Measurement	P		
	Amendments to PFRS 13: Short-term receivable and payables	P		
	Amendments to PFRS 13: Portfolio Exception			P
PFRS 14	Regulatory Deferral Accounts			P
PFRS 15	Revenue from Contracts with Customers		P	
PFRS 16	Leases		P	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	P		
	Amendment to PAS 1: Capital Disclosures	P		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			P
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	P		
	Amendments to PAS 1: Presentation of Financial Statements Disclosure Initiative	P		
PAS 2	Inventories	P		
PAS 7 (Amended)	Statement of Cash Flows	P		
	Amendment to PAS 7: Disclosure Initiative	P		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	P		
PAS 10	Events after the Reporting Period	P		
PAS 11	Construction Contracts			P
PAS 12 (Amended)	Income Taxes	P		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			P
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	P		
PAS 14	Regulatory Deferral Accounts			P
PAS 16	Property, Plant and Equipment	P		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			P
	Amendments to PAS 16 and PAS 41: Bearer Plants			P
PAS 17	Leases	P		
PAS 18	Revenue	P		
PAS 19 (Amended)	Employee Benefits	P		
	Amendments to PAS 19: Employee Benefits, Discount Rate: Regional Market Issue	P		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			P
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			P
PAS 21	The Effects of Changes in Foreign Exchange Rates	P		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 21: Net Investment in a Foreign Operation			P
PAS 23 (Revised)	Borrowing Costs			P
PAS 24 (Revised)	Related Party Disclosures	P		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			P
PAS 27	Separate Financial Statements			P
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	P		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			P
PAS 28 (Amended)	Investments in Associates and Joint Ventures			P
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Amendments to PFRSs 2014 – 2016 Cycle)			P
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			P
PAS 29	Financial Reporting in Hyperinflationary Economies			P
PAS 32	Financial Instruments: Disclosure and Presentation	P		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			P
	Amendment to PAS 32: Classification of Rights Issues			P
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	P		
PAS 33	Earnings per Share	P		
PAS 34 (Amended)	Interim Financial Reporting	P		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	P		
PAS 36	Impairment of Assets	P		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	P		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	P		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 38	Intangible Assets			P
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			P
PAS 39	Financial Instruments: Recognition and Measurement	P		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			P
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			P
	Amendments to PAS 39: The Fair Value Option			P
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			P
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			P
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			P
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			P
	Amendment to PAS 39: Eligible Hedged Items			P
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			P
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			P
PAS 40 (Amended)	Investment Property			P
	Amendment to PAS 40: Transfers of Investment Property		P	
PAS 41	Agriculture			P
	Amendments to PAS 16 and PAS 41: Bearer Plants			P
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			P
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			P
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			P

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			P
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			P
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			P
IFRIC 8	*Scope of PFRS 2*			P
IFRIC 9	Reassessment of Embedded Derivatives			P
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			P
IFRIC 10	*Interim Financial Reporting and Impairment*			P
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			P
IFRIC 12	Service Concession Arrangements			P
IFRIC 13	Customer Loyalty Programmes			P
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			P
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			P
IFRIC 15	Agreements for the Construction of Real Estate		P	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			P
IFRIC 17	Distributions of Non-cash Assets to Owners			P
IFRIC 18	Transfers of Assets from Customers			P
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			P
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			P
IFRIC 21	Levies			P
IFRIC 22	Foreign Currency Transactions and Advance Consideration		P	
SIC-7	Introduction of the Euro			P
SIC-10	Government Assistance - No Specific Relation to Operating Activities			P
SIC-12	Consolidation - Special Purpose Entities			P
	Amendment to SIC - 12: Scope of SIC 12			P
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			P

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives	P		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			P
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			P
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	P		
SIC-29	Service Concession Arrangements: Disclosures.			P
SIC-31	Revenue - Barter Transactions Involving Advertising Services			P
SIC-32	Intangible Assets - Web Site Costs			P

Standards tagged as “Not applicable” have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2017. The Company will adopt the Standards and Interpretations when these become effective.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Unappropriated Retained Earnings of the Parent Company, January 1, 2017		₱2,394,699,012
Net income based on the face of audited financial statements	₱2,782,856,221	
Less: Non-actual/unrealized income net of tax		
Equity in net income of an associate	–	
Unrealized foreign exchange gain - net	734,098	
Unrealized actuarial gain	–	
Fair value adjustment (marked-to-market gains)	–	
Fair value adjustment of investment properties resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Add: Non-actual/unrealized losses net of tax	–	
Depreciation on revaluation increment	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment properties	–	
Net income actual/realized		2,782,122,123
Less: Appropriations during the year		–
Dividend declarations during the year		969,500,000
Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2017		₱4,207,321,135

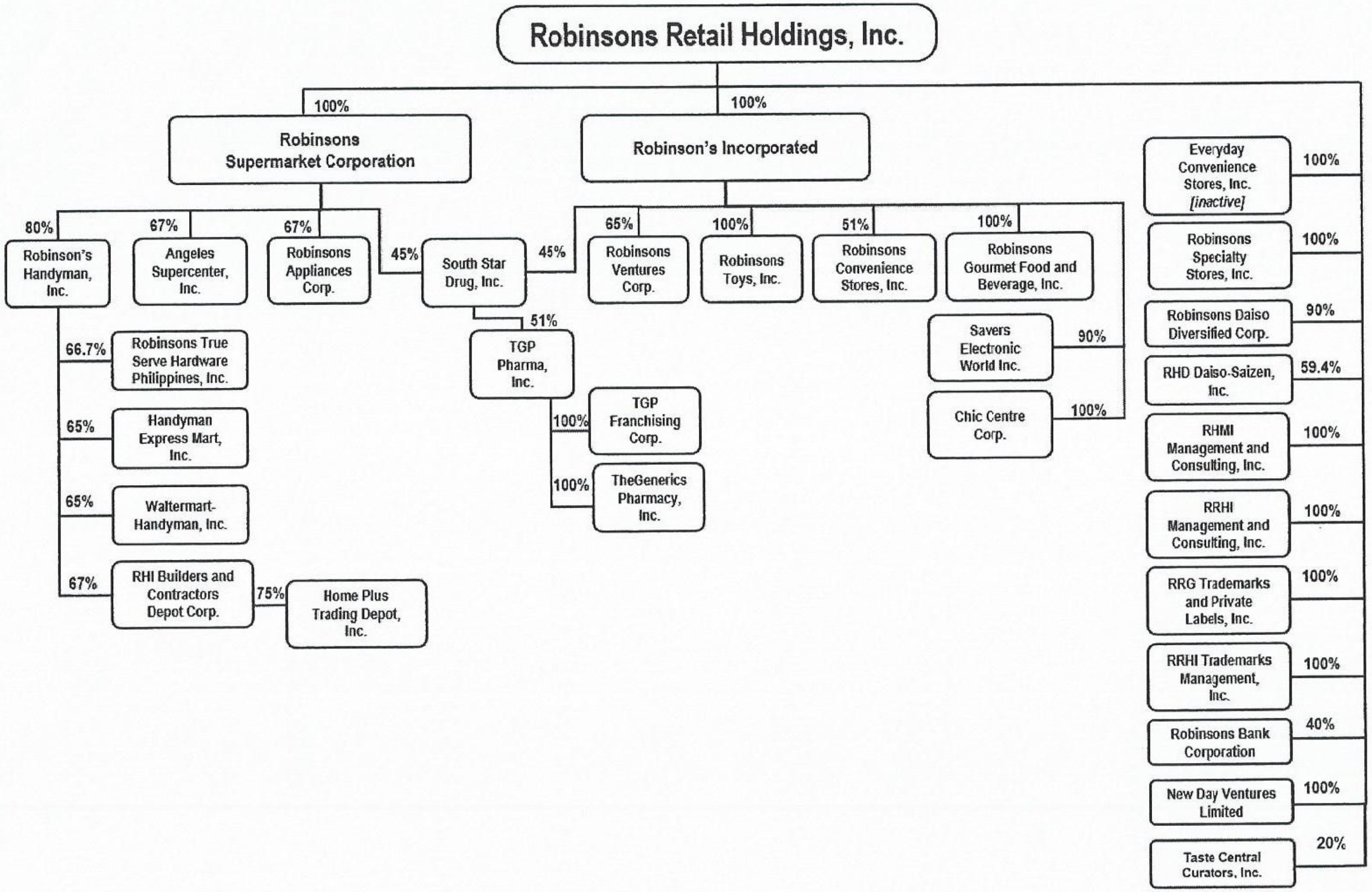
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2017

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2017:



ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2017 and 2016

Financial Soundness Indicator	2017	2016
i. Liquidity ratio:		
Current ratio	**1.34**	1.24
ii. Profitability ratio:		
Gross profit margin	**0.22**	0.22
Return on assets	**0.07**	0.07
Return on equity	**0.11**	0.11
iii. Stability ratio:		
Solvency ratio	**0.28**	0.28
Debt to equity ratio	**0.50**	0.52
Asset to equity ratio	**1.50**	1.52
Interest rate coverage ratio	**49.50**	63.48

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

	2017	2016
Current assets	₱34,069,910,661	₱30,232,287,219
Current liabilities	25,356,503,809	24,477,871,631
Current ratio	1.34	1.24
Gross profit	25,792,379,591	23,026,280,226
Net sales	115,238,459,529	105,293,324,032
Gross profit margin	0.22	0.22
After tax net profit	5,599,353,378	5,195,728,303
Depreciation and amortization	2,073,037,176	2,038,230,133
	7,672,390,554	7,233,958,436
Total liabilities	26,914,087,748	26,129,506,600
Solvency ratio	0.28	0.28
Total liabilities	26,914,087,748	26,129,506,600
Total equity	55,266,639,084	50,565,545,029
Debt to equity ratio	0.49	0.52
Total assets	82,180,726,832	76,695,051,629
Total equity	55,266,639,084	50,565,545,029
Asset to equity ratio	1.49	1.52
Earnings before interest and taxes	6,305,382,182	5,492,885,079
Interest expense	127,384,471	86,533,530
Interest rate coverage ratio	49.50	63.48
Net income	5,599,353,378	5,195,728,303
Average total assets	79,437,889,231	70,927,338,551
Return on assets	0.07	0.07
Net income	5,599,353,378	5,195,728,303
Average total equity	52,916,092,056	48,035,410,440
Return on equity	0.11	0.11

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

FOR THE YEAR ENDED DECEMBER 31, 2017

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.27 billion, respectively for the Primary Offer (excluding any additional expenses that may be incurred in relation to the Over-allotment Option).

The Company received actual gross proceeds amounting to ₱26.79 billion from the Primary offering of 461,897,500 shares on November 11, 2013 and an additional ₱0.23 billion from the exercised over-allotment of 3,880,330 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.

For the year ended December 31, 2017, the application of proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱1,488,532,458
Renovation of existing stores	751,268,969
Other corporate purposes	214,525,148
Repayment of loans	131,706,699
Total	₱2,586,033,274

SGV
Building a better working world

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

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

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

REPORT OF FACTUAL FINDINGS

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

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2017 on the application of proceeds from the Initial Public Offering (IPO) of Robinsons Retail Holdings, Inc. (the Company) on November 11, 2013. The procedures were performed solely to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *"Engagements to Perform Agreed-Upon Procedures Regarding Financial Information"* applicable to agreed-upon procedures engagements. These agreed-upon procedures and results thereof are summarized as follows:

1. Checked the mathematical accuracy of the Annual Progress Report on the Application of Proceeds from IPO (the Report) as at December 31, 2017, and agreed the amounts for expansion of store network, renovation of existing stores, repayment of bank loans and other corporate purposes to the related schedules.

2. Obtained the schedules of capitalized cost for expansion of store networks, renovation of existing stores and other corporate purposes during the period January 1 to December 31, 2017 totaling ₱2.45 billion and checked the mathematical accuracy of the schedules. On a test basis, we traced certain items of the capitalized costs to the accounting records and supporting documents.

3. Obtained the supporting documents for the payment of ₱131.71 million to Metrobank and Trust Company (MBTC) related to the repayment of bank loans and agreed the amount to the accounting records and supporting documents.

We report our findings below:

1. With respect to item 1, we found it to be mathematically correct and the amounts agreed to the respective schedules. We also noted that the amounts in the schedules consist of acquisitions and/or payments recorded in the Company's records for the period January 1 to December 31, 2017.

2. With respect to item 2, we found the schedules to be in order and mathematically correct. The capitalized items tested, on a sample basis, agreed with the accounting records and supporting documents.

3. With respect to item 3, we obtained the official receipts issued by MBTC for the payments of the bank loans of South Star Drug, Inc., a subsidiary, amounting to ₱131.71 million. The amount recorded agreed with the supporting documents.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSAs) or Philippine Standards on Review Engagement (PSRE), respectively, we do not express any assurance on the use of proceeds from the IPO based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the updated report on the Company's use of proceeds from the IPO and items specified above and do not extend to any financial statements of Robinsons Retail Holdings, Inc., taken as whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-A (Group A),
March 8, 2016, valid until March 8, 2019
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621276, January 9, 2018, Makati City

January 11, 2018