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	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@robinsonsretailholdings.com.ph	8635-0751	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
42	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	8635-0751 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

1. For the fiscal year ended ....31 December 2019

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 — 1600
   Address of principal office — Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	1,576,489,360

....

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, 2019	**Market Value per Share as of February 28, 2020**	**Total Market Value**
825,845,208	66.60	₱55,001,290,853

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.

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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 close to 40 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, and the drugstore business in 2012. 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 and Robinsons Easymart. 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; Arcova , Pet Lovers Centre and No Brand. 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, beauty brands Benefit, Shiseido, Elizabeth Arden and Club Clio. RRHI also operates trusted domestic brands, such as Savers Appliances, Southstar Drug and TGP (The Generics Pharmacy) and mass merchandise store Super50.

RRHI acquired major interest in TGP 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 Group 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 Philippine market leader in beauty e-commerce.

In 2018, the Company acquired 100% of Rustan Supercenters, Inc., the grocery retail operator of stores under Rustan's Supermarket, Marketplace, Shopwise, Shopwise Express, and Wellcome. It also added cosmetics brand Club Clio to its beauty portfolio. It also engaged in a franchise license agreement with Singapore-based Pet Lovers Centre in its foray into pet retail, along with Arcova, a mass merchandise Korean lifestyle brand. Adding to its investments in technology, the Company, through a subsidiary, also invested in Growsari, an online platform that caters to small grocery resellers.

In 2019, the Company acquired additional 10% minority stake in Taste Central Curators, Inc. This increased its stake to 30% as of the end of 2019.

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 2019, Robinsons Rewards Cards was already accepted in most of the Company's formats except for Savers Appliances, South Star Drug, Savers Appliances and TGP.

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 joined the Lazada platform in 2017 while Robinsons Department joined in 2018. RSSI's fashion brands Topshop, Topman, Dorothy Perkins and Burton Menswear were also launched in Zalora in 2017. Robinsons Supermarket partnered with Metromart in 2018 and entered GrabFood in 2019 along with Ministop. Robinsons Appliances started selling in Shopee in 2018, followed by Daiso Japan in 2019.

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

Acquisitions by RRHI's subsidiaries

On November 23, 2018, RRHI acquired 100% stake in Rustan Supercenters, Inc., operator of food retail banners The Marketplace, Rustan's Supermarket, Shopwise (hypermarket), Shopwise Express, and Wellcome.

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

On February 22, 2018, RHMI incorporated RLSI, with a total subscription amounting to ₱62.50 million, of which, ₱50.00 million was paid. RLSI is primarily engaged in the business of trading goods, commodities and merchandise of any kind.

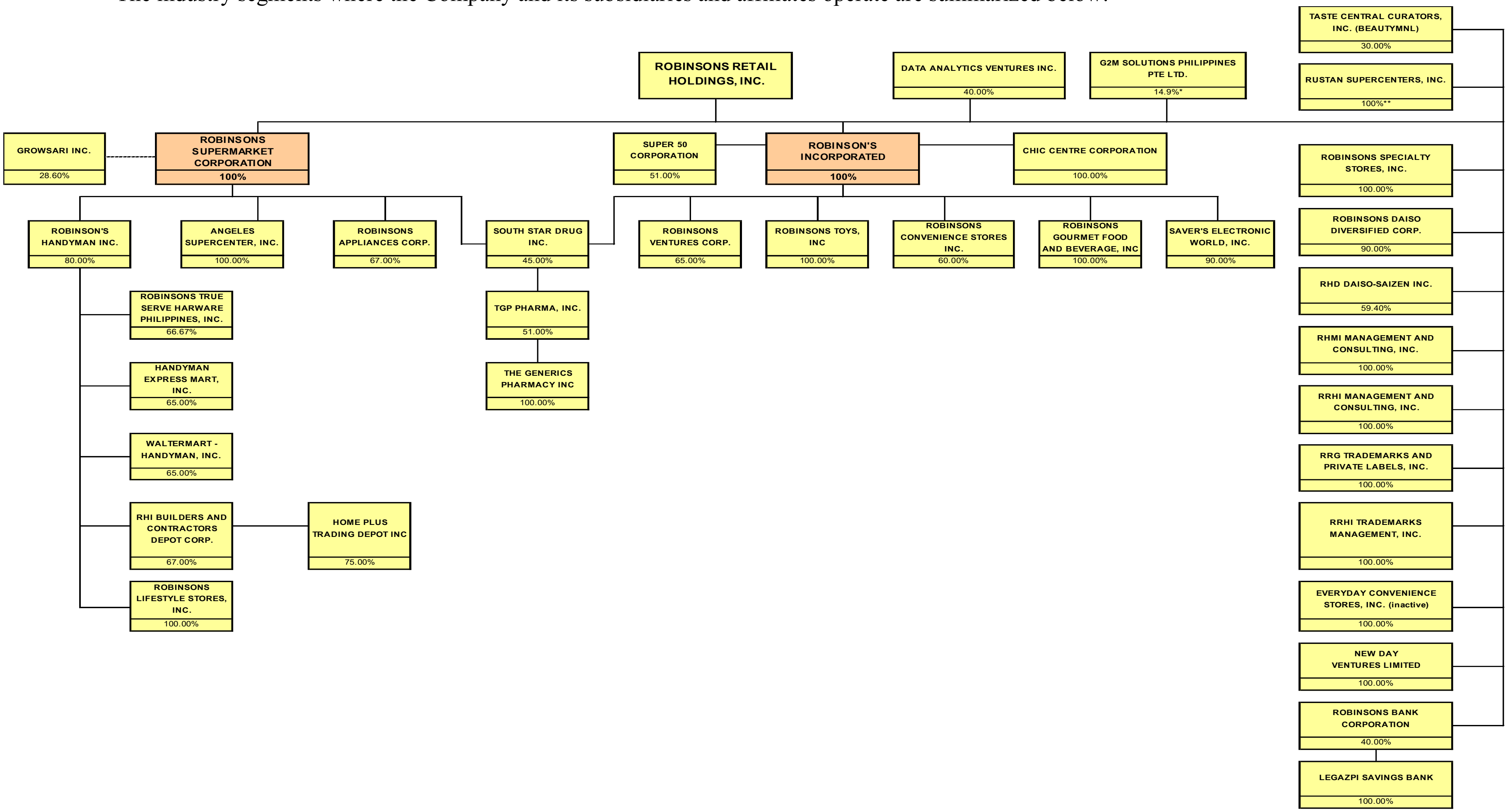
The percentage contribution to the Company's revenues for each of the three years ended December 2017, 2018, and 2019 by each of the Company's business segments after elimination are as follows:

	For the years ended December 31		
	2017	2018	2019
Supermarket	45.4%	47.0%	54.3%
Department store	14.0%	13.4%	11.1%
DIY Store	10.7%	10.5%	8.8%
Convenience store	5.0%	4.7%	4.1%
Drug store	12.6%	11.9%	10.9%
Specialty segment	12.3%	12.5%	10.8%

The Company ended 2019 with 1,938 stores with total gross floor area of 1.45 million 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.* Targeting the broad middle-income market, 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. Rustan Supercenters, Inc. (RSCI), on the other hand, has its primary banners Rustan's Supermarket and The Marketplace to serve the upscale grocery retail market, offering both imported and locally-sourced high quality products.

- *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 five categories: (i) toys, children's apparel and accessories, (ii) homes, snacks and stationery; (iii) shoes, bags, luggage and sportswear, (iv) ladies' apparel and accessories, beauty and intimate apparel; and (v) men's apparel, accessories and furnishings. RDS is focused on catering to middle-income customers and approximately 93.0% of Robinsons Department Stores' sales for 2019 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 big box formats under Robinsons Builders (rebranded from A.M. Builders' Depot) and De Oro Pacific Home Plus, which were acquired in 2014 and 2016, respectively. 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 2019, around 60% 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 eight 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 Savers Appliance Depot; 3) international fashion retail stores which carry brands namely Topshop, Topman, Dorothy Perkins, Warehouse, and Burton Menswear London; 4) beauty brands Shiseido, Benefit, Elizabeth Arden and Club Clio; 5) mass merchandise stores under Daiso Japan and Super50 7) Nail care, cosmetics and healthy slush under Chic Centre Corporation; 8) pet retail under Pet Lovers Centre; and 8) Korean hard discount store No Brand.

- The Company, as of end of 2019 has 1,938 stores, consisting of 265 supermarkets, 49 department stores, 222 DIY stores, 507 convenience stores, 519 drug stores and 376 specialty stores. This excludes 2,001 TGP franchised stores and distribution outlets of Chic Centre. Of the total stores, 462 of these stores are located in Metro Manila, another 1,035 located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

(ii) **Significant Subsidiaries.** As of December 31, 2019, Robinsons Retail Holdings, Inc. (RRHI) has fourteen 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. ***Rustan Supercenters Inc.:*** Rustan Supercenters Inc. (RSCI) was incorporated in the Philippines and registered with the SEC on November 18, 1998. RSCI's principle business is to engage in the trading of goods, such as supermarket items, on a wholesale/retail basis.

3. ***Angeles Supercenter, Inc.*** Angeles Supercenter, Inc. (ASI) was incorporated in the Philippines and registered with the SEC on December 23, 2003. ASI is 100% owned by RSC. ASI's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.

4. ***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.

5. ***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.

6. ***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.

7. ***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.

8. ***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.

9. ***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.

10. ***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.

11. ***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.

12. ***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.

13. ***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.

14. ***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.

15. ***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 59.05% owned by RI.

16. ***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.

17. ***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.

18. ***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.

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 wholl**y** 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, 2019, he 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, 2019, 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, 2019, 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.

30. ***Robinsons Lifestyle Stores, Inc.*** Robinsons Lifestyle Stores, Inc. (RLSI) was incorporated and registered with the SEC on February 22 ,2018. Its primary purpose is to engage in the business and wholesale of goods. RLSI is 100% owned by RHMI.

31. ***Super50 Corporation.*** Super50 Corporation was incorporated and registered with the SEC on March 23 ,2018. Its primary purpose is to engage in the business and wholesale of goods. Super 50 is 51% owned by RI.

(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 the end of 2019, Robinsons Rewards Cards was already accepted in most of the Company's formats except Savers Appliances, and TGP. The Robinsons Rewards loyalty program is a powerful tool to increase customer retention across all formats and was launched as a mobile app platform in 2018.

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

In 2018, RRHI signed franchise license agreement with Pet Lovers Centre Ltd for the retailing of pet products and services and Arcova Ltd. for mass merchandise items. It also entered a joint venture to launch mass merchandise store Super50.

In 2019, RRHI, through a subsidiary, signed franchise license agreement with EMart of Korea to operate stand-alone hard discount store No Brand and skin care store Scentence inside Robinsons Department Store – Beauty Section.

(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, 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 2019 are SM Retail, 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. Combined with RSCI, RRHI's position as the third largest grocery retail player is enhanced and offers new prospects for synergies.

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

  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. Southstar 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.

  Mass Merchandise. 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. Meanwhile Arcova competes with similarly positioned Korean or Asian lifestyle concept stores. On the other hand, Super50 competes at a lower price point, which is P50.

  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).

  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.

Pet Lovers Centre. Pet Lovers Centre may compete with other pet retailers, such as Pet Express, and Dogs and the City, in terms of services and assortment, primarily pet supplies.

Arcova. Arcova competes with similar mass merchandise formats with a thematic Asian Lifestyle branding, such as Mumuso and Miniso.

(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 2019, 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 27.8%, 27.6% and 27.6% and 24.8% of the net sales in 2017, 2018 and 2019, 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 2019, 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 2019. 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 31.0% of the total purchases in 2019, 30.8% of the total purchases in 2018 and 30.8% in 2017. 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 2019, Eurohealth Group of Companies, Sandoz Philippines, Kylemed Group of Companies and Zuellig Pharma, Unilab, Inc. were among TGP's largest suppliers. TGP's top five largest suppliers constitutes 38.9% of the total purchases in 2019.

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 Whirlpool 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, 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.

Mass Merchandise. 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 supplies, snacks, and beauty essentials. Arcova likewise sources products from its principal, while Super50 sources from various suppliers of quality goods sold at an affordable price point.

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.

Pet Lovers Centre: As the country's exclusive franchisee of the Singaporean brand, the store sources their physical merchandise from legitimate distributors of its labels.

(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 at estimated 13.5% of consolidated net sales in 2019. 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 2019.

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

Following are the marks of the subsidiaries of RRHI as of December 31, 2019:

Supermarket Trademarks

Name of Trademark	Symbol of Trademark
1. ROBINSONS SUPERMARKET	
2. HEALTHY YOU	
3. NATURE`S PURE	
4. BREEDER`S CHOICE DOG FOOD	
5. ROBINSONS EASYMART	
6. ROBINSONS SELECTIONS	
7. JAYNITH'S SUPERMART	
8. ROBINSONS TOWNVILLE	
9. ROBINSONS PRIVATE LABEL	
10. HEALTHY YOU	
11. SHOPWISE	
12. SHOPWISE EXPRESS	
13. SUREBUY	
14. SUREBUY PREMIUM	
15. BENNY'S	
16. FRESH PICKS	

17. PIZZAYOLO	
18. THE GOOD LIFE YOU CAN AFFORD	
19. WISE CARD	
20. WISE CARD ELITE	
21. CHICKEN CORNER	
22. MONGOLIAN STIR FRY BY SHOPWISE	

Department Store Trademarks

Name of Trademark	Symbol of trademark
1. EXECUTIVE BY ROBINSONS	
2. PLAYGROUND	
3. PORTSIDE	
4. NITELITES	
5. BRIDGET`S CLOSET	
6. HOME ESSENTIALS	
7. B+ACTIVE	
8. ALL ABOUT KIDS	
9. RAFAEL	
10. GRAB A TEE	
11. NEVER BEEN KISSED	
12. JUMPING BEANS	
13. SIMPLY ME	
14. PUNKBERRY	

15. SUN KISSED
16. MARJOLAINE
17. LIBERTE
18. STELLA
19. TED MOSS
20. VANITY
21. PORTSIDE ACTIVE
22. MALEBOX
23. BELLA
24. BOTTOMS UP
25. WORKSHOP
26. RAFAEL SCRIPT
27. TED MOSS ACCESSORIES
28. LOCKSAC
29. TAB
30. CONQUEST
31. BRITISH POLO

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. A.M BUILDERS DEPOT	
13. ICONO	
14. ICONO PREMIO	
15. ICONO CLASSICO	
16. IMAGO	
17. DE ORO PACIFIC HOME PLUS	
18. CAT CHEW	

19. MODERN HOME

Convenience Store Trademarks

Name of Trademark	Symbol of trademark
1. CHILLZ	
2. UNCLE JOHN'S FRIED CHICKEN	
3. MY SUNDAE	
4. MY CHOICE	
5. KARIMAN	
6. HOTCHIX	
7. EATS TO GO	
8. MY SUNDAE NEW RENDITION	
9. UNCLE JOHN'S FC NEW RENDITION	

Drug Store Trademarks

Name of Trademark	Symbol of trademark
1. SOUTH STAR DRUG	
2. SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY	
3. MANSON DRUG TUNAY AT MURA ANG GAMOT	
4. TGP – THE GENERICS PHARMACY	
5. THE GENERICS PHARMACY	
6. THE GENERICS PHARMACY MABISA NA MATIPID PA	

7. BASTA GENERICS, THE GENERICS PHARMACY	
8. TGP THE GENERICS PHARMACY MABISA NA, MATIPID PA!	
9. TGP WITH LOGO	
10. TGP^{+} THE GENERICS PHARMACY	

Specialty Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS APPLIANCES	
2. ROBINSONS SPECIALTY STORES, INC.	
3. SAIZEN	
4. SAVER'S APPLIANCES	

Others

Name of Trademark	Symbol of trademark
1. R	
2. R ROBINSONS RETAIL HOLDINGS, INC	
3. ROBINSONS SHOP CARD	
4. NAILS BY CHIC CENTRE	
5. BOBBIE SHOP	
6. BOBBIE NAILS	

7. CHIC NAIL COLOR
8. BOBBIE COSMETICS
9. BE-YOU-TIFUL
10. SMOOCH-CERTIFIED
11. CHICA MUST-HAVE
12. FOOT ACCENT BY CHIC
13. POO-RIFIC!
14. SIPPY
15. Fit & Fun Wellness Buddy Run
16. Wellness Moms
17. We Love Wellness
18. Healthier Days Start Here
19. I Love Wellness
20. Robinsons Wallet
21. #EasyOnThePlastic
22. Easymart Rays
23. Take It Easy
24. Your Store for Everyday Needs
25. Go Chicken

26. Tindahan

27. Curated Home

28. 19. Fit Kids

(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, 2019, the Group had 17,584 employees.
The Company anticipates that it will have approximately 23,924 employees within the next 12 months for the planned store openings in 2020. 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	P176 to P1,074 per sqm	1-25 years
	% to sales	2.74% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P375 to P702 per sqm or 2.25% to 4.0% of sales	1-25 years
	Fixed plus % to Sales	P200 to P721 per sqm plus 1.50% to 7.50% of sales	1-5 years
Luzon (outside Metro Manila)	Fixed	P57 to P990 per sqm	1-20 years
	% to sales	1.00% to 7.20% of sales	1-20 years
	Fixed or % to sales, whichever is higher	P134 to P633 per sqm or 1.5% to 6.0% of sales	1-20 years
	Fixed plus % to sales	P244 to P662 per sqm plus 1.5% to 6.00% of sales	1-20 years
Visayas	Fixed	P182.33 to P869 per sqm	1-25 years

	% to sales	2.74% to 7.20% of sales	1-5 years
Mindanao	Fixed	P156 to P1,034 per sqm	1-25 years
	% to sales	2.74% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P210 to P480 per sqm or 3.0%-5.0% of sales	1-10 years
	Fixed plus % to sales	P330 to P480 per sqm plus 5.00% to 5.50% 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, 2019.

	No. of stores	Gross Selling Area in sqm
Metro Manila	111	262,052
Luzon	102	244,549
Visayas	36	106,840
Mindanao	16	56,315
Total	**265**	**669,757**

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, 2019.

	No. of stores	Gross Selling Area in sqm
Metro Manila	11	122,045
Luzon	19	98,113
Visayas	10	74,694
Mindanao	9	60,458
Total	**49**	**355,311**

DIY Stores. The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2019, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in sqm
Metro Manila	68	58,457
Luzon	83	62,044
Visayas	47	45,551
Mindanao	24	25,666
Total	**222**	**191,718**

Convenience Stores. The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2019, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	335	34,063
Luzon	148	15,320
Visayas	24	2,263
Mindanao	–	–
Total	**507**	**51,647**

Drug Stores. The following table sets out the number of South Star Drug stores by region as December 31, 2019, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	110	8,954
Luzon	336	35,117
Visayas	45	3,247
Mindanao	28	1,798
Total	**519**	**49,116**

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 as of December 31, 2019, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	129	49,924
Luzon	155	64,378
Visayas	59	21,987
Mindanao	33	11,969
Total	**376**	**148,258**

Item 3. Legal Proceedings. As of December 31, 2019, 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

2020

	High	Low
January 2020	80.10	77.05
February 2020	77.60	66.60

2019

	High	Low
First Quarter	89.70	78.00
Second Quarter	80.35	68.85
Third Quarter	81.70	74.80
Fourth Quarter	80.00	72.00

2018

	High	Low
First Quarter	₱101.80	₱83.80
Second Quarter	92.00	76.50
Third Quarter	89.00	77.50
Fourth Quarter	81.8	70

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, 2019 was 42. Common shares outstanding as of December 31, 2019 were 1,576,489,360.

List of Top 20 stockholders as of December 31, 2019

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	484,749,997	30.75%
2. PCD Nominee Corporation (Filipino)	195,238,734	12.38%
3. PCD Nominee Corporation (Non-Filipino)	383,594,050	24.33%
4. Mulgrave Corporation B.V./GCH Investments Pte Ltd	315,308,689	20.00%
5. Lance Y. Gokongwei	107,538,351	6.82%
6. Robina Y. Gokongwei-Pe	89,906,846	5.70%
7. James L. Go	31,928,005	2.03%
8. Lisa Y. Gokongwei-Cheng	29,968,949	1.90%

Name of stockholder	Number of shares held	Percent to Total Outstanding
8. Faith Y. Gokongwei-Lim	29,968,949	1.90%
8. Marcia Y. Gokongwei	29,968,949	1.90%
9. Wilfred T. Co	2,027,936	0.13%
10. Lucio W. Yan &/or Clara Y. Yan	100,000	0.01%
11. Pacifico B. Tacub	2,000	0.00%
11. Stephen T. Teo &/or Teresita R. Teo	2,000	0.00%
12. Vicente Piccio Mercado	1,000	0.00%
12. John T. Lao	1,000	0.00%
12. David L. Kho	1,000	0.00%
12. Miguel P. Guerrero or Alice T. Guerrero	1,000	0.00%
13. Maria Lourdes Medroso Mercado	600	0.00%
14. Julius Victor Emmanuel D. Sanvictores	100	0.00%
14. Hector A. Sanvictores	100	0.00%
14. Felicitas F. Tacub	100	0.00%
14. Joselito C. Herrera	100	0.00%
14. Gabrielle Claudia F. Herrera	100	0.00%
14. Nadezhda Iskra F. Herrera	100	0.00%
15. Dondi Ron R. Limgenco	11	0.00%
16. Ronald S. Bes	10	0.00%
17. Owen Nathaniel S. Au ITF: Li Marcus Au	5	0.00%
18. Botschaft N. Cheng or Sevilla Ngo	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%
18. Ian James Winward McLeod	1	0.00%
18. Samuel Sanghyun Kim	1	0.00%
Total outstanding	1,576,489,360	100.00%

(C) Dividends

On May 30, 2019, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of P0.72 per share from the unrestricted retained earnings of the Company as of December 31, 2018 to all stockholders of record as of June 20, 2019 and payable on July 12, 2019.

On May 28, 2018, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of P 0.72 per share from the unrestricted retained earnings of the Company as of December 31, 2017 to all stockholders of record as of June 18, 2018 and payable on July 12, 2018.

On June 27, 2017, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of P0.70 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.

(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, 2019 vs December 31, 2018

Consolidated Results of Operations
(Amounts in Million Pesos)

In 2019, the Group adopted Philippine Financial Reporting Standards (PFRS) 16, Leases in accounting for its operating leases where the Group is the lessee. The Group recognized an asset representing right of use of the leased property (ROU) and a liability for lease payments (lease Liability).

	Years Ended December 31				
	2019		2018	% Change	
Financial Summary *(Amount in million Pesos except EPS)*	Under PFRS 16 (A)	Under Previous Standard (B)	Under Previous Standard ('C)	2019 (A) vs. 2018 (C)	2019 (B) vs. 2018 (C)
Consolidated Statement of Comprehensive Income Data					
Sales- net of sales discounts and returns	162,915.7	162,915.7	132,680.5	22.8%	22.8%
Cost of merchandise sold	125,734.5	125,734.5	102,845.4	22.3%	22.3%
Operating expenses	32,123.2	32,761.2	25,631.4	25.3%	27.8%
Interest expense	2,578.5	300.7	159.1	1521.0%	89.0%
Income before income tax	6,109.6	7,749.3	7,597.2	-19.6%	2.0%
Provision for income tax	1,559.3	2,091.7	1,772.0	-12.0%	18.0%
Net income	4,550.3	5,657.7	5,825.1	-21.9%	-2.9%
Net income attributable to Parent Company	3,918.6	4,907.8	5,107.3	-23.3%	-3.9%
EPS	2.49	3.11	3.65	-31.8%	-14.6%
Consolidated Statement of Cash Flow Data					
Net cash from operating activities	12,049.0	7,606.8	9,087.1	32.6%	-16.3%
Net cash provided by (used in) investing activities	1,817.8	1,817.8	(6,373.8)	-128.5%	-128.5%
Net cash used in financing activities	(8,359.8)	(3,917.7)	(2,494.7)	235.1%	57.0%
Consolidated Statement of Financial Position Data					
Total assets	137,866.1	111,055.5	107,777.1	27.9%	3.0%
Total liabilities	61,339.7	33,421.7	35,072.9	74.9%	-4.7%
Total stockholder's equity	76,526.4	77,633.8	72,704.2	5.3%	6.8%

Robinsons Retail Holdings, Inc. recorded net income at ₱4,550 million for the twelve months ended December 31, 2019, a decrease of 22% as compared to ₱5,825 million for the twelve months ended December 31, 2018. Without the impact of PFRS 16, net income would be ₱5,658 million, a 2.9% decrease compared to last year. The decrease was largely due to one-offs in 2019. Net income attributable to parent amounted to ₱3,919 million for the twelve months ended December 31, 2019 after impact of PFRS 16. Without its impact, net income attributable to parent amounted to ₱4,908 million, a decrease of 3.9% as compared to ₱5,107 million for the twelve months ended December 31, 2018.

Consolidated net sales increased by 22.8% from ₱132,681 million for the twelve months ended December 31, 2018 to ₱162,916 million for the twelve months ended December 31, 2019. The robust revenue growth was largely due to the full year sales contribution of the stores that opened in 2018 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱2,422 million to ₱2,740 million, a growth of 13.1%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2019 amounted to ₱37,181 million, 24.6% higher than ₱29,835 million for the twelve months ended December 31, 2018. The increase was attributed to higher sales and full year contribution of RSCI.

Operating expenses grew by 25.3% from ₱25,631 million to ₱32,123 million for the twelve months ended December 31, 2019 after the impact of PFRS 16. Without the new standard, operating expenses amount to ₱32,761, an increase of 27.8% due to higher expenses and accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 17.7% from ₱7,798 million to ₱6,626 million for the twelve months ended December 31, 2019 after impact of PFRS 16. Without the new standards, EBIT grew by 8.1% to ₱7,160 million. As a percentage of sales, EBIT before PFRS 16 is at 4.4% this year versus 5.0% last year due to faster increase in operating expenses as a percentage of sales.

Other income and charges (before PFRS 16) decreased by 39% from ₱971 million to ₱589 million for the twelve months ended December 31, 2019 primarily due to interest expense and one offs in 2019.

Interest expense recognized due to lease liability amounted to ₱2,278 million. Amortization expense on Right of Use assets meanwhile amounted to ₱3,804 million for the year 2019.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 62.7% from ₱9,021 million for the twelve months ended December 31, 2018 to ₱14,678 million for the twelve months ended December 31, 2019 after impact of PFRS 16. Without the new standards, EBITDA for the year 2019 amounted to ₱10,236 million. As percentage of sales, this is 6.3% this year versus 6.8% last year.

Segment Operations

(i) ***Supermarket***. The Supermarket segment continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2019. Supermarket generated net sales of ₱88,515 million for the twelve months ended December 31, 2019 expanding by 42% from ₱62,362 million sales registered in 2018. The increase includes a full year consolidation of Rustan's. The growth was driven by the store expansion this year with the addition of 12 new stores to 176 Robinsons supermarket stores and 87 Rustan's stores acquired in 2018 and further boosted by sustained performance of existing stores and strong same store sales growth of 3.6%.

Gross profit expanded to ₱18,612 million, 52.7% higher than last year's ₱12,189 million. As a percentage to sales, gross profit margin grew by 150 bps to 21% this year versus 19.5% last year as a result of the higher margin business of Rustan's.

Without impact of PFRS 16, EBIT reached ₱3,344 million for the twelve months ended December 31, 2019, 16.6% growth from ₱2,868 in the same period last year. Likewise, EBITDA, without impact of the new standards, expanded by 28% to ₱4,968 million for the full year 2018 against ₱3,883 million in 2018. As a percentage to sales, EBITDA declined by 60 bps at 5.6% in 2019 compared to 6.2% in 2018.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) sales for the year ended December 31, 2019 grew 1.5% from last year's ₱17,781 million to this year's ₱18,040 million.

This resulted to a gross margin of ₱4,989 million for 2018 against ₱4,769 million for the same period last year. As percentage of sales, this is 90bps higher than last year. The increase in sales contributed to the improved margins for the year.

Without the impact of PFRS 16, RDS generated EBITDA of ₱977 million for the year December 31, 2019, an increase of 6.1% against ₱921 million in the same period last year.

(iii) ***Convenience stores.*** The convenience stores segment registered a system-wide sales and merchandise sales of ₱9,794 million and ₱6,744 million, respectively for the period ended December 31, 2019, a 8.0% and 9.2% increase from ₱9,065 million and ₱6,177 million for the same period last year. The increase in sales is attributed to the acceleration of same store sales growth of 3.2% in 2019.

Other income which mainly consists of royalty fee is at ₱1,847 million this year. Royalty fee is computed as a percentages of system-wide gross profit and accounts for the bulk of the total other income. Gross margin and other income is 450bps lower from 39.6% last year to 35.1% this year.

Before impact of PFRS 16, Convenience stores recorded a negative EBIT of ₱36 million this year versus last year's ₱101 million. EBITDA generated for 2019 is at ₱ 267 million, a decline of 21.9% versus ₱340 million of the same period last year.

(iv) ***Drug Stores***. The drug store segment registered net sales of ₱17,685 million as of December 31, 2019, representing a growth of 11.8% from last year's net sales of ₱15,824 million. The growth was mainly driven by the segment's healthy same store sales growth and sales contribution of new stores.

Gross profit expanded by 11.1% from ₱3,077 million in 2018 to ₱3,419 million this year. Gross profit as a percentage of sales shrank by 10 bps to 19.3% in 2019 against 19.4% last year.

Before impact of PFRS 16, EBIT as of December 31, 2019 reached ₱1,203 million, an increase of 12.3% from last year's ₱1,071 million. Likewise, EBITDA also grew by 12.7% from ₱1,192 million in 2018 to ₱1,344 million this year. As a percentage of sales, EBITDA increased 10bps from 7.5% last year to 7.6% this year.

(v) ***DIY Stores.*** Net sales grew by 3.4% from ₱13,905 million to ₱14,383 million for the year ended December 31, 2018 and December 31, 2019, respectively.

The sales lift was driven primarily by same store sales growth of 2.5%.

Gross profit increased by 5.2% to 4,675 million for the year ended December 31, 2019 from ₱4,445 million in the same period last year. As a percentage to sales, gross profit is 50bps higher at 32.5% compared to 32.0% last year.

Without the impact of PFRS 16, with operating expenses increasing at a higher pace than the growth in gross profit, EBIT grew by 2.0% at ₱1,223 million for the year ended December 31, 2019 versus ₱1,199 million in same period last year. EBITDA, without the impact of the new accounting standard grew only by 2.7% to ₱1,467 million for the year 2019 against ₱1,428 million for the same period in 2018.

(vi) ***Specialty Stores Segment***. The net sales of the Specialty Stores segment increased by 6.0% from ₱18,200 million to ₱19,283 million for the twelve months ended December 31, 2018 and December 31, 2019, respectively. The Specialty segment has 376 stores in 2019 lower by 11 net stores compared to 387 stores last year.

The gross profit meanwhile increased by3.5% from ₱4,797 million to ₱4,966 million for the period.

For the year ended December 31, 2019, without impact of new standards, the Specialty Stores segment generated an EBITDA of ₱1,262 million, a decrease of 1.7% from last year's EBITDA of ₱1,283 million.

Financial Position

In 2019, the Company adopted PFRS 16, leases which resulted in recognition of right of use asset (ROU) of ₱26,317 million and lease liability of ₱28,053 million. As of December 31, 2019, after the impact of the new accounting standards, the Company's balance sheet showed consolidated assets of ₱137,866 million, which is 28% higher than the total consolidated assets of ₱107,777 million as of December 31, 2018. Without the new standards, consolidated assets amounted to ₱111,056 or 3.0% higher compared to last year.

Cash and cash equivalents increased from ₱14,788 million as of December 31, 2018, to ₱20,293 million as of December 31, 2019. Before the impact of PFRS 16, Net cash generated from operating activities totaled ₱7,607 million. Net cash in investing activities amounted to ₱1,818 million, ₱3,346 million of which was used to acquire properties and equipment and net proceeds of ₱5,583 from available-for-sale investments. Net cash spent from financing activities amounted to ₱3,995 million.

Trade and other receivables increased by 21.9% from ₱3,172 million to ₱3,865 million as of December 31, 2019.

Available for Sale financial assets declined by 24.8% for 2019 due to redemptions during the year. Investment in associates meanwhile increased by 15.1% primarily due to new investments and increase in share of fair value in AFS of associates.

Trade and other payables increased from ₱24,577 million to ₱25,102 million as of December 31, 2019.

Current loans payable decreased as a result of availment and payments during the year amounting to ₱915 million and ₱3,075 million, respectively.

Stockholder's equity grew from ₱72,704 million as of December 31, 2018, to ₱76,526 million as of December 31, 2019. Without PFRS 16, the stockholder's equity will be ₱77,634 million. The new accounting standards resulted to a decline of 1.4% in total stockholder's equity due to decline in net income by ₱1,107 million.

December 31, 2018 vs December 31, 2017

<u>Consolidated Results of Operations</u>
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income at ₱5,825 million for the twelve months ended December 31, 2018, an increase of 4.0% as compared to ₱5,599 million for the twelve months ended December 31, 2017. The increase was largely due to increased income from operations. Net income attributable to parent amounted to ₱5,107 million for the twelve months ended December 31, 2018, an increase of 2.6% as compared to ₱4,978 million for the twelve months ended December 31, 2016.

Consolidated net sales increased by 15.1% from ₱115,238 million for the twelve months ended December 31, 2017 to ₱132,681 million for the twelve months ended December 31, 2018. The robust revenue growth was largely due to increase in sales volume from the 104 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2017 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱2,262 million to ₱2,422 million, a growth of 7.1%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2018 amounted to ₱29,835 million, 15.7% higher than ₱25,792 million for the twelve months ended December 31, 2017. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 17.9% from ₱21,749 million to ₱25,631 million for the twelve months ended December 31, 2018 due to higher expenses and accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 5.1% from ₱6,305 million to ₱6,626 million for the twelve months ended December 31, 2018. As a percentage of sales, EBIT is at 5.0% this year vs. 5.5% last year due to faster increase in operating expenses as a percentage of sales.

Other income and charges decreased by 2.6% from ₱997 million to ₱971 million for the twelve months ended December 31, 2018 primarily due to one-time corporate charges and write offs in 2018.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 7.7% from ₱8,378 million for the twelve months ended December 31, 2017 to ₱9,021 million for the twelve months ended December 31, 2018.

<u>Segment Operations</u>

(vii) ***Supermarket***. The Supermarket segment continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2018. Supermarket generated net sales of ₱62,362 million for the twelve months ended December 31, 2018, including one-month consolidation of Rustan expanding by 19.1% from ₱52,363 million sales registered in 2017. The growth was driven by the store expansion this year with the addition of 10 new stores to 164 Robinsons supermarket stores and 88 Rustan stores acquired in 2018 and further boosted by sustained performance of existing stores and strong like-for-like sales of 7.6%.

Gross profit expanded to ₱12,189 million, 20.0% higher than last year's ₱10,154 million. As a percentage to sales, gross profit margin lift by 10 bps to 19.5% this year versus 19.4% last year as a result of the higher margin business of Rustan.

EBIT reached ₱2,868 million for the twelve months ended December 31, 2018, 1.5% growth from ₱2,825 in the same period last year. Likewise, EBITDA expanded by 6.1% to ₱3,883 million for the full year 2018 against ₱3,661 million in 2017. As a percentage to sales, EBITDA declined by 80 bps at 6.2% in 2018 compared to 7.0% in 2017.

(viii) ***Department Stores.*** Robinsons Department Store (RDS) sales for the year ended December 31, 2018 grew 10.3% from last year's ₱16,116 million to this year's ₱17,781 million. The increase in net sales was mainly due to improved sales of existing stores and sales contribution of new stores.

RDS' cost of sales amounted to ₱13,012 million for the year ended December 31, 2018, an increase of 9.5% from ₱11,880 million for the same period last year. This resulted to a gross margin of ₱4,769 million for 2018 against ₱4,236 million for the same period last year. The increase in sales contributed to the improved margins for the year.

RDS generated EBITDA of ₱921 million for the year December 31, 2018, a decline of 5.6% against ₱976 million in the same period last year.

(ix) ***Convenience stores.*** The convenience stores segment registered a system-wide sales and merchandise sales of ₱9,065 million and ₱6,177 million, respectively for the period ended December 31, 2018, a 4.9% and 8.2% increase from ₱8,640 million and ₱5,710 million for the same period last year. The increase in sales is attributed to the acceleration of same store sales growth of 5.1% in 2018.

Other income which mainly consists of royalty fee is at ₱1,889 million this year. Royalty fee is computed as a percentage of system-wide gross profit and accounts for the bulk of the total other income. Gross margin and other income is 20bps lower from 39.8% last year to 39.6% this year.

Convenience stores recorded an EBIT of ₱101 million this year versus last year's ₱42 million. While EBITDA generated for 2018 is at ₱340 million an increase of 12.3% versus ₱303 million of the same period last year as a result of store rationalization.

(x) ***Drug Stores***. The drug store segment registered net sales of ₱15,824 million as of December 31, 2018, representing a growth of 9.0% from last year's net sales of ₱14,518 million. The growth was mainly driven by the segment's healthy same store sales growth and sales contribution of new stores.

The segment's cost of sales as of December 31, 2018 grew by 8.0% from ₱11,806 million to ₱12,747 million. Consequently, gross profit expanded by 13.5% from ₱2,712 million in 2017 to ₱3,077 million this year. Gross profit as a percentage of sales expanded by 70 bps to 19.4% in 2018 against 18.7% last year.

EBIT as of December 31, 2018 reached ₱1,071 million, an increase of 8.2% from last year's ₱990 million. Likewise, EBITDA also grew by 8.8% from ₱1,095 million in 2017 to ₱1,192 million this year while margin was kept at 7.5%

(xi) ***DIY Stores.*** The DIY segment ended 2018 with solid growth in sales. Net sales grew by 12.8% from ₱12,323 million to ₱13,905 million for the year ended December 31, 2017 and December 31, 2018, respectively.

The growth was driven primarily by the strong performance of the existing stores coupled with the 17 new store additions for the period ended December 31, 2018.

DIY's cost of sales grew by 12.9% from ₱8,377 million for the year 2017 to ₱9,460 million for the year of 2018. Gross profit increased by 12.6% to ₱4,445 million for the year ended December 31, 2018 from ₱3,946 million in the same period last year. As a percentage to sales, gross profit was at 32% same as last year.

With operating expenses increasing at slower pace than the growth in gross profit, EBIT grew by 18.7% at ₱1,199 million for the year ended December 31, 2018 versus ₱1,010 million in same period last year. EBITDA improved by 18.5% to ₱1,428 million for the year 2018 against ₱1,205 million for the same period in 2017.

(xii) ***Specialty Stores Segment***. The net sales of the Specialty Stores segment increased by 17.0% from ₱15,550 million to ₱18,200 million for the twelve months ended December 31, 2017 and December 31, 2018, 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 6.9%. The Specialty segment added 45 net new stores after end of December 2017 bringing the store network to 387 by the end of December 2018.

The cost of merchandise sold by the Specialty Stores segment grew at a slightly faster rate than net sales at 18.1% from ₱11,350 million to ₱13,403 million for the twelve months ended December 31, 2017 and December 31, 2018, respectively. This resulted to a gross profit increase of 14.2% from ₱4,200 million to ₱4,797 million.

For the year ended December 31, 2018, the Specialty Stores segment generated an EBITDA of ₱1,283 million, an increase of 9.8% from last year's EBITDA of ₱1,169 million.

<u>**Financial Position**</u>

As of December 31, 2018, the Company's balance sheet showed consolidated assets of ₱107,777 million, which is 31.1% higher than the total consolidated assets of ₱82,181 million as of December 31, 2017.

Cash and cash equivalents increased from ₱14,565 million as of December 31, 2017, to ₱10,788 million as of December 31, 2018. Net cash generated from operating activities totaled ₱10,430 million. Net cash used in investing activities amounted to ₱6,374 million, ₱4,419 million of which was used to acquire properties and equipment and ₱847 million was used to acquire available-for-sale investments. Net cash spent from financing activities amounted to ₱2,492 million.

Trade and other receivables increased by 41.9% from ₱2,235 million to ₱3,172 million as of December 31, 2018.

Intangible assets increased from ₱5,271 million to ₱19,269 million as a result of the goodwill and trademarks arising from the acquisition of Rustan Supercenters, Inc. in 2018.

Trade and other payables increased from ₱17,774 million to ₱24,577 million as of December 31, 2018.

Current loans payable increased as a result of availments and payments during the year amounting to ₱7,558 million and ₱8,642 million, respectively.

Stockholder's equity grew from ₱55,266 million as of December 31, 2017, to ₱72,704 million as of December 31, 2018, due to additional 191,489,360 common share issuance for the acquisition of Rustan Supercenters, Inc. valued at ₱72.05 per share.

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.

<u>Financial Position</u>

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.

Material Changes in the 2019 Financial Statements (Increase/decrease of 5% or more versus 2018)

Consolidated Statements of Comprehensive Income-Year Ended December 31, 2019 versus year ended December 31, 2018

22.8% Increase in Sales
The robust revenue growth was largely due to increase in sales volume from the 28 net new stores that were added this year, the full year sales contribution of the stores that opened in 2018 as well as decent same stores sales growth and consolidation of full year results of Rustans.

24.6% increase in Gross Profit
The increase in gross profit was on the back of higher sales and improvement in category mix.

13.1% increase in royalty, rent and other income
Primarily due to higher royalty fee income of the convenience store segment.

25.3% increase in operating expenses
Primarily due to accelerated store network expansion/

167% decrease in foreign currency exchange
Primarily due to decline in forex rates of USD to Peso.

10% decrease in dividend income
Primarily due to decline in investment in Ayala shares.

1,521% increase in interest expense
Increase during the year is primarily due to the interest expense of lease liability recognized.

28% decline in other charges
This is due to lower one-off charges for the period

13.8% increase in provision for income tax-current
Due to higher taxable income of the subsidiaries.

1299% increase in provision for income tax-deferred
Due deferred tax impact of PFRS 16.

21.9% decrease in net income
Largely due to impact of PFRS 16 (See MD and A).

200% increase in other comprehensive income
Primarily due to marked-to-market movements in the fair value of debt and equity instrument financial assets.

Consolidated Statements of Financial Position - December 31, 2019 versus December 31, 2018

37.2% increase in cash and cash equivalents
Primarily from operations and redemption of available for sale investments.

21.9% increase in trade and other receivables
Due to increase in trade receivables relative to the growth of sales.

6.3% increase in merchandise inventories
Due to increased volume of inventories relative to the expansion of store network.

6.6% decrease in other current assets
Due to decline in input value added tax.

24.8% decrease in Available for Sale Investment
Decline is due to redemptions during the year.

100% increase in Right of Use Asset
This is caused by the adoption of PFRS 16 by the Group.

15.1% increase in Investment in Associate
This is caused by the increase in share in fair value and net income of associates as well as new investment during the year.

144% increase in deferred tax asset-net
Primarily due to DTA from impact of PFRS 16.

21% decrease in retirement plan asset
Decline is caused by payment to retiring employees.

31.8% decrease in Loans
Decline is caused by payment of loans for the period.

100% increase in Lease Liability
Increase is due to the PFRS 16 adoption of the Company

4.7% decrease in income tax payable
Decrease in income tax payable is a result of application of NOLCO and payments during the year.

29% increase in net retirement obligation
Primarily due to accrual of pension expense during the year.

100% decrease in other noncurrent liabilities
Primarily due to payment during the year.

148% increase in other comprehensive income
Increase is due to movements in fair value of debt and equity instrument financial assets

10% increase in retained earnings
Movement is due to net income during the year, net of dividends declared.

5.3% increase in non-controlling interest in consolidated subsidiaries
Primarily due to non-controlling interest's share in net income and additional investment from NCI during the year.

Key Performance Indicators

A summary of RRHI's key performance indicators follows:

Key Performance Indicators	**2019**		**2018**	**2017**
	Before PFRS 16	*After PFRS 16*		
			(in millions)	
Net sales	162,916.	162,916.5	₱132,681	₱115,238
EBIT	7,160	7,798	6,626	6,305
EBITDA	10,236	14,678	9,021	8,378
Core Net Earnings	5,161	4,054	5,000	4,679
			Ratios	
Liquidity ratio:				
Current ratio	1.52	1.42	1.22	1.34
Profitability ratio:				
Gross profit margin	0.23	0.23	0.22	0.22
Debt to equity ratio	0.43	0.80	0.48	0.49
Asset to equity ratio	1.42	1.80	1.48	1.49
Interest rate coverage ratio	23.81	3.02	41.65	49.50

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 liability 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. Without PFRS 16 impact, the current ratio increased from 1.22 to 1.52 times in 2018 and 2019, 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.

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID 19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until April 12, 2020.

The Group has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. Its supermarkets, convenience stores and drugstores formats, which are considered essential to the nationwide effort, remain open to serve the public. In the face of this global crisis, the Group remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its employees and customers.

Given the dynamic nature of these circumstances, the related impact on the Group's results of operations, cash flows and financial condition could not be reasonably estimated at this time and will be reflected in the Group's 2020 financial statements.

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.,

	2019	2018	2017
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	₱8,788,422	₱7,209,524	₱6,721,068
Professional Fees related to the Initial Public Offering	None	None	None
Tax Fees	None	None	None
All Other Fees	370,370	336,700	317,625
Total	₱9,158,792	₱7,546,224	₱7,038,693

No other service was provided by external auditors to the Company for the calendar years 2019, 2018 and 2017.

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 eleven members, of which two are independent directors and two are members of the Advisory Board. The table below sets forth certain information regarding the members of our Board.

DIRECTORS

Name	Age	Position	Citizenship
James L. Go	80	Vice Chairman	Filipino
Lance Y. Gokongwei	53	Chairman	Filipino
Robina Y. Gokongwei-Pe	58	President and Chief Executive Officer	Filipino
Faith Y. Gokongwei-Lim	49	Director	Filipino
Ian James Winward McLeod	54	Director	British
Samuel Sanghyun Kim	55	Director	American
Antonio L. Go*	79	Independent Director	Filipino
Roberto R. Romulo	81	Independent Director	Filipino

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

All of the above directors have served their respective offices since May 30, 2019. 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
Cornelio S. Mapa, Jr.	54	Senior Vice President, Chief Strategy Officer and Compliance Officer	Filipino
Mylene A. Kasiban	50	Chief Financial Officer	Filipino
Graciela A. Banatao	44	Treasurer	Filipino
Gina R. Dipaling	55	Vice President, Corporate Planning and Investor Relations Officer	
Gabriel Tagala III	51	Vice President, Human Resources	Filipino
Rosalinda F. Rivera	49	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	46	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:

James L. Go is the Vice Chairman of the Company and the Chairman of JG Summit Holdings, Inc., and Cebu Air, Inc. He is also Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of PLDT, Inc. since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT, Inc. He was elected a director of Manila Electric Company on December 16, 2013.

Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

Lance Y. Gokongwei is the Chairman of the Company. He is the Chairman of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc., Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., and Robinsons True Serve Hardware Philippines, Inc. He is the President and Chief Executive Officer of JG Summit Holdings, Inc and Cebu Air, Inc. He is the Chairman of Universal Robina Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation, Robinsons Land Corporation and Robinsons Bank Corporation. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Global Reporting Initiative. He is also the Chairman and trustee 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 is the President and Chief Executive Officer of Robinsons Retail Holdings, Inc. (RRHI). She is also a director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc. and Robinsons Bank Corporation. She is a trustee and the secretary of the Gokongwei Brothers Foundation, Inc. and a trustee of the Immaculate Concepcion Academy Scholarship Fund. She is also a member of the Xavier School Board of Trustees. She was formerly 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.

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

Antonio L. Go has been an independent director of the Company since July4, 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., JG Summit Holdings, Inc. and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

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

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

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

(i) Officers

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

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

Cornelio S. Mapa, Jr. is the current Compliance Officer and Senior Vice President, Chief Strategy Officer of the Company. He also serves as SVP- Investments and New Builds for JG Summit Holdings, Inc. He was previously the Executive Vice President & Managing Director of Universal Robina Corporation (URC). Prior to URC, he was Executive Vice President and BU-GM of the Commercial Centers Division of Robinsons Land Corporation, He also previously held the position of Chief Financial Officer & Senior Vice President at Coca Cola Bottlers Phils, Inc., including its subsidiaries Philippine Beverage Partners, Inc. and Cosmos Bottling Corp. Concurrently he served the same capacity at La Tondeña Distillers, Inc.

He received his undergraduate degree from New York University and MBA from the International Institute for Management Development.

Mylene A. Kasiban, 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, 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 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 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.

Gina R. Dipaling is the Vice-President for Corporate Planning and Investor Relations Officer for the Company. She was an Investment Research Analyst and Director for two decades at various multinational stock brokerage firms before joining the Gokongwei Group in 2010. She started as Corporate Planning Manager and IR Director at JG Summit and was promoted and transferred to Robinsons Retail in 2013. She is a graduate of BS Mathematics Cum Laude at Silliman University and a masters degree candidate on MS Statistics at the University of the Philippines Diliman.

Gabriel D. Tagala III is the Vice-President for Human Resources of the Company, joining the Company 2017. He was previously the Human Resources Director for Southeast Asia, Branded Consumer Foods Group, of Universal Robina Corporation. He received a Bachelor of Arts degree from San Sebastian College.

Atty. Gilbert S. Millado Jr., 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. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.

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

(E) As of December 31, 2019, 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 (2019).

Name	**Position**
Robina Y. Gokongwei-Pe…………………...	President and Chief Executive Officer
Mylene A. Kasiban………………………….	Chief Financial Officer
Justiniano S. Gadia..	Managing Director- Supermarket Segment
Manuel Dy…………………………………..	SVP-Business Development
Stephen M. Yap……………………………..	Vice President – Chief Information Officer

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2019 are as follows:

ACTUAL

	Year	**Salaries**	**Bonuses**	**Total**
		(in ₱ million)		
President, Managing Director of Supermarket Segment, Chief Financial Officer, SVP-Business Development and Chief Information Officer named above	2016	39.92	2.70	42.62
	2017	43.66	2.97	46.63
	2018	45.43	3.22	48.65
	2019	48.57	3.45	52.02
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2016	76.52	5.09	81.61
	2017	88.05	5.91	93.96
	2018	89.17	6.93	96.10
	2019	112.74	9.54	122.3

(B)

PROJECTED 2019 (in ₱ million)			
	Salaries	Bonuses	Total
President, Managing Director of Supermarket Segment, Chief Financial Officer , SVP-Business Development and Chief Information Officer named above	51.60	3.65	55.25
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	114.90	9.75	124.65

(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

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

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

Not applicable.

(G) 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, 2018

As of December 31, 2019, 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	30.75%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala	PDTC Participants and their clients (See note 2)	Filipino	195,238,734	12.38%

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
	Ave. cor. Paseo de Roxas, Makati City (stockholder)				
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	383,594,050 (See note 3)	24.33%
Common	Mulgrave Corporation B.V./GCH Investments Pte Ltd Atrium Building, Strawinskylaan 3007 1077 ZX Amsterdam, Netherlands/ 239 Alexandra Road, Singapore 159930 (stockholder)	Same as record owner (See note 4)	Dutch/ Singaporean	315,308,689	20.00%

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. Lance Y. Gokongwei.

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 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.

3. Out of the PCD Nominee Corporation account, "CLSA Philippines, Inc.", "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, 2019:

	No. of shares	% to Outstanding
CLSA Philippines, Inc.	123,886,687	7.86%
The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct	110,094,482	6.98%
Deutsche Bank Manila-Clients A/C	87,179,648	5.53%

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

4. Mulgrave Corporation B.V. and GCH Investments Pte Ltd. Are wholly owned members of Dairy Farm International Holdings Ltd. Group of companies.

(B) Security Ownership of Management as of December 31, 2019

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	107,538,351	-	Filipino	6.82%

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership		Citizenship	% to Total Outstanding
			Direct	Indirect		
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Executive Officer	89,906,846	-	Filipino	5.7%
	Sub-Total		197,445,197	-		12.52%
Other Directors and Executive Officers						
Common	3. James L. Go	Director and Vice Chairman	31,928,005	-	Filipino	2.03%
Common	4. Faith Y. Gokongwei-Lim	Director	29,968,949	-	Filipino	1.90%
Common	5. Ian James Winward McLeod	Director	1	-	British	*
Common	7. Samuel Sanghyun Kim	Director	1	-	American	*
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	-
-	10. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	11. Graciela A. Banatao	Treasurer	-	-	Filipino	-
Common	12. Gina R. Dipaling	Investor Relations Officer	1,500	-	Filipino	-
-	13. Gabriel Tagala III	Vice President, Human Resources	-	-	Filipino	-
-	13. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	14. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		61,898,958	-		3.93%
All directors and executive officers as a group unnamed			259,344,155	-		16.45%

Notes:
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, 2019.

(C) Voting Trust Holders of 5% or more - as of December 31, 2019

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, 2019, 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 24 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements.

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

<u>Corporate Objectives</u>
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 2018, 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
2017 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE)	May 30,2018
2018 Integrated Annual Corporate Governance Report (I-ACGR)	Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE)	May 30, 2019

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 30,2020. 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
June 1, 2019 to December 31, 2019

Date of Disclosure	Description
June 30, 2019	Robinsons Retail's 1H 2019 Operating Income Up by 12.4%
	Robinsons Retail's 3Q 2019 Net Income Attributable to Parent Pre-PFRS16 Up by 10.5%
October 7, 2019	Change in Corporate Contact Details
October 29, 2019	Amendment of Articles of Incorporation
November 11, 2019	Change in directors and/or officers – Mr. John L. Gokongwei, Jr.
November 13, 2019	Reallocation of the use of IPO Proceeds

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, 2019, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱1,118,488,684
Renovation of existing stores	738,987,454
Other corporate purposes	413,472,529
Repayment of bank loans	367,444,795
Total	₱2,638,393,462

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, 2020.

By:

LANCE Y. GOKONGWEI
Chairman of the Board

ROBINA Y. GOKONGWEI-PE
President and Chief Executive 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 _________ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

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

Notary Public

REPUBLIC OF THE PHILIPPINES)
Quezon City) S.S

Before me, a notary public in the city named above, personally appeared:

Name	Competent Proof of Identity	Place/Date of Issue
Lance Y. Gokongwei	GOV. ID PO870174A	
Robina Y. Gokongwei-Pe	GOV. ID 03-7860984-5	
Mylene A. Kasiban	DO4 -97-108-149	
Graciela A. Banatao	907-401-098	
Rosalinda F. Rivera		

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 23rd day of March 2020.

Atty. Gilbert S. Millado, Jr,
Roll NO. 45039
Notary Public
Until December 31, 2020
110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City
PTR No. 9270386; Jan 2, 2020; Quezon City
IBP NO. 100562; Jan 2, 2020; CALMANA
TIN No. 166-215-465
Commission Adm. No. 391 (2019-2020)
MCLE Compliance VI-0027451; June 24, 2019

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Book No. VII
Series of 2020

ROBINSONS RETAIL HOLDINGS, INC.

SUSTAINABILITY REPORTING ANNEX

2019

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Robinsons Retail Holdings, Inc.
Location of Headquarters	43F Robinsons Equitable Tower ADB Avenue corner Poveda St. Ortigas Center, Pasig City, Metro Manila, Philippines
Location of Operations	Nationwide Operations
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Robinson's Supermarket Corporation; Robinsons Inc.; Rustan Supercenters Inc.; Robinson's Handyman Inc.; Robinsons True Serve Hardware Philippines Inc.; South Star Drug Inc.; TGP Pharma Inc.; Robinsons Appliances Corp.; Robinsons Toys, Inc; Robinsons Convenience Stores, Inc.; Robinsons Daiso Diversified Corp.; and Robinsons Specialty Stores, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Multi-format Retailing including Supermarkets, Department Stores, Do-it-Yourself and Big Box Hardware, Drugstores, Convenience Stores, and Specialty Formats, such as Fashion, Beauty, Mass Merchandise, One-Price Concept Stores, and Pet Retail. *Please see Business and General Information in RRHI 2019 SEC 17-A, pages 4-5.*
Reporting Period	January 1,2019 to December 31, 2019
Highest Ranking Person responsible for this report	Gina Roa-Dipaling Vice President for Corporate Planning and Investor Relations Officer and Sustainability Head

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The Company generated its material topics by probing the impacts of its business units along its key business activities – from product sourcing to empowering our employees and customers, to giving access to quality goods, and determined to scope of this report to cover subsidiaries with the most material contributions to the continuity of our operations. The material topics were validated through workshops with key officers from the Company's business units and engagement with major stakeholder groups, which were conducted in 2019 for the publication of our 2018 Sustainability Report, which remain valid at the publication of this report. For our selection of stakeholders affected, we also based this on the principle on to whom the material topic is most material and directly influential to their interests.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	**Amount (in millions)**	**Units**
Direct economic value generated (revenue)	162,916	PhP
Direct economic value distributed:		
a. Operating costs	22,651	PhP
b. Employee wages and benefits	9,802	PhP
c. Payments to suppliers, other operating costs	127,206	Php
d. Dividends given to stockholders and interest payments to loan providers	4,532*	PhP
e. Taxes given to government	2,097	PhP
f. Investments to community (e.g. donations, CSR)	*Data gathering ongoing*	PhP

**Dividends + interest payments*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The economic value generated from the Company's activities primarily affect the economic conditions of the areas where it operates. Its operations and supply chain allow the Company to directly and indirectly support employment and foster a sophisticated system of partners and suppliers from across various entrepreneurial backgrounds, from big manufacturers to small and	• Suppliers • Employees • Government • Communities • Customers • Shareholders	Robinsons Retail Holdings, Inc. aims to retain its position as one the largest multi-format retailer in the Philippines catering to the broad middle-income 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

[1] See GRI 102-46 (2016) for more guidance.

medium enterprises for both the trade and non-trade needs of its businesses. As it conducts its day-to-day processes, the Company believes that it positively contributes to economic growth and social mobility among its affected stakeholders.		mergers and acquisitions in existing and complementary retail formats. Robinsons Retail targets consistent sales growth while improving margins to ensure sustainability of operations. For its shareholders, the Company intends to maintain an annual cash dividend payout ratio of 20 percent (20%) in 2019 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. *Please see Corporate Objectives and Dividend Policy in RRHI 2019 SEC Disclosure 17-A, page 55.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Please see Risks in RRHI 2019 SEC Disclosure 17-A, page 20-21.	• Suppliers • Employees • Government • Communities • Customers • Shareholders	RRHI operates as a multi-format stakeholder with a diverse portfolio offering the market both staple and discretionary goods and services. It also has strong financial foundations to continue operations and remain resilient. It has also developed business continuity plans to protect its assets and has a dedicated Enterprise Risk Management Team overseen by the Board of Directors of the Company. Please see: http://www.robinsonsretailholdings.com.

		ph/corporate-governance/enterprise-risk-management
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The Company has identified the following opportunities: • Store expansion into underpenetrated cities and municipalities • E-commerce • Strategic synergies with partners and affiliates • Mergers & Acquisitions • Better margins through increased scale	• Suppliers • Employees • Government • Communities • Customers • Shareholders	RRHI crafts long-term objectives and goals, which includes strengthening its business development for store expansion and identification of key areas for efficiency within its business. It also looks towards data-driven decision making, especially in bolstering its loyalty programs, supply chains, operations, and collaborative initiatives with partners.

Climate-related risks and opportunities[2]

RRHI recognizes the relevance of climate-related risks and opportunities and is in the process of crafting its comprehensive Climate Action Plan, scenario-building, and outlining long-term goals. The Company plans to conduct studies within the next two to three years that further delineate the areas of materiality in terms of its impacts to the environment and potential contributions to Climate Change, as well as opportunities to engage environmental conservation. Using the RRHI 2018 Sustainability Report as a conceptual foundation to inform the formulation of our management approaches and selection of relevant metrics and targets, RRHI envisions having effective monitoring systems in place to effectively assess and manage its carbon and plastic footprint.

Although still in need of adaptation and further study on its overall impact upon climate change metrics, RRHI has been continually implementing energy-saving practices over the past years in select areas of our operations, such as the shift to energy-efficient bulbs in our stores, inverter technology air-conditioners, and refrigeration systems that make use of refrigerants that have less impact on the environment. While RRHI is not water-intensive as a business, it also acknowledges the importance of reducing water consumption and implements daily maintenance checks on its facilities.

At present, RRHI recognizes plastic use as a material topic in Climate Action, as it has implications on reputational risks among our customers, investors and regulators, and the health of the environment and the preservation of natural biodiversity through plastic leakage. RRHI's primary use of plastic is through the packaging and handling of goods that are ultimately sold to customers through our stores. The Company also uses plastics in different aspects of its operations, at its headquarters and distribution centers.

Plastics, particularly plastic packaging, is ubiquitous and currently crucial in RRHI's business and supply chain, given its ease of transportation, ability to aid in decreasing incidences of contamination and

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

quality reduction during transport and product display, as well aid in increasing shelf-life and food-safety for end consumers. The latter is inseparable from RRHI's primary business of fresh food and grocery retail through supermarkets, which comprise around half of its business. Moreover, many of the products that are sold in RRHI stores are in themselves made of plastic or have components made of plastic, such as home goods, appliances, consumer electronics, hardware items, and beauty products.

However, the Company is aware that the very usefulness of plastic, which is due to its currently irreplicable qualities at the scale it is produced, have also led to the difficulty in its management and measurement as a waste product. RRHI acknowledges the issues that surround plastic waste and is exploring ways to prevent its leakage into the environment, as well as mitigate the potential harmful effects that it does indeed have on wildlife and natural environs. These include conducting information programs that educate customers on the harms of plastic pollution, diverting plastic waste into recycled items, and encouraging the use of reusable containers and shopping bags in our stores

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	*99.3*	*%*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procurement of goods and services from local suppliers is crucial to sustaining the core operations of RRHI. It impacts livelihood and access to goods for end consumers. For this disclosure, "local suppliers" are defined as Philippine-based companies and businesses, including distributors with import licensees for foreign products, and defines "non-local suppliers" as those it directly engages for imports of foreign products. The Company imports directly through its subsidiary, Rustan Supercenters, Inc., and total importations constitute 0.7% of payments to suppliers and other operating costs. RRHI's supply chain represents many retailers, ancillary businesses and various service providers who in turn provide	• Suppliers • Employees • Customers • Communities	RRHI's Business Units directly engage suppliers through its Merchandising and Operations Departments, and through the Marketing Departments for joint programs and promotions. Through its stakeholder engagement and internal assessments, RRHI has identified the Procurement terms, Payment schedule, and availability of stocks for fast moving items as relevant issues that the Company closely monitors with its suppliers. RRHI values collaboration to achieve mutually-beneficial terms with our suppliers. For more information, please see page 40 of the 2018 RRHI Sustainability Report. *Please see:*

<table>
<tr><td>businesses and employment to various other groups.</td><td></td><td>Supplier Accreditation Policy: http://www.robinsonsretailholdings.com.ph/corporate-governance/supplier-accreditation-policy or http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2020/Supplier%20Accreditation%20Policy.pdf
Pages 34-45 of the 2018 RRHI Sustainability Report: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf</td></tr>
<tr><td>What are the Risk/s Identified?</td><td>Which stakeholders are affected?</td><td>Management Approach</td></tr>
<tr><td>RRHI has identified the following risks under the material topic:
Quality Assurance and Control for procured products
Capacity to supply and replenish items for store
Proper waste disposal of bad items</td><td>Suppliers
Customers</td><td>RRHI has a supplier accreditation policy to assure that suppliers have the capacity to meet the demands of the business at consistent quality. Goods and stores are also monitored by quality assurance officers. It also has standard store procedures on the proper disposal of waste and expired items.

Please see:
Supplier Accreditation Policy: http://www.robinsonsretailholdings.com.ph/corporate-governance/supplier-accreditation-policy or http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2020/Supplier%20Accreditation%20Policy.pdf
Pages 34-45 of the 2018 RRHI Sustainability Report: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td><td>Which stakeholders are affected?</td><td>Management Approach</td></tr>
</table>

RRHI has identified the following opportunities under the material topic: • Greater involvement with small and medium enterprises • Introducing the market to high-quality locally sourced products • Improved demand forecasting	• Suppliers • Customers	RRHI aims to forecast demand more accurately to maintain a just-in time inventory system. This, in return, increases supply efficiency as goods arrive only when they are needed. RRHI's distribution centers follow a cross-docking system, where goods from suppliers are consolidated and sent to RRHI's stores in a strict, time-bound manner. This enables the faster delivery of products and reduces the unnecessary maintenance of stocks.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The impact occurs across multiple touchpoints in the company's commercial operations, where its employees are primarily involved. As a large multi-format retailer, RRHI transacts with multiple stakeholders and safeguards its financial and physical assets against corruption through a culture of integrity and accountability.	• Employees	RRHI has anti-corruption policies and programs contained within its Corporate Governance manual, which are disseminated with the publication of RRHI Annual Report, which is accessible online. Through the Robinsons Retail Academy's New Employees Orientation (Program), the Company's Code of Ethics and Discipline is discussed as part of the onboarding process. Through this, employees are also made aware of stipulated of potential disciplinary actions from offenses. *Please see:*

		• Company Policies under the Corporate Governance tab of the RRHI website: http://www.robinsonsretailholdings.com.ph/corporate-governance/manual-1 • Anti-corruption programs under the Corporate Governance Section of the RRHI 2018 Annual Report: http://www.robinsonsretailholdings.com.ph/annualreport2018/leadership/#corporate-governance
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified potential incidences of corruption due to absence of specific training programs on anti-corruption as a risk under the material topic.	• Employees	*Please see:* Anti-corruption programs under the Corporate Governance Section of the RRHI 2018 Annual Report: http://www.robinsonsretailholdings.com.ph/annualreport2018/leadership/#corporate-governance
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunities.	*Not applicable.*	*Not applicable.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impacts.	*Not applicable.*	*Not applicable.*

What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material opportunities.	*Not applicable.*	*Not applicable.*

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	8,572.6	GJ
Energy consumption (gasoline)	0	GJ
Energy consumption (LPG)	*Data gathering ongoing*	GJ
Energy consumption (diesel)	578.9	GJ
Energy consumption (electricity)	719,854,810.7	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	*Data gathering ongoing.*	GJ
Energy reduction (LPG)	*Data gathering ongoing.*	GJ
Energy reduction (diesel)	*Data gathering ongoing.*	GJ
Energy reduction (electricity)	*Data gathering ongoing.*	kWh
Energy reduction (gasoline)	*Data gathering ongoing.*	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company relies on energy and fuel for its daily operations and across its supply chain. Energy is sourced primarily from the local electrical grid that services areas where the Company's stores operate. This disclosure covers data	• *Suppliers* • *Employees* • *Customers*	At present, RRHI implements energy-saving practices such as maintenance and conversion to energy efficient materials and appliances, such as LED bulbs, inverter technology airconditioners, and refrigeration systems with less impact on the environment. RRHI is in the process of setting up systems in evaluating its management approach to the material topic to cover more comprehensive and comparable measurements on energy. The Company disclose data on this within the next two to three years. *Please see pages 75-77 of the 2018 RRHI Sustainability Report.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
RRHI has identified potential increased emissions with increased scale and for stores and distribution centers that have not yet converted to energy efficient technologies.	• *Suppliers* • *Employees* • *Customers*	RRHI is in the process studying different touchpoints of emissions. The Company will disclose data on the identified risk within the next two to three years.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Scaling sustainable technologies in more stores and distribution centers • Renewable energy • Waste-to-energy initiatives	• *Suppliers* • *Employees* • *Customers*	RRHI is exploring methods and technologies that have lesser negative impacts on the environment. The Company will disclose data on the identified risk within the next two to three years.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	688,514.40	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As a retailing company, RRHI's core operations are not water intensive as compared to other businesses and sources water through local third-party lines. The company primarily consumes water through employee lavatories and maintenance of cleanliness in work areas and stores.	• Employees	Water consumption is monitored and daily maintenance and monitoring of office pipes is conducted to address leakage.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No identified material risks to core operations.	*Not applicable.*	*Not applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Water-recycling facilities • Waterless urinals • Water saving campaigns	• Employees • Communities	RRHI is exploring possible implementation of water-saving facilities across its stores, distribution centers, and headquarters.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	3,040	Metric tonnes
• non-renewable	1,424	Metric tonnes
Percentage of recycled input materials used to manufacture the organization's primary products and services	*No available data.*	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
RRHI's business operations rely on the paper and plastic as primary materials for packing goods at the point of sale, which consumers will transport to their homes. The scope of this disclosure includes estimates of weighted plastics and paper (renewable) and plastic (non-renewal) bags centrally procured for the Company's most material business segments: supermarkets,	• Consumers • Government	RRHI considers packaging of goods, which it procures from third party suppliers, in its material usage since it does not manufacture goods in its primary business of retail. The Company approaches material efficiency from both the perspective of compliance and customer engagement. It observes strict adherence with the pertinent regulations on using plastic and paper from local governments of its stores. Likewise, it

department stores, and DIY stores; with further studies being undertaken to estimate the materials footprint of the company across its other subsidiaries and sites of operation.		informs and encourages customers to reduce uncontrolled waste disposal through initiatives that divert waste from the natural environment into usable recycled items, such as the "Easy on Plastic" and "Green Fund" projects. *Please see 2018 RRHI Sustainability Report, pages 69-71.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following risks under the material topic • Policy/legislative risks through sanctions • Environmental risks of plastic leakage	• Consumers • Government	RRHI engages potential risks under the material topic through compliance as a basic level of mitigation. It is also in the process of creating more visibility in monitoring of plastic use and waste generation.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Searching for viable alternatives to plastic • Conducting life-cycle analysis on alternative packaging • Sourcing less resource intensive and invasive materials • Identifying the recyclability of materials used by the company	• Consumers • Government	RRHI is exploring increased partnerships on recycling, alternative packaging and customer engagement, as well as crafting comprehensive waste/material tracking system to authentically measure the Company's plastic footprint.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	n/a	
Habitats protected or restored	n/a	ha

IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	n/a	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
No material impact from our core business operations.	*Not applicable.*	*Not applicable.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunities.	*Not applicable.*	*Not applicable.*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	*Data gathering ongoing*	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	*Data gathering ongoing*	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	*Data gathering ongoing*	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The impact occurs through emissions in our operations in the consumption of electricity and usage of refrigerants.	• Customers • Employees • Communities	RRHI is still currently doing more comprehensive baseline studies across its operations and is in the process of setting up monitoring systems to evaluate its management approach on the material topic. The Company will disclose this within the next two to three years.

[3] International Union for Conservation of Nature

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
RRHI has identified the following risks under the material topic • Limited visibility on Contributions to Climate Change • Reputational risks among customers and the investment community	• Customers • Investors • Communities	RRHI is crafting a Climate Action Plan and still currently doing more comprehensive baseline studies across its operations. It is in the process of setting up monitoring systems to evaluate its management approach on the material topic. The Company will disclose this within the next two to three years.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Scaling sustainable technologies in more stores and distribution centers • Renewable energy • Waste-to-energy initiatives	• Customers • Investors • Communities	RRHI is exploring methods and technologies that have lesser negative impacts on the environment. The Company will disclose data on the identified within the next two to three years.

Air pollutants

Disclosure	Quantity	Units
NO_x	n/a	kg
SO_x	n/a	kg
Persistent organic pollutants (POPs)	n/a	kg
Volatile organic compounds (VOCs)	n/a	kg
Hazardous air pollutants (HAPs)	n/a	kg
Particulate matter (PM)	n/a	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The topic is not within the scope of materiality given the nature of the Company's core business of retail.	*Not applicable.*	*Not applicable.*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No identified material risks.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks.	*Not applicable.*	*Not applicable.*

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	4,838,784	kg
Reusable	265,617	kg
Recyclable	1,823,920	kg
Composted	707,620	kg
Incinerated	36	kg
Residuals/Landfilled	13,165	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
RRHI's operations generate solid wastes, primarily through its stores and distribution centers.	• Customers • Employees • Communities	*Please see:* • Stakeholder's Health, Safety, and Welfare Policy: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Policy.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare • Page 73 of 2018 RRHI Sustainability Report. • Gokongwei Group Environment, Health and Safety Policy*:* http://www.robinsonsretailholdi

		ngs.com.ph/corporate-governance/corporate-environment-health-and-safety-policy
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following risks under the material topic: • Leakage of plastic waste into the environment • Contribution to greenhouse gases through biodegradable landfilled waste	• Customers • Employees • Communities	RRHI is still currently doing more comprehensive baseline studies across its operations and is in the process of setting up monitoring systems to evaluate its management approach on the material topic. The Company will disclose this within the next two to three years.
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Waste Segregation • Recycling • Composting facilities for organic waste • Implementing waste tracking systems	• Customers • Employees • Communities • Suppliers	RRHI is still currently doing more comprehensive baseline studies across its operations and is in the process of setting up monitoring systems to evaluate its management approach on the material topic. The Company will disclose this within the next two to three years.

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	n/a	kg
Total weight of hazardous waste transported	n/a	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company does not generate or transport hazardous waste in	*Not applicable.*	*Not applicable.*

material amounts in its normal conduct of business.		
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks.	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunities.	*Not applicable.*	*Not applicable.*

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	n/a	Cubic meters
Percent of wastewater recycled	n/a	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
RRHI does not generate effluents in material amounts in the normal conduct of business.	*Not applicable*.	RRHI's stores operate as tenants of malls, lands and other buildings. Their property managers are responsible to manage the tenants' discharges.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified opportunities.	*Not applicable.*	*Not applicable.*

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	*n/a*	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	*n/a*	#
No. of cases resolved through dispute resolution mechanism	*n/a*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The potential impact is environmental in nature and would occur on a per location basis (e.g. stores), with some stores having pending cases on environmental compliance, albeit not breaching the Company's materiality threshold RRHI has in place an Environment, Health and Safety Policy that considers measures to mitigate any potential issues under the topic.	*Not applicable.*	Please see the Gokongwei Group of Companies' EHS Policy: http://www.robinsonsretailholdings.com.ph/corporate-governance/corporate-environment-health-and-safety-policy
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material risks	*Not applicable.*	*Not applicable.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
No identified material opportunities	*Not applicable.*	*Not applicable.*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]	20,447	
a. Number of female employees	14,372	#
b. Number of male employees	6,075	#
Attrition rate[5]	24%	rate

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	7%	-
Vacation leaves	Y	100%	100%
Sick leaves	Y	36%	30%
Medical benefits (aside from PhilHealth))	Y		
Housing assistance (aside from Pag-ibig)	Y	100%	100%
Retirement fund (aside from SSS)	Y		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	Y	100%	100%
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Benefits and compensation are key factors in determining employee satisfaction and talent retention for RRHI to maintain its operations.	The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

	the employees in the work place. The Company has worked with healthcare providers in identifying top diseases based on utilization report and has invited resource speakers to talk about preventive measures. To ensure the safety of the Company's employees, a Corporate Emergency Response Team (CERT) has been created that will be activated and will become the "command center", orchestrating initiatives across the conglomerate during a crisis. Also, the CERT shall be responsible for the periodic review of contingency plans and the institution's emergency preparedness and response procedures to ensure that effective responses and responsible policies are in place to deal with crisis or emergency situations. *Please see:* • Stakeholders Health, Safety and Welfare Policy: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Policy.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare • Company EHS Policy: http://www.robinsonsretailholdings.com.ph/corporate-governance/corporate-environment-health-and-safety-policy
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Attrition • Employee poaching from competitors	RRHI believes that adequate compensation and above-average benefits are effective strategies for talent acquisition and retention. The Company benchmarks it rates against industry standards

	and ensures that it is aligned with the 25th percentile in the general industry salary structure. RRHI also provides benefits beyond what is mandated by the government. These include transport services, assistance and allowance package, loans, and various other incentives.
What are the Opportunity/ies Identified?	**Management Approach**
RRHI sees increased engagement with a younger employee base is an opportunity for talent retention, as well as gaining deeper insight into factors that contribute to attrition.	RRHI is exploring ways to grow and retain talent by understanding the culture and priorities of a new breed of Millennial and Generation Z employees through open lines of communication between employees and their immediate supervisors, as well creating an inclusive and flexible work environment that allows employees to create their own work routines and methods for productivity.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	147,815	hours
b. Male employees	54,776	hours
Average training hours provided to employees		
a. Female employees	17.41	hours/employee
b. Male employees	14.59	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
RRHI's training and development programs have led to substantial career growth among its employees, with internal promotions influencing performance from training programs. The Company believes career development is crucial in employee retention, and that employees should be empowered to feel that the successes of the company are their successes as well.	Robinsons Retail Holdings, Inc. has always been a believer of what continuous learning and development can do for its people and its businesses. Through various Learning and Development (L&D) activities, employees are provided with opportunities to develop, enhance, and enrich themselves with the skills sets they need to perform their roles effectively and efficiently in support of Robinsons Retail's overall vision and mission. Through the Robinsons Retail Academy, the training arm of the entire Retail group, employees have a year-round access to different programs, from basic courses offered to

	all employees to highly specialized curricula offered to a targeted group. The major programs being implemented by the academy include: • CORE, Curriculum on Retail Excellence, is a two-semester offering of basic soft skills courses for all regular employees of the subsidiaries. • STEP, Store Trainee Enhancement Program, is RRHI's Junior Management Traineeship program aimed at developing our future store supervisors. • SMART, Store Manager's Required Training, is a highly customized 6-day curriculum for the most critical talent in operations – our store managers. • SMILE, Service Mileage, is our stores' campaign to continuously deliver excellent service to our customers. • General Training includes assemblies, strategy planning, exclusive learning and team collaboration sessions. *Please see:* • Stakeholders Health, Safety and Welfare Policy: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Policy.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare • *Pages 54-60 of the 2018 RRHI Sustainability Report: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf*

What are the Risk/s Identified?	Management Approach
RRHI has identified the following risks under the material topic: • Attrition • Employee poaching from competitors	RRHI believes that adequate compensation and above-average benefits are effective strategies for talent acquisition and retention. The Company benchmarks it rates against industry standards and ensures that it is aligned with the 25th percentile in the general industry salary structure. RRHI also provides benefits beyond what is mandated by the government. These include transport services, assistance and allowance package, loans, and various other incentives not offered by other retail groups.
What are the Opportunity/ies Identified?	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Expansion of the scope of Robinsons Retail Academy's Training Programs • Monitoring the training progress of employees • Using a data-driven approach to craft training programs for RRHI employees	Every year, RRHI conducts a Training Needs Assessment, the results of which serve as the basis of RRHI Human Resources and Robinsons Retail Academy, the training arm of RRHI, to design and develop new learning and further development opportunities.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	Not monitored.	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
RRHI's Labor Management Relations impact its operations and carries implications on employee welfare.	RRHI strives to create open channels of communication between employees and their supervisors, and safe spaces to discuss issues, inquiries, and ideas among peers at the workplace. As one of its Key Strategic Pillars, *Development of People,* the Company nurtures a work environment that supports the growth of employees. RRHI maximizes its people's potential for success by strengthening

	the prevailing culture of mutual respect and collaboration at the workplace. *Please see page 21 of the 2018 RRHI Sustainability Report for its Strategic Pillars.* http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf For comprehensive data gathering and future policies, RRHI is in the process of setting up the system in evaluating its management approach to the material topic. The Company disclose data on this within the next two to three years.
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Limited visibility on employee issues • Attrition	RRHI is in the process of setting up the system in evaluating its management approach to the material topic. The Company disclose data on this within the next two to three years.
What are the Opportunity/ies Identified?	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Monitoring employee consultation • Communicating company policies on grievance mechanisms	RRHI is in the process of setting up the system in evaluating its management approach to the material topic. The Company disclose data on this within the next two to three years.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	70.3	%
% of male workers in the workforce	29.7	%
Number of employees from indigenous communities and/or vulnerable sector*	22	# of PWD employees in SSD

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
RRHI's employee base is female-dominated, with around 70% of positions occupied by women, both for the overall workforce and managerial positions. Leadership of the company is also female-led with its President and CEO, Robina Gokongwei-Pe. A number of its other high-ranking officers are also female.	RRHI's hiring process and organizational culture takes an objective, non-gendered approach to determining compensation rates of its employees, from the hiring process to the onboarding of the employee. Compensation rates are also merit and qualification-based, and benchmarked with industry rates.
What are the Risk/s Identified?	**Management Approach**
No identified material risks.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Enhanced facilities for mothers • Identifying potential gender-based issues	Although the current organizational culture of RRHI has strived to be gender-inclusive, the Company sees opportunities to further articulate its standards on non-discrimination through publicly-accessible policies.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	5,308,992	Man-hours
No. of work-related injuries	10	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	2	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Occupational Health and Safety impacts the welfare of RRHI's employees and their capacity to work for the company.	The Company recognizes and accepts its statutory responsibility to provide safe and healthy working conditions for employees, customers and other stakeholders who visit the Company's premises, patronize its establishments, shop or dine its stores or may be affected by its activities. *Please see:* • Stakeholders Health, Safety and Welfare Policy:

	http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Policy.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Work-related accidents and injuries leading to permanent disability or fatality • Occurrence of Fire Emergencies	*Please see:* • Stakeholders Health, Safety and Welfare Policy: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Policy.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare
What are the Opportunity/ies Identified?	**Management Approach**
No identified material opportunities.	*Not applicable.*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The topic impacts the welfare of RRHI’s employees as they are hired and work for the company.</td><td>At present, the Company complies with applicable laws and regulations on employee welfare, the Labor Code, and has grievance and communications mechanisms in place to get in touch with management.

Please see
Company Policies tab under http://www.robinsonsretailholdings.com.ph/corporate-governance/manual-1
RRHI is in the process of crafting policies that specifically addresses these areas of human rights and labor.</td></tr>
<tr><th>What are the Risk/s Identified?</th><th>Management Approach</th></tr>
<tr><td>RRHI has identified the following risks under the material topic:
Potential Human rights and labor violations within the company
Reputational risks</td><td>At present, the Company complies with applicable laws and regulations on employee welfare, the Labor Code, and has grievance and communications mechanisms in place to get in touch with the Human Resources Department.

Please see Company Policies tab under http://www.robinsonsretailholdings.com.ph/corporate-governance/manual-1</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th><th>Management Approach</th></tr>
<tr><td>No identified material opportunities.</td><td>Not applicable.</td></tr>
</table>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes.

Please see:

http://www.robinsonsretailholdings.com.ph/corporate-governance/supplier-accreditation-policy

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	n/a
Forced labor	N	n/a
Child labor	N	n/a
Human rights	N	n/a
Bribery and corruption	N	n/a

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
RRHI's Supply Chain impacts the availability of stocks sold in its stores. It involves the Company's network of suppliers and service providers, which are crucial in its operations, as well as the welfare of workers across the supply chain.	RRHI presently has an accreditation policy that primarily qualifies suppliers based on their capacity to operate and supply the quality and quantity demands of the business, as well as pertinent documentation and government permits on their license to operate where applicable. RRHI is currently in the process of crafting policies that specifically articulate and standardize the Company's supplier accreditation process to take into consideration the above-mentioned topics in the evaluation of our management approach. The Company will disclose this within the next two to three years.
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Lawsuits of potential labor and human rights violations • Reputational risks of lawsuits	RRHI is currently in the process of crafting policies that specifically articulate and standardize the Company's supplier accreditation process to take into consideration the above-mentioned topics in the evaluation of our management approach. The Company will disclose this within the next two to three years.
What are the Opportunity/ies Identified?	**Management Approach**
No identified material opportunities.	*Not applicable.*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Inclusion of PWDs in the workforce	SSD stores	PWDs	N	Access to employment opportunities without prejudice towards disabilities	Exploration of opportunities to replicate the initiative across other aspects of operations within the Company
Selling of Generic Medicine	TGP stores	Class D and E Market	N	Access to affordable healthcare	Store expansion to widen reach of accessible medicine
Local sourcing from smallhold farmers	Supermarkets	Class D and E farmers	N	Support to livelihood through market access	Increasing scale and gathering granular data on the contributions of the Company to livelihood of farmers
Uniform Sourcing	Central Procurement	Class D and E workers	N	Support to livelihood	Increasing scale and gathering granular data on the contributions of the Company to livelihood of workers
PWD and Senior Citizen Discounts	Stores which sell applicable goods	PWD and Senior Citizens	N	Access to affordable goods	Strengthening systems that keep track PWD

					or Senior Citizen discounted transactions for greater visibility
Potential contributions to increases in plastic waste	All stores	n/a	N	Environmental conservation	Developing waste management plans and influencing and educating customers to be more mindful of consumption, as well as encouraging segregation

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
No identified material risks.	*Not applicable.*
What are the Opportunity/ies Identified?	**Management Approach**
No identified material opportunities.	*Not applicable.*

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	*No available data.*	*n/a*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction is a key driver in loyalty for RRHI's customer-centric approach to retailing.	Pursuant to the BSP Circular 857 Regulation on Financial Consumer Protection, RRHI crafted a comprehensive Consumer Protection Manual initially implemented through its department stores. RRHI approaches customer satisfaction by putting in place quality control and assurance policies and avenues where customers may communicate any form of feedback on the Company's stores and brands, which include the contact information available on the RRHI website and the subsidiary websites, as well in social media. Stores also have Customer Service kiosks to communicate their concerns with management. Although RRHI has not yet commissioned a third-party assessment of Customer Satisfaction, the Company has identified this as a material metric to be cascaded across its business units and is setting up the system in evaluating its management approach to the material topic. The Company disclose comprehensive data on this within the next two to three years.
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Reputational risks due to negative feedback expressed in social media • Reduction of sales	RRHI's subsidiaries conduct regular customer training programs to equip in-store personnel on how to address customer concerns and when to escalate issues to upper management. RRHI understands its reliance on customer satisfaction for repeated purchases and acknowledges the gap in data collection, despite its mitigation efforts during its daily operations.

	In light of this, RRHI is in the process of setting up the system in evaluating its management approach to the material topic. The Company disclose data on this within the next two to three years.
What are the Opportunity/ies Identified?	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Deeper customer engagement • Brand recall and loyalty	RRHI is in the process of setting up the system in evaluating its management approach to the material topic. The Company disclose data on this within the next two to three years.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	*Data gathering ongoing.*	#
No. of complaints addressed	*Data gathering ongoing.*	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Health and Safety impact the Company's stakeholders, primarily our consumers and employees. Each of the Company's subsidiaries therefore employ proper handling and storage of all products, as well as protocols on quality assurance, safety precautions, and addressing deviations from normal products quality.	RRHI is currently getting baselines and in the process of setting up the systems of monitoring the evaluation of our management approach for substantial data on the topic. The company will disclose this within the next two to three years. *Please see:* • RRHI Sustainability Report for Product Quality, Health and Safety, page 34*:* *http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf* • Stakeholders Health, Safety and Welfare Policy: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files//Health%20Safety%20and%20Welfare%20Polic

	y.pdf or http://www.robinsonsretailholdings.com.ph/corporate-governance/stakeholders-health-safety-and-welfare
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following opportunities under the material topic: • Consumer health • Reputational risks	Please see page 34 of RRHI Sustainability Report for Product Quality, Health and Safety: http://www.robinsonsretailholdings.com.ph/download.php?file=media/files/2018/RRHI18SR_FA.pdf
What are the Opportunity/ies Identified?	**Management Approach**
No identified opportunities.	*Not applicable.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	*Data gathering ongoing.*	#
No. of complaints addressed	*Data gathering ongoing.*	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Marketing and labelling impact the decisions of customers in purchasing products from RRHI's stores, as well as their level of satisfaction from the products they purchase.	RRHI is in the process of setting up the system in evaluating its management approach to the material topic for the whole Retail Group The Company disclose data on this within the next two to three years. Please see sample Guidelines & Procedure on Customer complaint handling under the Customer Protection Manual for Robinsons Department Store: http://www.robinsonsretailholdings.com.ph/corporate-governance/consumer-protection-manual

What are the Risk/s Identified?	Management Approach
RRHI has identified the following risks under the material topic: • Product complaints from customers • Health and safety concerns of customers	Please see sample Guidelines & Procedure on Customer complaint handling under the Customer Protection Manual for Robinsons Department Store: http://www.robinsonsretailholdings.com.ph/corporate-governance/consumer-protection-manual
What are the Opportunity/ies Identified?	**Management Approach**
No identified material opportunities.	*Not applicable.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The material topic impacts the rights of customers to the privacy of their data and it occurs through transactions with the Robinsons Rewards Loyalty Program and Cashless transactions as well as when they access to Company and its subsidiaries' websites.	RRHI conducted a review to assess its sources of customer data, which are primarily through its Loyalty Program and websites. This review led to RRHI's Data Privacy Policy, where customers and partners are informed on their rights to their personal information, as well as the manner by which the Company protects and utilizes the data it collects. Customers are also given prompts to indicate consent on the use of data that may be collected through websites and the Robinsons Rewards Mobile Application, and that they have read and understood RRHI's Data Privacy Policy. *Please see:* • Data Privacy Policy: http://www.robinsonsretailholdings.com.ph/privacy-policy

What are the Risk/s Identified?	**Management Approach**
RRHI has identified potential lawsuits from misuse of customer data.	RRHI's Data Privacy Policy outlines for customers how their data is collected and stored, and has dedicated Data Privacy Officer to handle issues on possible breaches. Likewise, RRHI's subsidiary websites and the Robinsons Rewards App have in place security mechanisms to mitigate potential issues on data protection.
What are the Opportunity/ies Identified?	**Management Approach**
No identified opportunities.	*Not applicable.*

Data Security

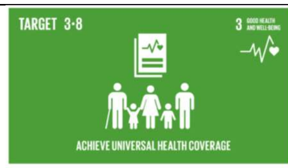
Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Internally, RRHI stores and collects a multitude of data across its operational functions, which measure its performance across financial and non-financial indicators. At present, RRHI has not encountered any breaches within concerning data.	RRHI has implemented measures internally that are overseen by its Information Security Department to protect its data, including security software and information dissemination to inform employees on potential phishing mechanisms.
What are the Risk/s Identified?	**Management Approach**
RRHI has identified the following risks under the material topic: • Data breaches • Destruction of digital and physical assets that house confidential data	RRHI crafts robust business continuity plans that take into account the protection of its data assets.
What are the Opportunity/ies Identified?	**Management Approach**
No material opportunities identified.	*Not applicable.*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Fresh produce, ready-to-eat products, and packaged food items in the Supermarket and Convenience Store business		Potential increase in plastic pollution given that most items are packaged plastic, and potential increases in greenhouse emissions of landfilled organic waste	Waste-segregation, customer education, and plastic diversion through recycled products; and better inventory management to mitigate organic waste
Medicines and medical supplies through Southstar Drug and TGP		Potential increase in plastic pollution given that most items are packaged plastic; potential misuse of pharmaceutical products and expired products	Waste-segregation, customer education, and plastic diversion through recycled products; stringent standards and procedures on prescription drugs and disposal of expired items
Job creation across all Business Units and franchise businesses Ministop and TGP		Potential displacement of smaller players in the same retail spaces	Engaging and empowering SMEs by giving them access to mainstream markets as suppliers to our business units
Job creation across all Business Units		Potential difficulty in monitoring work conditions across all locations of operations as the Company increases scale	Employee engagement and policies on compliance to pertinent labor laws and regulations and empowering the Human Resources Department to monitor employee welfare and the effectivity of grievance mechanisms
Job creation across all Business Units		Potential difficulty in monitoring work conditions across all locations of operations	Employee engagement and policies on compliance to pertinent labor laws and regulations, health and

		as the Company increases scale	safety, and empowering the Human Resources Department to monitor employee welfare and the effectivity of grievance mechanisms
Fresh produce, ready-to-eat products, and packaged food items in the Supermarket and Convenience Store business		Potential increase in plastic pollution given that most items are packaged plastic, and potential increases in greenhouse emissions of landfilled organic waste	Waste-segregation, customer education, and plastic diversion through recycled products; and better inventory management to mitigate organic waste

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

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

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

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, 2019, 2018 and 2017,** 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

Robina Y. Gokongwei-Pe
President & Chief Executive Officer

Mylene A. Kasiban
Chief Financial Officer

Signed this 23rd day of March 2020.

REPUBLIC OF THE PHILIPPINES)
Quezon City) S.S

Before me, a notary public in the city named above, personally appeared:

Name	Competent Proof of Identity	Place/Date of Issue
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	

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 18th day of March 2020.

Atty. Gilbert S. Millado, Jr,
Roll NO. 45039
Notary Public
Until December 31, 2020
110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City
PTR No. 9270386; Jan 2, 2020; Quezon City
IBP NO. 100562; Jan 2, 2020; CALMANA
TIN No. 166-215-465
Commission Adm. No. 391 (2019-2020)
MCLE Compliance VI-0027451; June 24, 2019

Doc. No. 67
Page No. 15
Book No. VII
Series of 2020

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

C O M P A N Y   N A M E

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	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@robinsonsretailholdings.com.ph	8635-0751	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
42	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	8635-0751 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,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted the new lease standard, PFRS 16, *Leases*, under the modified retrospective approach which resulted to significant changes in the Group's lease recognition policies, processes, procedures and controls. The Group's adoption of PFRS 16 is significant to our audit because the Group's nature of activities entails high volume of lease agreements covering its stores, warehouses, distribution centers, land and office spaces, and the resulting recorded amounts are material to the consolidated financial statements. In addition, the implementation of PFRS 16 involves application of significant management judgement and estimation in the following areas: (1) whether the contract contains a lease; (2) determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease; (3) determining the incremental borrowing rates; and (4) selection and application of accounting policy elections and practical expedients available under modified retrospective approach.

The Group recognized an increase in right-of-use (ROU) asset and lease liability amounting to ₱28.19 billion and ₱28.28 billion, respectively, as of January 1, 2019. In addition, the Group also recognized amortization expense and interest expense of ₱3.80 billion and ₱2.28 billion, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 applied by the Group, are included in Note 28 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the selection of the transition approach and any election of available practical expedients. We selected sample lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements in 2019) from the lease contract database and identified their contractual terms and conditions. We traced these selected contracts to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

We tested the underlying lease data used (e.g., lease payments, lease term) by agreeing the terms of the selected contracts with the lease calculation. For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management, including the transition adjustments.

We reviewed the disclosures related to leases, including the transition adjustments, based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Existence and completeness of inventory

The Group's inventories comprise 14% of its total assets as of December 31, 2019, as disclosed in Note 9 of the consolidated financial statements. The Group has 1,938 company-owned stores and warehouses throughout the country as of December 31, 2019. 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, 2019, the Group's trademarks and goodwill arising from business combinations amounted to ₱6.40 billion and ₱12.49 billion, respectively, which are significant to the consolidated financial statements. Under PFRS, the Group is required to annually test the amount of trademarks with indefinite useful lives and goodwill for impairment. The recoverability of trademarks and goodwill is considered a key audit matter as the balances of these assets are considered material to the consolidated financial statements. In addition, the management's assessment process requires significant judgment and is based on assumptions, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple. The Group's disclosures about trademarks and goodwill are included in Note 14 of the consolidated financial statements.

Audit Response

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

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of the auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

March 23, 2020

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

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱20,292,913,953**	₱14,788,040,613
Trade and other receivables (Notes 8, 24 and 27)	**3,865,460,884**	3,171,595,504
Merchandise inventories (Note 9)	**19,810,252,511**	18,628,013,928
Other current assets (Note 10)	**2,951,281,172**	3,159,661,090
Total Current Assets	**46,919,908,520**	39,747,311,135
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	**14,857,352,941**	19,751,466,722
Property and equipment (Note 12)	**19,289,528,200**	19,269,212,908
Right-of-use assets (Notes 3 andd 28)	**26,317,960,761**	–
Investment in associates (Note 13)	**7,845,458,176**	6,814,297,383
Intangible assets (Notes 14 and 19)	**19,039,174,367**	19,106,289,393
Deferred tax assets - net (Note 25)	**1,009,492,860**	413,459,629
Retirement plan asset (Notes 22 and 23)	**72,103,151**	91,253,643
Other noncurrent assets (Notes 15 and 27)	**2,515,091,337**	2,583,816,381
Total Noncurrent Assets	**90,946,161,793**	68,029,796,059
	₱137,866,070,313	₱107,777,107,194
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱25,101,993,192**	₱24,577,110,455
Short-term loans payable (Notes 17 and 27)	**4,634,000,000**	6,794,000,000
Lease liabilities - current portion (Note 28)	**2,163,735,524**	–
Income tax payable	**797,969,171**	837,681,888
Other current liabilities (Note 27)	**267,245,302**	279,844,005
Total Current Liabilities	**32,964,943,189**	32,488,636,348
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 28)	**25,889,035,549**	–
Deferred tax liabilities - net (Note 25)	**2,065,854,524**	1,954,819,590
Retirement obligation (Notes 22 and 23)	**419,840,441**	325,461,329
Other noncurrent liabilities (Note 27)	**–**	304,021,928
Total Noncurrent Liabilities	**28,374,730,514**	2,584,302,847
Total Liabilities	**61,339,673,703**	35,072,939,195
Equity (Note 18)		
Capital stock	**1,576,489,360**	1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Other comprehensive income (loss) (Notes 11, 13 and 23)	**272,839,305**	(563,817,037)
Equity reserve	**(989,776,800)**	(970,435,361)
Retained earnings		
Appropriated	**26,944,852,847**	24,151,852,847
Unappropriated	**3,548,986,390**	3,558,435,683
Total equity attributable to equity holders of the Parent Company	**72,121,593,999**	68,520,728,389
Non-controlling interest in consolidated subsidiaries	**4,404,802,611**	4,183,439,610
Total Equity	**76,526,396,610**	72,704,167,999
	₱137,866,070,313	₱107,777,107,194

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱162,915,687,301**	₱132,680,466,776	₱115,238,459,529
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**125,734,533,662**	102,845,384,354	89,446,079,938
GROSS PROFIT (Note 6)	**37,181,153,639**	29,835,082,422	25,792,379,591
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 20, 24 and 29)	**2,740,181,024**	2,422,195,884	2,262,158,547
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**39,921,334,663**	32,257,278,306	28,054,538,138
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(32,123,178,669)**	(25,631,402,164)	(21,749,155,955)
OTHER INCOME (CHARGES)			
Interest income (Notes 6, 7 and 11)	**1,015,573,149**	981,862,604	873,425,105
Equity in net earnings in associates (Notes 6 and 13)	**104,749,733**	108,739,236	123,639,511
Dividend income (Notes 6 and 11)	**100,315,156**	111,500,000	111,500,000
Foreign currency exchange gains (loss) - net (Note 6)	**(134,619,196)**	200,867,038	16,104,012
Interest expense (Notes 6 and 17)	**(2,578,499,847)**	(159,071,734)	(127,384,471)
Others (Notes 11 and 14)	**(196,094,467)**	(272,614,314)	–
	(1,688,575,472)	971,282,830	997,284,157
INCOME BEFORE INCOME TAX (Note 6)	**6,109,580,522**	7,597,158,972	7,302,666,340
PROVISION FOR INCOME TAX (Note 25)			
Current	**2,056,973,505**	1,807,600,901	1,785,241,581
Deferred	**(497,680,792)**	(35,579,353)	(81,928,619)
	1,559,292,713	1,772,021,548	1,703,312,962
NET INCOME	**4,550,287,809**	5,825,137,424	5,599,353,378
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of debt securities at fair value through other comprehensive income (FVOCI) (Note 11)	**769,066,737**	(922,610,678)	–
Share in change in fair value of debt and equity financial assets in associates (Note 13)	**411,345,068**	(23,818,458)	(65,350,499)
Share in change in translation adjustment in associates (Note 13)	**3,656,329**	(6,962,641)	3,690,356
Changes in fair value of available-for-sale (AFS) financial assets	**–**	–	(18,823,208)
Cumulative translation adjustment	**(40,371,837)**	36,670,185	(549,999)
Income tax effect	**(124,500,419)**	9,234,330	18,498,043
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity securities at FVOCI (Note 11)	**67,083,500**	(153,600,000)	–
Share in actuarial gain (losses) on retirement obligation in associates (Note 13)	**(8,190,337)**	(1,243,379)	6,640,844
Remeasurement gain (losses) on retirement obligation (Note 23)	**(364,536,075)**	342,862,134	(4,389,439)
Income tax effect	**111,817,924**	(102,485,627)	(675,421)
	825,370,890	(821,954,134)	(60,959,323)
TOTAL COMPREHENSIVE INCOME	**₱5,375,658,699**	₱5,003,183,290	₱5,538,394,055

	Years Ended December 31		
	2019	2018	2017
Net income attributable to:			
Equity holders of the Parent Company	**₱3,918,623,046**	₱5,107,328,539	₱4,978,039,066
Non-controlling interest in consolidated subsidiaries	**631,664,763**	717,808,885	621,314,312
	₱4,550,287,809	₱5,825,137,424	₱5,599,353,378
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱4,755,279,388**	₱4,253,812,839	₱4,915,344,317
Non-controlling interest in consolidated subsidiaries	**620,379,311**	749,370,451	623,049,738
	₱5,375,658,699	₱5,003,183,290	₱5,538,394,055
Basic/Diluted Earnings Per Share (Note 26)	**₱2.49**	₱3.65	₱3.59

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, 2019								
	Capital Stock (Note 18)	**Additional Paid-in Capital** (Note 18)	**Other Comprehensive Income (Loss)** (Notes 11, 13, and 23)	**Equity Reserve** (Note 18)	**Retained Earnings** **Appropriated** (Note 18)	**Retained Earnings** **Unappropriated** (Note 18)	**Total**	**Non-controlling Interest in Consolidated Subsidiaries** (Note 18)	**Total**
Balance at beginning of year	**₱1,576,489,360**	**₱40,768,202,897**	**(₱563,817,037)**	**(₱970,435,361)**	**₱24,151,852,847**	**₱3,558,435,683**	**₱68,520,728,389**	**₱4,183,439,610**	**₱72,704,167,999**
Net income	–	–	–	–	–	**3,918,623,046**	**3,918,623,046**	**631,664,763**	**4,550,287,809**
Other comprehensive income	–	–	**836,656,342**	–	–	–	**836,656,342**	**(11,285,452)**	**825,370,890**
Total comprehensive income	–	–	**836,656,342**	–	–	**3,918,623,046**	**4,755,279,388**	**620,379,311**	**5,375,658,699**
Acquisition of non-controlling interest	–	–	–	**(19,341,439)**	–	–	**(19,341,439)**	**(49,605,929)**	**(68,947,368)**
Dividends declared (Note 18)	–	–	–	–	–	**(1,135,072,339)**	**(1,135,072,339)**	**(349,410,381)**	**(1,484,482,720)**
Appropriations	–	–	–	–	**3,186,000,000**	**(3,186,000,000)**	–	–	–
Reversal of appropriations	–	–	–	–	**(393,000,000)**	**393,000,000**	–	–	–
Balance at end of year	**₱1,576,489,360**	**₱40,768,202,897**	**₱272,839,305**	**(₱989,776,800)**	**₱26,944,852,847**	**₱3,548,986,390**	**₱72,121,593,999**	**₱4,404,802,611**	**₱76,526,396,610**
	For the Year Ended December 31, 2018								
Balance at beginning of year, as previously stated	₱1,385,000,000	₱27,227,385,090	₱289,698,663	(₱1,021,894,669)	₱15,212,852,847	₱8,440,230,328	₱51,533,272,259	₱3,733,366,825	₱55,266,639,084
Effect of adoption of new standards	–	–	–	–	–	(52,923,184)	(52,923,184)	4,298,559	(48,624,625)
Balances at beginning of year, as restated	1,385,000,000	27,227,385,090	289,698,663	(1,021,894,669)	15,212,852,847	8,387,307,144	51,480,349,075	3,737,665,384	55,218,014,459
Net income	–	–	–	–	–	5,107,328,539	5,107,328,539	717,808,885	5,825,137,424
Other comprehensive loss	–	–	(853,515,700)	–	–	–	(853,515,700)	31,561,566	(821,954,134)
Total comprehensive income (loss)	–	–	(853,515,700)	–	–	5,107,328,539	4,253,812,839	749,370,451	5,003,183,290
Acquisition of a subsidiary- net of transaction cost	191,489,360	13,540,817,807	–	–	–	–	13,732,307,167	–	13,732,307,167
Additional investment in a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	14,700,000	14,700,000
Acquisition of non-controlling interest	–	–	–	51,459,308	–	–	51,459,308	(51,459,308)	–
Dividends declared (Note 18)	–	–	–	–	–	(997,200,000)	(997,200,000)	(266,836,917)	(1,264,036,917)
Appropriations	–	–	–	–	9,222,000,000	(9,222,000,000)	–	–	–
Reversal of appropriation	–	–	–	–	(283,000,000)	283,000,000	–	–	–
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱563,817,037)	(₱970,435,361)	₱24,151,852,847	₱3,558,435,683	₱68,520,728,389	₱4,183,439,610	₱72,704,167,999
	For the Year Ended December 31, 2017								
Balance at beginning of year	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029
Net income	–	–	–	–	–	4,978,039,066	4,978,039,066	621,314,312	5,599,353,378
Other comprehensive income	–	–	(62,694,749)	–	–		(62,694,749)	1,735,426	(60,959,323)
Total comprehensive income (loss)	–	–	(62,694,749)	–	–	4,978,039,066	4,915,344,317	623,049,738	5,538,394,055
Additional investment in a subsidiary (Notes 2, 18 and 19)	–	–	–	–	–	–	–	490,000,000	490,000,000
Dividends declared (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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱6,109,580,522**	₱7,597,158,972	₱7,302,666,340
Adjustments for:			
Depreciation and amortization (Notes 6, 12, 14, 21 and 28)	**6,879,793,222**	2,395,085,036	2,073,037,176
Interest expense (Notes 6, 17 and 28)	**2,578,499,847**	159,071,734	127,384,471
Retirement expense (Notes 22 and 23)	**192,082,476**	155,999,283	170,952,296
Unrealized foreign currency exchange loss (gain) - net (Note 6)	**134,619,196**	(200,867,038)	(16,104,012)
Loss on impairment of assets (Notes 14 and 15)	**15,046,221**	117,234,205	–
Loss on sale of AFS financial assets (Note 11)	**–**	–	4,235,786
Provision for (reversal of) expected credit losses (Notes 8 and 11)	**(6,173,028)**	59,878,944	21,514,165
Loss (gain) on sale of debt instruments at FVOCI (Note 11)	**(7,655,666)**	21,587,505	–
Changes in fair value of debt instruments value through profit or loss (FVTPL) (Note 11)	**(18,936,056)**	18,528,989	–
Equity in net earnings in associates (Notes 6 and 13)	**(104,749,733)**	(108,739,236)	(123,639,511)
Dividend income (Notes 6 and 11)	**(100,315,156)**	(111,500,000)	(111,500,000)
Interest income (Notes 6, 7 and 11)	**(1,015,573,149)**	(981,862,604)	(873,425,105)
Operating income before working capital changes	**14,656,218,696**	9,121,575,790	8,575,121,606
Decrease (increase) in:			
Trade and other receivables	**(419,271,938)**	(229,620,430)	(251,303,489)
Merchandise inventories	**(1,182,238,583)**	(707,718,702)	(1,504,876,035)
Other current assets	**152,411,971**	176,931,590	(238,982,676)
Increase (decrease) in:			
Trade and other payables	**489,656,809**	2,076,894,127	1,285,521,931
Other current liabilities	**(12,598,703)**	(20,759,045)	(29,919,251)
Other noncurrent liabilities	**(152,155,543)**	15,314,465	–
Net cash flows generated from operations	**13,532,022,709**	10,432,617,795	7,835,562,086
Interest received	**1,052,577,024**	997,459,296	864,071,329
Retirement contributions and benefits paid (Note 23)	**(438,934,567)**	(408,772,972)	(238,682,816)
Income tax paid	**(2,096,686,222)**	(1,934,225,139)	(1,656,583,782)
Net cash flows provided by operating activities	**12,048,978,944**	9,087,078,980	6,804,366,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment in associates (Note 13)	**(519,600,000)**	(1,466,050,429)	(125,000,000)
Debt and equity instrument financial assets (Note 11)	**(1,761,156,662)**	(847,021,924)	(408,551,798)
Property and equipment (Note 12)	**(3,346,395,390)**	(4,419,447,522)	(3,104,719,693)
Franchise (Note 14)	**–**	(7,583,430)	–
Proceeds from disposals of debt and equity instrument financial assets (Note 11)	**7,344,882,499**	734,662,184	141,871,049
Dividends received (Note 11)	**100,315,156**	111,500,000	111,500,000

(Forward)

	Years Ended December 31		
	2019	2018	2017
Acquisitions from non-controlling interest (Notes 2 and 18)	**(₱68,947,368)**	₱–	₱–
Acquisition through business combination - net of cash received (Note 19)	–	38,661,161	–
Decrease (increase) in other noncurrent assets	**68,725,044**	(518,493,215)	(127,411,107)
Net cash flows provided by (used in) investing activities	**1,817,823,279**	(6,373,773,175)	(3,512,311,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments (Notes 17 and 30)	**915,000,000**	7,508,045,137	3,724,954,863
Additional investments from non-controlling interest (Notes 2 and 18)	–	14,700,000	490,000,000
Interest paid (Notes 17 and 30)	**(300,683,731)**	(159,071,734)	(127,384,471)
Dividends paid (Notes 18 and 30)	**(1,456,975,501)**	(1,266,370,255)	(1,624,143,333)
Payment of loans (Notes 17 and 30)	**(3,075,000,000)**	(8,592,000,000)	(3,922,698,733)
Lease payments (Notes 28 and 30)	**(4,442,136,373)**	–	–
Net cash flows used in financing activities	**(8,359,795,605)**	(2,494,696,852)	(1,459,271,674)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**(2,133,278)**	4,393,754	14,254,085
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,504,873,340**	223,002,707	1,847,037,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,788,040,613**	14,565,037,906	12,718,000,227
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱20,292,913,953**	₱14,788,040,613	₱14,565,037,906

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
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 primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

As of December 31, 2019, the Parent Company is 30.75% owned by JE Holdings, Inc., 36.71% owned by PCD Nominee Corporation, 12.15% by Mulgrave Corporation B.V. (MCBV) and the rest by the public.

In November 2018, the Parent Company completed the acquisition of MCBV's 100% stake in Rustan Supercenters, Inc. (RSCI) through a share for share swap involving 34,968,437 shares of RSCI in exchange for 191,489,360 primary common shares of the Parent Company or 12.15% interest. In addition, GCH Investments Pte. Ltd. (GCH) also acquired 96,219,950 shares or 6.10% interest in the enlarged share capital from the existing controlling shareholders of the Parent Company. MCBV and GCH are wholly-owned subsidiaries of Dairy Farm International Holdings, Ltd. (DF) Group of companies. After the transaction, DF through MCBV will have an 18.25% interest in the Parent Company (Notes 2, 18 and 19). As of December 31, 2019, DF through MCBV/GCH has 20.00% interest in the Parent Company.

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

2. Basis of Preparation

Basis of Preparation
The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at FVTPL and financial assets at FVOCI, 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, 2019 and 2018 and for each of the three (3) years in the period ended December 31, 2019 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					
	2019		2018		2017	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's, Incorporated (RI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	**100.00%**	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	**60.00%**	–	59.05%	–	51.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	45.90%	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	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%	–	100.00%
Super50 Corporation (Super50)	–	**51.00%**	–	51.00%	–	–
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Angeles Supercenter, Inc. (ASI)	–	**100.00%**	–	67.00%	–	67.00%
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%	–	67.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	45.90%	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%	–	45.90%
Robinson's Handyman, Inc. (RHMI)	–	**80.00%**	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	**52.00%**	–	52.00%	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	**52.00%**	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**53.33%**	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	**53.60%**	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	**40.20%**	–	40.20%	–	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	–	**80.00%**	–	80.00%	–	–
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	**59.40%**	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	**100.00%**	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	**100.00%**	–	100.00%	–	100.00%	–
Rustan Supercenters, Inc. (RSCI)	**100.00%**	–	100.00%	–	–	–

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

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

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

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

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

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

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

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

Additional Investments, Acquisitions and Mergers
On November 4, 2019, RI purchased 18,947,368 RCSI shares from Ministop Co.,Ltd for a consideration of ₱18.95 million. As a result of the transaction, RI's ownership interest to RCSI increased from 59.05% to 60.00% (Note 18).

On April 3, 2019, an NCI sold its 33% ownership interest in ASI to RSC. As a result of the transaction, RSC's ownership interest to ASI increased from 67% to 100% (Note 18).

On February 1, 2019, the Board of Directors (BOD) and stockholders of TGPPI and TFC representing at least 2/3 vote of the outstanding capital stock of the companies approved the plan of merger between the companies with TGPPI as the surviving company. The Plan of Merger was approved by the SEC on July 22 ,2019 and was implemented on August 1, 2019.

On November 23, 2018, RRHI acquired 100.00% ownership in RSCI, a company engaged in the business of food retailing (Notes 1, 18 and 19).

On November 16, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI's principal activities include building a digital rewards program and creating a robust data infrastructure and analytics business. Accordingly, the Group accounted the investment in DAVI under investment in associates (Note 13). On August 14, 2019, RRHI made additional capital infusion to DAVI amounting to ₱239.60 million (Note 13).

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

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

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

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

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

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

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

On December 13, 2017, RRHI acquired 20% ownership in Taste Central Curators, Inc. (TCCI), operator of BeautyMNL, e-commerce site. Accordingly, the Group accounted the acquisition of TCCI using the equity method under investment in associates (Note 13). On March 28, 2019, RRHI made additional capital infusion to TCCI amounting to ₱280.00 million, this increases RRHI stake in TCCI from 20% to 30% (Note 13).

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, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the consolidated statement of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application as at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized only at the date of initial application. The comparative information was not restated and continues to be reported under PAS 17 and related interpretation. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease as at January 1, 2019. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption PFRS 16 as at January 1, 2019 is as follows:

	Increase (Decrease)
Consolidated statement of financial position	
ASSETS	
Right-of-use (ROU) assets	₱28,188,970,775
Other current assets	(55,967,947)
Net impact in total assets	₱28,133,002,828
LIABILITIES	
Lease liabilities	₱28,284,869,213
Other noncurrent liabilities	(151,866,385)
Net impact in total liabilities	₱28,133,002,828

Leases previously accounted for as operating leases
The Company recognized ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the ROU asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:
- Right-of -use assets ₱28.19 billion of were recognized and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of ₱28.28 billion were recognized.
- Prepayments of ₱55.97 million and accrued rental of ₱151.87 million related to previous operating leases arising from straight lining under PAS 17 were derecognized.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱35,676,610,054
Weighted average incremental borrowing rate at January 1, 2019	7.88%
Discounted operating lease commitments at January 1, 2019	22,665,384,738
Add: Lease payments relating to renewal periods not included as of December 31, 2018	5,619,484,475
Lease liabilities recognized at January 1, 2019	₱28,284,869,213

Due to the adoption of PFRS 16, the Group's operating profit in 2019 will improve, while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity as at January 1, 2019, since the Group elected to measure the ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

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

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

The interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each certain tax treatments separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this interpretation has no significant impact on the consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

The Group considered in its actuarial valuation and computation for employee benefits its amended retirement plan benefits during the period.

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

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

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

  These amendments had no significant impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  These amendments had no significant impact on the consolidated financial statements of the Group.

<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, 2020

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

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

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

  These amendments will apply on future business combinations of the Group.

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

  PFRS 17 is not applicable to the Group since it is not engaged in providing insurance nor issuing insurance contracts.

Deferred effectivity

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

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

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

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

4. **Summary of Significant Accounting Policies**

Revenue Recognition Effective January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition Prior to January 1, 2018

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

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

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

Accounting Policies Effective from and prior to January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2019 and 2018, the Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables and refundable security deposits included under 'other noncurrent assets'.

FVOCI (Debt Instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As of December 31, 2019 and 2018, the Group's debt instruments at FVOCI includes investments in quoted debt instruments.

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

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

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

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

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

As of December 31, 2019 and 2018, the Group's financial assets at FVTPL includes investments in debt instruments which contain loss absorption feature.

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

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

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

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

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

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

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

At each reporting date, the Group shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. Group's assessment of significant increase in credit risk involves looking at quantitative element and qualitative element. The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Group shall consider as relevant in assessing changes in credit risk. The Group may also look at the number of notches downgrade of credit risk rating or certain thresholds for the probabilities of default being generated from statistical models to determine whether significant increase in credit risk has occurred subsequent to initial recognition date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

As of December 31, 2019 and 2018, the financial liabilities of the Group are classified as other financial liabilities.

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

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

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

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

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 where:

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

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

Financial Liability

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Combination of Entities under Common Control

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group performed its annual impairment test for the years ended December 31, 2019 and 2018. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

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

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

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

<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.

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

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

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

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

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

Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

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

Capital Stock

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

Equity Reserve

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

Retained Earnings

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

Leases Effective January 1, 2019

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset ot assets and the arrangement conveys a right to use the asset or assets, evein if that right is not explicitly specified in an arrangement.

Group as a Lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

ROU assets. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Years
Land	10-25
Warehouses	10-15
Store spaces	6-10
Office spaces	6-10
Building	10

ROU assets are presented separately in the consolidated financial position and are also subject to impairment test.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities (current and noncurrent) are presented separately in the consolidated statement of financial position.

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (e.g ₱250,000 or below). Lease payments on short-term leases and leases of low-value assets are recognized as expense 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.

Leases prior January 1, 2019

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

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

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

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

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) 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 Parent Company (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

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

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

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

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2019, 2018 and 2017 (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:

Determination of lease term of contracts with renewal and termination options - Company as a lessee (Applicable Beginning January 1, 2019)
The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option (eg. construction of significant leasehold improvements). After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Operating Lease Commitments - Group as Lessee (Applicable prior January 1, 2019)
The Group, having the ability to terminate the lease term, has entered into cancellable lease agreements as a lessee. The Group evaluates whether a lease contract is cancellable or noncancelable by assessing penalties on pretermination of lease contract. Penalties considered by the Group are not limited to those that are imposed by the contract but also include possible payment to third parties and loss of future earnings. The amount and timing of recorded rent expenses would differ if the Group determines lease contracts as noncancelable. Also, the Group has determined that it has not retained all the significant risks and rewards of ownership of the leased property.

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

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

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

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

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

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

The following were also considered:

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

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).

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

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

The Group performed its annual impairment test as at December 31, 2019 and 2018. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2019 and 2018, below are the CGUs from which trademarks with indefinite useful life are allocated and tested for annual impairment:

	Basis	Amount
RSCI	VIU	₱3,205,411,607
SSDI	VIU	1,566,917,532
TGPPI	VIU	1,264,098,435
SEWI	VIU	364,914,493
		₱6,401,342,067

As of December 31, 2019 and 2018, below are the CGUs from which goodwill is allocated and tested for annual impairment:

	Basis	Amount
RSCI	VIU	₱9,109,386,061
TGPPI	EV/EBITDA	1,281,428,830
SSDI	EV/EBITDA	745,887,131
SEWI	VIU	715,103,869
EC	EV/EBITDA	199,870,222
RHIB	VIU	145,655,320
RTSHPI	EV/EBITDA	85,161,468
Beauty Skinnovations Retail, Inc. (BSRI)	VIU	83,324,691
JRMC	EV/EBITDA	71,732,435
HPTDI	VIU	30,000,000
GPC	EV/EBITDA	23,250,000
		₱12,490,800,027

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 is 5.7% to 10% in 2019 (9.70% in 2018) and cash flows beyond the five-year period are extrapolated using a 1% to 5% in 2019 growth rate (5.00% to 10.00% in 2018) 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. A 24.0% to 30.0% gross margin per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin by 1.36% to 4.81% for 2019 and 2.80% to 5.0% for 2018 would result in impairment.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 2.74% to 17.10% and 2.40% to 20.20%, in 2019 and 2018, respectively, would result in impairment.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 2.25% to 6.00% in 2019 and 2018. 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 2019 and 2018, the Group used the EV/EBITDA multiple ranging from 10.69 to 11.20 and 10.00 to 15.00 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

In 2019 and 2018, if such EV/EBITDA multiple used falls lower than 2.93 multiple and 4.45 multiple, respectively, goodwill will be impaired.

Leases - Estimating the incremental borrowing rate (Applicable Beginning January 1, 2019)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain estimates based on the Group credit worthiness.

Provision for ECL of Trade and Other Receivables
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Provision for expected credit losses in 2019 and 2018 amounted to nil and ₱46.75 million, respectively. As of December 31, 2019 and 2018, allowance for expected credit losses on trade and other receivables amounted to ₱79.34 million and ₱156.35 million, respectively.

As of December 31, 2019 and 2018, the carrying value of the Group's trade and other receivables amounted to ₱3.87 billion and ₱3.17 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.

Provision for inventory obsolescence amounted to ₱7.38 million in 2019 and ₱59.50 million in 2018 and nil in 2017.

Merchandise inventories amounted to ₱19.81 billion and ₱18.63 billion as of December 31, 2019 and 2018, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews property and equipment, ROU assets, 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, 2019 and 2018, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates. In 2019, 2018 and 2017, the Group recognized impairment on assets amounting to ₱65.93 million, ₱117.23 million and nil, respectively (Notes 12, 14 and 15).

As of December 31, 2019 and 2018, the carrying value of the Group's property and equipment amounted to ₱19.29 billion and ₱19.27 billion, respectively (Note 12), ROU assets amounted to ₱26.32 billion (Note 28), investment in associates amounted to ₱7.85 billion and ₱6.81 billion, respectively (Note 13) and trademarks and franchise with definite useful life amounted to ₱0.15 billion and ₱0.21 billion, 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, 2019, the carrying value of the retirement plan amounted to ₱72.10 million asset and ₱419.84 million obligation. As of December 31, 2018 the carrying value of the retirement plan amounted to ₱91.25 million asset and ₱325.46 million obligation.

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

As of December 31, 2019, and 2018, the Group has deferred tax assets amounting ₱1,009.49 million and ₱413.46 million, respectively. Unrecognized deferred tax assets amounted to ₱71.18 million and ₱100.67 million as of December 31, 2019 and 2018, respectively (Note 25).

Determining Whether the Loyalty Points and Gift Checks Provide Material Rights to Customers
The Company has a loyalty points program which allows customers to accumulate points that can be redeemed for future purchases at any of the Group's retail outlets and participating stores, subject to a minimum number of points obtained. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The Group also has gift checks which can be redeemed for future purchases at any of the Group's retail outlets.

As of December 31, 2019 and 2018, contract liabilities arising from customer loyalty program and gift checks amounted to ₱273.60 million and ₱180.88 million, respectively (Note 16). Contract liabilities are classified under “Trade and other payables”.

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*
  The supermarket division operates under seven (7) formats with the acquisition of Rustan Supercenters, Inc. in 2018. It has Robinsons Supermarket, Robinsons Easymart, Robinsons Selections, The Marketplace by Rustan’s, Shopwise, Wellcome and Jaynith’s Supermarket. 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 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 operates two (2) formats namely: South Star Drug and TGP which primarily offer high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including TGP's house brands for 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. The segment operates six (6) 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 Savers Appliance, 3) international fashion and beauty retail, 4) mass merchandise stores under Daiso Japan, Arcova and Super50, 5) pet retail under Pet Lovers Centre; and 6) Korean hard discount store No Brand.

2019

	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	₱88,514,715,048	₱18,039,637,214	₱14,382,541,311	₱6,744,155,713	₱17,684,834,470	₱17,549,803,545	₱–	₱–	₱162,915,687,301
Intersegment net sales	–	–	–	–	–	1,733,507,154	–	(1,733,507,154)	–
Total net sales	88,514,715,048	18,039,637,214	14,382,541,311	6,744,155,713	17,684,834,470	19,283,310,699	–	(1,733,507,154)	162,915,687,301
Segment cost of merchandise sold	69,902,996,664	11,317,374,859	9,707,107,667	6,223,507,105	14,266,050,062	14,317,497,305	–	–	125,734,533,662
Intersegment cost of merchandise sold	–	1,733,507,154	–	–	–	–	–	(1,733,507,154)	–
Total cost of merchandise sold	69,902,996,664	13,050,882,013	9,707,107,667	6,223,507,105	14,266,050,062	14,317,497,305	–	(1,733,507,154)	125,734,533,662
Gross profit	18,611,718,384	4,988,755,201	4,675,433,644	520,648,608	3,418,784,408	4,965,813,394	–	–	37,181,153,639
Segment other income	635,713,065	66,708,741	–	1,846,781,976	184,814,712	6,162,530	–	–	2,740,181,024
Intersegment other income	151,042,982	16,190,774	–	–	–	–	–	(167,233,756)	–
Total other income	786,756,047	82,899,515	–	1,846,781,976	184,814,712	6,162,530	–	(167,233,756)	2,740,181,024
Gross profit including other income	19,398,474,431	5,071,654,716	4,675,433,644	2,367,430,584	3,603,599,120	4,971,975,924	–	(167,233,756)	39,921,334,663
Segment operating expenses	12,487,678,031	3,696,369,137	2,304,072,907	1,790,025,263	1,898,210,428	3,019,707,906	47,321,775	–	25,243,385,447
Intersegment operating expenses	13,880,355	45,259,787	32,015,211	–	48,500,765	27,577,638	–	(167,233,756)	–
Total operating expenses	12,501,558,386	3,741,628,924	2,336,088,118	1,790,025,263	1,946,711,193	3,047,285,544	47,321,775	(167,233,756)	25,243,385,447
Earnings before interest, taxes and depreciation and amortization	6,896,916,045	1,330,025,792	2,339,345,526	577,405,321	1,656,887,927	1,924,690,380	(47,321,775)	–	14,677,949,216
Depreciation and amortization	3,235,289,418	729,798,334	1,016,146,334	590,493,211	385,963,873	922,102,052	–	–	6,879,793,222
Earnings before interest and taxes	3,661,626,627	600,227,458	1,323,199,192	(13,087,890)	1,270,924,054	1,002,588,328	(47,321,775)	–	7,798,155,994
Interest income	83,324,817	40,772,404	73,211,287	17,696,102	26,660,346	29,503,503	774,657,635	(30,252,945)	1,015,573,149
Equity in net earnings of an associate	(53,622,712)	–	–	–	–	–	158,372,445	–	104,749,733
Dividend income	–	–	–	–	–	–	100,315,156	–	100,315,156
Foreign exchange gain (loss) - net	(1,849,148)	–	–	–	–	–	(132,770,048)	–	(134,619,196)
Interest expense	(1,402,546,324)	(218,541,965)	(312,547,186)	(81,939,518)	(224,246,955)	(325,963,626)	(42,967,218)	30,252,945	(2,578,499,847)
Others	(153,000,603)	–	–	–	–	(75,858,614)	32,764,750	–	(196,094,467)
Income before income tax	₱2,133,932,657	₱422,457,897	₱1,083,863,293	(₱77,331,306)	₱1,073,337,445	₱630,269,591	₱843,050,945	₱–	₱6,109,580,522
Assets and liabilities									
Segment assets	₱48,077,501,547	₱6,990,849,907	₱10,791,258,928	₱3,961,746,250	₱10,326,202,964	₱12,596,289,253	₱32,367,134,542	₱12,755,086,922	₱137,866,070,313
Investment in subsidiaries - at cost	2,840,607,224	3,907,012,333	–	–	–	–	21,632,839,151	(28,380,458,708)	–
Total segment assets	₱50,918,108,771	₱10,897,862,240	₱10,791,258,928	₱3,961,746,250	₱10,326,202,964	₱12,596,289,253	₱53,999,973,693	(₱15,625,371,786)	₱137,866,070,313
Total segment liabilities	₱30,658,205,176	₱5,681,493,878	₱5,854,617,277	₱2,356,267,743	₱6,029,724,180	₱8,766,432,844	₱170,329,510	₱1,822,603,095	₱61,339,673,703
Other segment information:									
Capital expenditures	₱1,459,447,307	₱333,015,880	₱461,289,318	₱474,754,257	₱141,239,470	₱476,649,158	₱–	₱–	₱3,346,395,390

2018

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱16,631,152,456	₱–	₱–	₱132,680,466,776
Intersegment net sales	–	–	–	–	–	1,568,651,424	–	(1,568,651,424)	–
Total net sales	62,362,494,774	17,780,879,313	13,905,046,303	6,176,910,080	15,823,983,850	18,199,803,880	–	(1,568,651,424)	132,680,466,776
Segment cost of merchandise sold	50,173,801,793	11,443,464,329	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	–	102,845,384,354
Intersegment cost of merchandise sold	–	1,568,651,424	–	–	–	–	–	(1,568,651,424)	–
Total cost of merchandise sold	50,173,801,793	13,012,115,753	9,460,319,004	5,618,210,168	12,747,050,339	13,402,538,721	–	(1,568,651,424)	102,845,384,354
Gross profit	12,188,692,981	4,768,763,560	4,444,727,299	558,699,912	3,076,933,511	4,797,265,159	–	–	29,835,082,422
Segment other income	162,751,481	198,958,936	–	1,889,319,320	164,641,071	6,525,076	–	–	2,422,195,884
Intersegment other income	144,495,404	44,841,440	–	–	–	–	–	(189,336,844)	–
Total other income	307,246,885	243,800,376	–	1,889,319,320	164,641,071	6,525,076	–	(189,336,844)	2,422,195,884
Gross profit including other income	12,495,939,866	5,012,563,936	4,444,727,299	2,448,019,232	3,241,574,582	4,803,790,235	–	(189,336,844)	32,257,278,306
Segment operating expenses	8,579,889,094	4,040,030,422	2,981,694,608	2,107,644,276	2,012,498,291	3,487,345,939	27,214,498	–	23,236,317,128
Intersegment operating expenses	32,609,266	51,205,816	35,245,707	–	36,905,778	33,370,277	–	(189,336,844)	–
Total operating expenses	8,612,498,360	4,091,236,238	3,016,940,315	2,107,644,276	2,049,404,069	3,520,716,216	27,214,498	(189,336,844)	23,236,317,128
Earnings before interest, taxes and depreciation and amortization	3,883,441,506	921,327,698	1,427,786,984	340,374,956	1,192,170,513	1,283,074,019	(27,214,498)	–	9,020,961,178
Depreciation and amortization	1,015,186,857	420,756,132	228,641,219	239,384,103	121,015,571	370,101,154	–	–	2,395,085,036
Earnings before interest and taxes	2,868,254,649	500,571,566	1,199,145,765	100,990,853	1,071,154,942	912,972,865	(27,214,498)	–	6,625,876,142
Interest expense	(7,527,908)	(30,348,756)	(3,250,945)	–	(89,640,324)	(41,799,314)	(17,398,472)	30,893,985	(159,071,734)
Interest income	37,536,597	22,019,745	51,216,724	20,774,167	21,398,014	19,549,062	840,262,280	(30,893,985)	981,862,604
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	200,867,038	–	200,867,038
Equity in net earnings of an associate	(4,031,405)	–	–	–	–	–	112,770,641	–	108,739,236
Others	(58,645,174)	(17,004,745)	(7,700,105)	(5,132,025)	(8,907,987)	(127,158,744)	(48,065,534)	–	(272,614,314)
Income before income tax	₱2,835,586,759	₱475,237,810	₱1,239,411,439	₱116,632,995	₱994,004,645	₱763,563,869	₱1,172,721,455	₱–	₱7,597,158,972
Assets and liabilities									
Segment assets	₱30,641,562,719	₱5,107,770,668	₱6,528,041,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱31,697,362,422	₱12,455,066,456	₱107,777,107,194
Investment in subsidiaries - at cost	2,790,607,224	3,878,258,269	62,500,000	–	–	–	21,632,839,151	(28,364,204,644)	–
Total segment assets	₱33,432,169,943	₱8,986,028,937	₱6,590,541,665	₱3,111,410,150	₱8,983,261,961	₱9,252,631,153	₱53,330,201,573	(₱15,909,138,188)	₱107,777,107,194
Total segment liabilities	₱15,061,073,844	₱3,937,639,289	₱2,097,554,693	₱1,381,766,940	₱5,178,010,004	₱5,788,948,538	₱1,594,271,333	₱33,674,554	₱35,072,939,195
Other segment information:									
Capital expenditures	₱2,300,718,232	₱598,770,330	₱447,306,797	₱211,404,175	₱133,088,174	₱728,159,814	₱–	₱–	₱4,419,447,522

2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱52,363,396,276	₱16,115,725,158	₱12,322,762,318	₱5,710,247,583	₱14,518,058,506	₱14,208,269,688	₱–	₱–	₱115,238,459,529
Intersegment net sales	–	–	–	–	–	1,341,616,164	–	(1,341,616,164)	–
Total net sales	52,363,396,276	16,115,725,158	12,322,762,318	5,710,247,583	14,518,058,506	15,549,885,852	–	(1,341,616,164)	115,238,459,529
Segment cost of merchandise sold	42,209,389,308	10,538,329,174	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	–	89,446,079,938
Intersegment cost of merchandise sold	–	1,341,616,164	–	–	–	–	–	(1,341,616,164)	–
Total cost of merchandise sold	42,209,389,308	11,879,945,338	8,376,741,667	5,164,856,833	11,806,367,512	11,350,395,444	–	(1,341,616,164)	89,446,079,938
Gross profit	10,154,006,968	4,235,779,820	3,946,020,651	545,390,750	2,711,690,994	4,199,490,408	–	–	25,792,379,591
Segment other income	120,868,029	138,074,608	–	1,725,718,541	270,727,657	6,769,712	–	–	2,262,158,547
Intersegment other income	133,949,774	39,483,612	–	–	–	–	–	(173,433,386)	–
Total other income	254,817,803	177,558,220	–	1,725,718,541	270,727,657	6,769,712	–	(173,433,386)	2,262,158,547
Gross profit including other income	10,408,824,771	4,413,338,040	3,946,020,651	2,271,109,291	2,982,418,651	4,206,260,120	–	(173,433,386)	28,054,538,138
Segment operating expenses	6,719,660,260	3,387,373,060	2,707,420,540	1,967,946,315	1,857,091,371	3,005,556,758	31,070,475	–	19,676,118,779
Intersegment operating expenses	27,646,477	49,936,472	33,717,792	–	29,989,079	32,143,566	–	(173,433,386)	–
Total operating expenses	6,747,306,737	3,437,309,532	2,741,138,332	1,967,946,315	1,887,080,450	3,037,700,324	31,070,475	(173,433,386)	19,676,118,779
Earnings before interest, taxes and depreciation and amortization	3,661,518,034	976,028,508	1,204,882,319	303,162,976	1,095,338,201	1,168,559,796	(31,070,475)	–	8,378,419,359
Depreciation and amortization	836,921,560	357,966,174	194,730,487	260,947,950	105,255,226	317,215,779	–	–	2,073,037,176
Earnings before interest and taxes	2,824,596,474	618,062,334	1,010,151,832	42,215,026	990,082,975	851,344,017	(31,070,475)	–	6,305,382,183
Interest expense	(3,102,201)	(30,916,715)	(2,329,834)	(1,620,135)	(76,451,034)	(43,340,288)	–	30,375,736	(127,384,471)
Interest income	22,249,950	10,478,717	26,726,722	8,284,275	8,777,648	15,735,288	811,548,241	(30,375,736)	873,425,105
Dividend income	–	–	–	–	–	–	111,500,000	–	111,500,000
Foreign exchange gain - net	–	–	–	–	–	–	16,104,012	–	16,104,012
Equity in net earnings of an associate	–	–	–	–	–	–	123,639,511	–	123,639,511
Income before income tax	₱2,843,744,223	₱597,624,336	₱1,034,548,720	₱48,879,166	₱922,409,589	₱823,739,017	₱1,031,721,289	₱–	₱7,302,666,340
Assets and liabilities									
Segment assets	₱19,576,200,337	₱4,668,650,988	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱29,968,508,062	₱2,443,690,652	₱82,180,726,832
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱22,366,807,561	₱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)	₱82,180,726,832
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

The revenue of the Group consists mainly of sales to external customers through its retail and internet channels. Inter-segment revenue arising from purchase arrangements amounting ₱1.73 billion, ₱1.57 billion and ₱1.34 billion in 2019, 2018 and 2017, 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 ₱20.29 billion and ₱14.79 billion as of December 31, 2019, and 2018, 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 0.80% to 5.40%, 0.90% to 5.52% and 0.90% to 3.50% in 2019, 2018 and 2017, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱292.85 million, ₱193.64 million and ₱107.55 million in 2019, 2018 and 2017, respectively.

8. Trade and Other Receivables

This account consists of:

	2019	2018
Trade (Notes 24 and 27)	**₱2,460,624,381**	₱2,108,620,270
Nontrade (Notes 24 and 27)	**874,803,571**	734,264,185
Due from franchisees (Notes 27 and 29)	**609,368,201**	485,057,897
	3,944,796,153	3,327,942,352
Less allowance for impairment losses (Notes 27 and 29)	**79,335,269**	156,346,848
	₱3,865,460,884	₱3,171,595,504

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 ₱280.38 million and ₱145.97 million as of December 31, 2019, and 2018, respectively. The remaining balance consists of operational advances, receivable from lessees and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	2019	2018
Balance at beginning of year	**₱156,346,848**	₱110,387,770
Provision for impairment losses (Note 21)	**–**	46,748,194
Reversals and write-off	**(77,011,579)**	(789,116)
Balance at end of year	**₱79,335,269**	₱156,346,848

9. **Merchandise Inventories**

The rollforward analysis of this account follows:

	2019	2018
Balance at beginning of year	**₱18,628,013,928**	₱14,846,561,020
Acquisition through business combination	**–**	3,073,734,206
Add purchases - net of purchase discounts and allowances	**126,941,727,050**	103,596,280,274
Cost of goods available for sale	**145,569,740,978**	121,516,575,500
Less cost of merchandise sold	**125,734,533,662**	102,845,384,354
Allowance for inventory obsolescence	**24,954,805**	43,177,218
Balance at end of year	**₱19,810,252,511**	₱18,628,013,928

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱125.73 billion, ₱102.85 billion and ₱89.45 billion in 2019, 2018 and 2017, respectively.

Movements in the allowance for shrinkage, obsolescence and other losses is as follows:

	2019	2018
Balance at beginning of year	**₱43,177,218**	₱–
Provisions (Note 21)	**7,377,588**	59,503,049
Write-off	**(25,600,001)**	(16,325,831)
Balance at end of year	**₱24,954,805**	₱43,177,218

There are no merchandise inventories pledged as security for liabilities as of December 31, 2019 and 2018.

10. **Other Current Assets**

This account consists of:

	2019	2018
Input VAT - net	**₱1,977,497,856**	₱2,246,748,776
Prepayments	**513,735,800**	490,482,729
CWT	**432,017,049**	410,508,668
Others	**28,030,467**	11,920,917
	₱2,951,281,172	₱3,159,661,090

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

Prepayments consist of advance payments for insurance, taxes and utilities. In 2018, prepayments also include advance payments for rental. In 2019, advance payments for rental are included as part of ROU assets (Notes 2 and 28).

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

Others consist mainly of excess payments of income taxes.

11. Debt and Equity Instrument Financial Assets

The Group’s debt and equity instrument financial assets classified as FVOCI and FVTPL which are carried at fair value is as follows:

		2019	2018
Debt securities			
FVOCI with recycling	(a)	**₱13,541,822,321**	₱16,135,895,711
FVTPL	(b)	**100,547,120**	1,665,171,011
		13,642,369,441	17,801,066,722
Equity securities at FVOCI without recycling		**1,214,983,500**	1,950,400,000
		₱14,857,352,941	₱19,751,466,722

Debt Securities

a. The Group’s debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88% and term of five (5) to ten (10) years.

   Rollforward analysis of debt securities at FVOCI with recycling as of December 31, 2019 and 2018 follows:

	2019	2018
Amortized cost:		
At beginning of year	**₱16,817,785,321**	₱16,593,843,811
Additions	**563,656,662**	847,021,924
Disposals	**(3,753,666,886)**	(756,249,689)
Foreign exchange gain	**(170,129,152)**	133,169,275
At end of year	**13,457,645,945**	16,817,785,321
Amortization of premium on debt securities	**(84,597,284)**	(75,423,505)
Change in fair value of financial assets:		
At beginning of year	**(593,335,355)**	329,275,323
Changes in fair value recognized in OCI	**775,460,132**	(965,569,116)
Transfer to profit or loss	**(6,393,395)**	42,958,438
At end of year	**175,731,382**	(593,335,355)
Allowance for expected credit losses	**(6,957,722)**	(13,130,750)
	168,773,660	(606,466,105)
	₱13,541,822,321	₱16,135,895,711

b. The Group’s debt securities at FVTPL pertain to Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.38% and 5.19%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

On February 13, 2019, the BOD of Metropolitan Bank & Trust Company (Metrobank) approved to exercise the call option on the subordinated debt on June 27, 2019.

	2019	2018
At beginning of year	**₱1,665,171,011**	₱1,683,700,000
Disposals	**(1,583,559,947)**	–
Changes in fair value recognized in profit or loss	**18,936,056**	(18,528,989)
	₱100,547,120	₱1,665,171,011

In 2019, 2018 and 2017, the Group recognized gain or loss on disposal of debt instrument financial assets amounting to ₱7.66 million gain, ₱21.59 million loss and ₱4.24 million loss, respectively.

Interest income arising from debt instrument financial assets amounted to ₱722.72 million, ₱788.22 million and ₱765.88 million in 2019, 2018 and 2017, respectively.

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

Equity Securities

Quoted equity securities pertain to investment in stock listed in the PSE. The Group elected to classify irrevocably its listed equity investments under FVOCI in 2019 and 2018 as it intends to hold these investments for the foreseeable future.

Rollforward analysis of equity securities at FVOCI without recycling for the years ended December 31, 2019 and 2018 follows:

	2019	2018
Cost		
At beginning of year	**₱2,000,000,000**	₱2,000,000,000
Additions	**1,197,500,000**	–
Disposals	**(2,000,000,000)**	–
	1,197,500,000	2,000,000,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**(49,600,000)**	104,000,000
Disposals	**(20,000,000)**	–
Changes in fair value	**87,083,500**	(153,600,000)
At end of year	**17,483,500**	(49,600,000)
	₱1,214,983,500	₱1,950,400,000

Dividend income earned by the Group amounted to ₱100.32 million in 2019 and ₱111.50 million in 2018 and 2017.

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

	2019	2018
Balances at the beginning of year	**(₱642,230,230)**	₱433,980,448
Change in fair value during the year - OCI	**842,543,632**	(1,119,169,116)
Transfers to profit or loss	**(6,393,395)**	42,958,438
Balances at the end of year	**₱193,920,007**	(₱642,230,230)

12. **Property and Equipment**

2019

	Land	**Building and Other Equipment**	**Leasehold Improvements**	**Store Furniture and Fixtures**	**Office Furniture and Fixtures**	**Transportation Equipment**	**Computer Equipment**	**Total**
Cost								
At beginning of year	**₱609,382,477**	**₱2,806,347,351**	**₱16,184,847,447**	**₱10,943,361,979**	**₱2,749,061,388**	**₱214,640,752**	**₱3,204,209,258**	**₱36,711,850,652**
Additions	**–**	**18,502,392**	**1,917,798,691**	**644,800,383**	**417,762,818**	**15,223,857**	**332,307,249**	**3,346,395,390**
Disposals and derecognition	**–**	**(47,500)**	**(655,284,538)**	**(433,398,981)**	**(17,365,735)**	**(4,841,036)**	**(71,599,065)**	**(1,182,536,855)**
At end of year	**609,382,477**	**2,824,802,243**	**17,447,361,600**	**11,154,763,381**	**3,149,458,471**	**225,023,573**	**3,464,917,442**	**38,875,709,187**
Accumulated depreciation and amortization								
At beginning of year	**–**	**827,792,789**	**7,720,367,463**	**5,990,962,008**	**908,288,918**	**143,590,710**	**1,775,835,924**	**17,366,837,812**
Depreciation and amortization (Note 21)	**–**	**64,937,554**	**1,752,528,369**	**617,850,135**	**291,598,137**	**14,320,733**	**282,421,632**	**3,023,656,560**
Disposals and derecognition	**–**	**(47,500)**	**(452,389,638)**	**(343,960,505)**	**(18,374,958)**	**(5,308,651)**	**(60,032,065)**	**(880,113,317)**
At end of year	**–**	**892,682,843**	**9,020,506,194**	**6,264,851,638**	**1,181,512,097**	**152,602,792**	**1,998,225,491**	**19,510,381,055**
Allowance for impairment losses								
At beginning and end of year	**–**	**–**	**49,567,673**	**25,882,986**	**–**	**–**	**349,273**	**75,799,932**
	₱609,382,477	**₱1,932,119,400**	**₱8,377,287,733**	**₱4,864,028,757**	**₱1,967,946,374**	**₱72,420,781**	**₱1,466,342,678**	**₱19,289,528,200**

2018

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	₱42,560,000	₱1,736,445,913	₱13,336,313,960	₱8,985,785,664	₱2,200,258,093	₱205,687,524	₱2,559,053,303	₱29,066,104,457
Additions through business combination (Note 19)	–	1,055,410,907	1,504,200,176	1,140,406,897	19,878,814	4,568,813	173,259,404	3,897,725,011
Additions	566,822,477	20,600,492	1,832,715,018	945,195,127	531,144,741	6,630,665	516,339,002	4,419,447,522
Disposals and derecognition	–	(6,109,961)	(488,381,707)	(128,025,709)	(2,220,260)	(2,246,250)	(44,442,451)	(671,426,338)
At end of year	609,382,477	2,806,347,351	16,184,847,447	10,943,361,979	2,749,061,388	214,640,752	3,204,209,258	36,711,850,652
Accumulated depreciation and amortization								
At beginning of year	–	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	15,388,915,502
Depreciation and amortization (Note 21)	–	68,191,243	1,117,732,580	665,203,140	252,073,518	16,436,667	257,422,724	2,377,059,872
Disposals and derecognition	–	(3,313,762)	(244,281,490)	(104,241,143)	(2,027,447)	(1,134,933)	(44,138,787)	(399,137,562)
At end of year	–	827,792,789	7,720,367,463	5,990,962,008	908,288,918	143,590,710	1,775,835,924	17,366,837,812
Allowance for impairment losses								
At beginning and end of year	–	–	49,567,673	25,882,986	–	–	349,273	75,799,932
	₱609,382,477	₱1,978,554,562	₱8,414,912,311	₱4,926,516,985	₱1,840,772,470	₱71,050,042	₱1,428,024,061	₱19,269,212,908

Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱11.27 billion and ₱7.64 billion as of December 31, 2019 and 2018, respectively.

13. Investment in Associates

This account consists of investments in shares of stocks as follow (Note 2):

	2019	2018
RBC	**₱7,119,421,401**	₱6,440,203,060
TCCI	**326,689,847**	112,075,299
DAVI	**191,350,616**	400,000
G2M	**160,650,429**	160,650,429
GrowSari	**47,345,883**	100,968,595
	₱7,845,458,176	₱6,814,297,383

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

	2019	2018
Shares of stock - at equity:		
At beginning and end of year	**₱5,950,238,902**	₱4,750,238,902
Additional investment (Note 2)	**–**	1,200,000,000
Balance at end of year	**₱5,950,238,902**	5,950,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**960,380,963**	834,958,356
Equity in net earnings	**272,407,281**	125,422,607
Balance at end of year	**1,232,788,244**	960,380,963
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	**(417,023,044)**	(393,204,586)
Share in fair value changes of financial assets at FVOCI	**411,345,068**	(23,818,458)
Balance at end of year	**(5,677,976)**	(417,023,044)
Share in translation loss adjustments:		
Balance at beginning of year	**(48,006,938)**	(41,044,297)
Share in translation adjustments	**3,656,329**	(6,962,641)
Balance at end of year	**(44,350,609)**	(48,006,938)
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	**(5,386,823)**	(4,143,444)
Share in remeasurement loss on retirement obligation	**(8,190,337)**	(1,243,379)
Balance at end of year	**(13,577,160)**	(5,386,823)
	₱7,119,421,401	₱6,440,203,060

RBC is incorporated in the Philippines and is engaged in commercial and thrift banking whose principal activities include deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing. The Group has 40.00% ownership in RBC.

Summarized financial information of RBC follows:

	2019	2018
Total assets	**₱131,108,212,486**	₱121,356,956,413
Total liabilities	**114,082,988,400**	109,157,896,832
Net income	**681,018,202**	313,556,517
Other comprehensive income (loss)	**1,028,362,670**	(59,546,145)

The consolidated statements of comprehensive income follow:

	2019	2018	2017
Total operating income	**₱4,992,311,801**	₱4,125,255,244	₱3,484,195,685
Total operating expenses and tax	**4,311,293,599**	3,811,698,727	3,174,415,070
Net income	**681,018,202**	313,556,517	309,780,615
Other comprehensive income (loss)	**1,028,362,670**	(59,546,145)	(163,376,248)
Total comprehensive income	**₱1,709,380,872**	₱254,010,372	₱146,404,367
Group's share of profit for the year	**₱272,407,281**	₱125,422,607	₱123,912,246

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

	2019	2018
Net assets of RBC	**₱17,076,478,938**	₱15,378,433,085
Proportionate ownership in the associate	**40%**	40%
Total share in net assets	**6,830,591,575**	6,151,373,234
Carrying amount of the investment	**7,119,421,401**	6,440,203,060
Difference	**₱288,829,826**	₱288,829,826

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

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

	2019	2018
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱394,669,733)**	(₱373,495,977)
Change in fair value during the year	**292,958,080**	(21,173,756)
Balances at end of year	**(101,711,653)**	(394,669,733)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(8,299,655)**	(7,056,276)
Remeasurement loss during the year	**(8,190,337)**	(1,243,379)
Balances at end of year	**(16,489,992)**	(8,299,655)
	(₱118,201,645)	(₱402,969,388)

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. On March 28, 2019, the Parent Company acquired additional 875,011 common shares representing 10% ownership interest for a total consideration amounting to ₱280.00 million. Ownership interest of the Parent Company in TCCI as of December 31, 2019 is 30%. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of December 31, 2019 and 2018 amounted to ₱326.69 million and ₱112.08 million, respectively. Details follow:

	2019	2018
Shares of stock - at equity:		
Balance at beginning of year	**₱125,000,000**	₱125,000,000
Additional investment (Note 2)	**280,000,000**	–
Balance at end of year	**405,000,000**	125,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(12,924,701)**	(272,735)
Equity in net loss	**(65,385,452)**	(12,651,966)
Balance at end of year	**(78,310,153)**	(12,924,701)
	₱326,689,847	₱112,075,299

DAVI
On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which ₱0.40 million was paid in 2018. DAVI's principal activities include processing, managing and analyzing data. DAVI is incorporated in the Philippines.

Carrying value of DAVI's investment as of December 31, 2019 and 2018 amounted to ₱191.35 million and ₱0.40 million, respectively. Details follow:

	2019	2018
Shares of stock - at equity:		
Balance at beginning of year	**₱400,000**	₱–
Additional investment (Note 2)	**239,600,000**	400,000
Balance at end of year	**240,000,000**	400,000
Accumulated equity in net earnings:		
Equity in net loss	**(48,649,384)**	–
Balance at end of year	**(48,649,384)**	–
	₱191,350,616	₱400,000

G2M
On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Parent Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Parent Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines. G2M is incorporated in Singapore.

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

Carrying value of Growsari's investment as of December 31, 2019 and 2018 amounted to ₱47.35 million and ₱100.97 million, respectively. Details follow:

	2019	2018
Shares of stock - at equity:		
At beginning and end of year	**₱105,000,000**	₱105,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(4,031,405)**	–
Equity in net loss	**(53,622,712)**	(4,031,405)
Balance at end of year	**(57,654,117)**	(4,031,405)
	₱47,345,883	₱100,968,595

14. Intangible Assets

This account consists of:

	2019	2018
Goodwill (Note 19)	**₱12,490,800,027**	₱12,490,800,027
Trademarks (Note 19)	**6,541,738,841**	6,591,363,481
Franchise	**6,635,499**	24,125,885
	₱19,039,174,367	₱19,106,289,393

Goodwill
The Group's goodwill as of December 31, 2019 and 2018 pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries which also represents separate CGUs. Details follow (Note 19):

	Amount
RSCI (Note 19)	₱9,109,386,061
TGPPI	1,281,428,830
SSDI	745,887,131
SEWI	715,103,869
EC	199,870,222
RHIB	145,655,320
RTSHPI	85,161,468
BSRI	83,324,691
JRMC	71,732,435
HPTDI	30,000,000
GPC	23,250,000
	₱12,490,800,027

Trademarks
The trademarks were acquired through business combinations and were recognized at fair value at the date of acquisition. Details follow:

	2019	2018
RSCI (Note 19)	**₱3,345,808,381**	₱3,395,433,021
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
	₱6,541,738,841	₱6,591,363,481

Included in the trademarks acquired through acquisition of RSCI in 2018 is the right to use a brand and trademark for a period of almost five (5) years. In 2019 and 2018, amortization related to trademarks acquired through acquisition of RSCI amounted to ₱49.62 million and ₱3.17 million, respectively. As of December 31, 2019 and 2018, the carrying value of the trademarks with definite useful life amounted to ₱140.40 million and ₱190.02 million, respectively.

Licenses
Acquisition of trademark by RSSI to secure a franchise/license
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million in 2018 and 2017 (Note 21). In 2018, RSSI written off the remaining value of the license amounting to ₱48.48 million due to debranding.

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of December 31, 2018, the Group has franchise amounting to ₱16.73 million. In 2019, the Group wrote off the remaining value of its franchise amounting to ₱15.05 million due to permanent store closure.

On January 10, 2018, Pet Lovers Centre International Pte. Ltd, granted the Group the right to develop its business including its trademarks, system, manuals and image in the Philippines for ₱7.58 million. The Group started Pet Lovers Centre operations in October 2018. The franchise shall be amortized using straight-line method over a period of ten (10) years.

The rollforward analysis of the franchise follows:

	2019	2018
Beginning balance	**₱24,125,885**	₱19,279,385
Addition	**–**	7,583,430
Amortization (Note 21)	**(2,444,165)**	(2,736,930)
Write-off	**(15,046,221)**	–
	₱6,635,499	₱24,125,885

15. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Security and other deposits	**₱2,479,555,628**	₱2,550,724,180
Construction bonds	**35,535,709**	33,092,201
	₱2,515,091,337	₱2,583,816,381

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

In 2018, the Group impaired other noncurrent assets amounting to ₱68.75 million.

16. **Trade and Other Payables**

This account consists of:

	2019	2018
Trade	**₱16,866,916,950**	₱17,130,764,045
Nontrade (Note 24)	**7,264,214,185**	6,537,222,971
Others	**970,862,057**	909,123,439
	₱25,101,993,192	₱24,577,110,455

Trade payables are noninterest-bearing and are normally settled on forty-five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale.

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others mainly consist of taxes and licenses payable.

Contract Liabilities

The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under nontrade payables, as contract liabilities as of December 31, 2019 and 2018. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

	2019	2018
Gift check outstanding	**₱155,168,913**	₱140,165,250
Accrued customer loyalty reward	**118,434,504**	40,713,870
Deferred revenue	**13,450,713**	17,020,098
	₱287,054,130	₱197,899,218

Below is the rollforward of contract liabilities from the date of initial application of the adoption of PFRS 15 in 2019 and 2018:

	2019	2018
At January 1	**₱197,899,218**	₱–
Reclassification from deferred revenue upon adoption of PFRS 15	–	275,042,623
Deferred during the year	**658,570,734**	848,807,808
Recognized as revenue during the year	**(569,415,822)**	(925,951,213)
At December 31	**₱287,054,130**	₱197,899,218

17. **Short-term Loans Payable**

Details of short-term loans follow:

	2019	2018
Balance at beginning of year	**₱6,794,000,000**	₱6,377,954,863
Availments	**915,000,000**	7,508,045,137
Additions through business combination (Note 19)	–	1,500,000,000
Payments	**(3,075,000,000)**	(8,592,000,000)
	₱4,634,000,000	₱6,794,000,000

The balances of short-term loans of the subsidiaries are as follows:

	2019	2018
SSDI	**₱1,929,000,000**	₱2,182,000,000
RSCI	**1,900,000,000**	1,750,000,000
RHDDS	**400,000,000**	220,000,000
RSC	**300,000,000**	–
RHIB	**55,000,000**	–
HPTD	**50,000,000**	50,000,000
RI	–	1,352,000,000
RRHI	–	1,050,000,000
RGFBI	–	190,000,000
	₱4,634,000,000	₱6,794,000,000

a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 4.35%-5.90% per annum in 2019 and 5.10%-5.50% per annum in 2018. In 2018, SSDI availed short-term loans amounting to ₱100.0 million. In addition, SSDI paid ₱253.0 million and ₱135.0 million of the outstanding loan balance in 2019 and 2018, respectively. The short-term loans payable of SSDI as of December 31, 2019 and 2018 amounted to ₱1.93 billion and ₱2.18 billion, respectively.

b.) RSCI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 4.60%-6.75% per annum in 2019 and 5.50%-5.95% per annum in 2018. The loans were obtained to finance RSCI's working capital requirements. In 2019, RSCI availed short-term loans amounting to ₱380.0 million and paid ₱230.0 million of the outstanding loan balance. The short-term loans payable of RSCI as of December 31, 2019 and 2018 amounted to ₱1.90 billion and ₱1.75 billion, respectively.

c.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 4.70%-6.75% per annum in 2019 and 5.50%-6.50% per annum in 2018. In 2019 and 2018, RHDDS availed short-term loan amounting ₱180.0 million and ₱145.0 million, respectively. In addition, RHDDS paid ₱155.0 million on the outstanding loan balance in 2018. The short-term loans payable as of December 31, 2019 and 2018 amounted to ₱400.0 million and ₱220.0 million, respectively.

d.) RSC's short-term loans payable consists of loans availed from local commercial banks at an interest rate of 4.40% per annum in 2019 and 5.30% per annum in 2018 which are renewable every three (3) months. In 2019, RSC availed short-term loans amounting to ₱300.0 million.

e.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 4.70%-6.75% per annum in 2019 and 3.10%-4.00% per annum in 2018. In 2019, RHIB availed short-term loan amounting to ₱55.0 million.

f.) HPTD's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 4.70%-6.75% per annum. No payment of short-term loan was made during the year. The short-term loans payable as of December 31, 2019 and 2018 amounted to ₱50.0 million.

g.) RI's short-term loans payable consist of loans availed from a local commercial bank at an interest rates of 5.65%-5.90% per annum in 2019 and 5.50%-5.55% per annum in 2018. These loans are renewable before the end of each lease term at the option of RI. In 2018, RI availed short-term loans amounting to ₱3.34 billion. In addition, RI paid ₱1.35 billion and ₱3.41 billion on the outstanding loan balance in 2019 and 2018, respectively. The loans were obtained to support the working capital requirements of RI. The loans were fully settled in 2019.

h.) In 2018, RRHI's short-term loans payable consist of a loan availed from a local commercial bank amounting to ₱1.05 billion at an interest rates of 4.35%-5.55% per annum. The loans were obtained to support the working capital requirements of RRHI. The loans were fully settled in 2019.

i.) RGFBI's short-term loans payable consists of loans availed from a local commercial bank at an interest rates of 5.75%-6.75% per annum in 2019 and 2018. In 2018, RGFBI availed short-term loans amounting to ₱420.05 million. In 2019 and 2018, RGFBI paid ₱190.0 million and ₱317.0 million, respectively. The loans were fully settled in 2019.

Total interest expense charged to operations amounted to ₱300.68 million, ₱159.07 million and ₱127.38 million in 2019, 2018 and 2017, respectively.

The above loans are not subject to any loan covenants.

18. **Equity**

Capital Stock
The details of this account follow:

	2019		2018		2017	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	1,576,489,360	1,576,489,360	1,576,489,360	1,576,489,360	1,385,000,000	1,385,000,000

Registration Track Record
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1,094.57 million. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

On December 9, 2014, the Parent Company sold its treasury shares at ₱69.0 per share or ₱1,309.06 million, incurring transaction costs amounting to ₱8.22 million.

On November 23, 2018, the Parent Company issued 191,489,360 new common shares for the acquisition of RSCI (Notes 1 and 19). The market value of the share amounted to ₱72.05 per share on November 23, 2018. Transaction cost related to the issuance of new shares amounted to ₱64.50 million.

Equity Reserve
Details of equity reserve follow:

	2019	2018	2017
Acquisition of additional shares from non-controlling interest			
Beginning	**(₱975,943,538)**	(₱1,027,402,846)	(₱1,027,402,846)
Additions/Deductions	**(19,341,439)**	51,459,308	–
	(995,284,977)	(975,943,538)	(1,027,402,846)
Acquisition of subsidiary under common control	**5,508,177**	5,508,177	5,508,177
	(₱989,776,800)	(₱970,435,361)	(₱1,021,894,669)

Acquisition of a Subsidiary under Common Control
On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million. As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve".

Acquisition of Additional Shares from a Non-Controlling Shareholder
On November 4, 2019, RI acquired additional 18,947,368 common shares, representing 0.95% of RCSI from a non-controlling shareholder for ₱18.95 million. As a result of the acquisition, RI then holds 60.00% interest in RCSI. The Group recognized equity reserve from the acquisition amounting

to ₱1.36 million included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest

On April 3, 2019, RSC acquired additional 1,650,000 common shares, representing 33% of ASI from a non-controlling shareholder for ₱50.00 million. As a result of the acquisition, RSC then holds 100.00% interest in ASI. The Group recognized equity reserve from the acquisition amounting to ₱17.98 million included in "Equity reserve" representing the excess consideration paid for the carrying amount of the non-controlling interest.

On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for ₱85.36 million. As a result of the acquisition, RI then holds 59.05% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱51.46 million included in "Equity reserve" representing the excess of carrying amount of the non-controlling interest acquired over consideration paid.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion included in "Equity reserve" in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. The remaining balance was fully settled in cash in 2015.

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱30.49 billion and ₱27.71 billion as of December 31, 2019 and 2018, respectively, while the accumulated equity in net income of the associates amounted to ₱1,048.17 million and ₱943.42 million as of December 31, 2019 and 2018, respectively (Note 13).

Dividend Declaration
Details of the Parent Company's dividend declarations follow:

	2019	2018	2017
Date of declaration	**May 30, 2019**	May 28, 2018	June 27, 2017
Dividend per share	**₱0.72**	₱0.72	₱0.70
Total dividends	**₱1,135,072,339**	₱997,200,000	₱969,500,000
Date of record	**June 20, 2019**	June 18, 2018	July 17, 2017
Date of payment	**July 12, 2019**	July 12, 2018	August 10, 2017

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

	2019	2018	2017
Balance at beginning of year	**₱24,151,852,847**	₱15,212,852,847	₱15,262,852,847
Appropriation	**3,186,000,000**	9,222,000,000	–
Reversal of appropriation	**(393,000,000)**	(283,000,000)	(50,000,000)
Balance at end of year	**₱26,944,852,847**	₱24,151,852,847	₱15,212,852,847

On November 8, 2019, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

Entity	Amount
RSC	₱1,000,000,000
RHMI	674,000,000
RTI	310,000,000
SSDI	300,000,000
RAC	235,000,000
RHDDS	162,000,000
SEWI	110,000,000
RTSHPI	90,000,000
WHMI	87,000,000
HEMI	3,000,000
	₱2,971,000,000

On March 14, 2019, the Group's BOD approved the appropriation of retained earnings of RAC amounting to ₱215.00 million which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years.

In 2018, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

	Appropriations				
Entity	February 20	March 7	March 8	December 20	Total
RRHI	₱2,800,000,000	₱–	₱–	₱–	₱2,800,000,000
RSC	–	1,250,000,000	–	1,100,000,000	2,350,000,000
RHMI	–	553,000,000	–	617,000,000	1,170,000,000
SSDI	–	300,000,000	–	500,000,000	800,000,000
RI	–	400,000,000	–	250,000,000	650,000,000
RAC	–	260,000,000	–	–	260,000,000
RTSHPI	–	93,000,000	–	105,000,000	198,000,000
SEWI	–	–	180,000,000	15,000,000	195,000,000
RHDDS	–	114,000,000	–	65,000,000	179,000,000
RTI	–	150,000,000	–	220,000,000	370,000,000
WHMI	–	50,000,000	–	97,000,000	147,000,000
CC	–	–	–	40,000,000	40,000,000
RDDC	–	–	–	33,000,000	33,000,000
ASI	–	–	–	15,000,000	15,000,000
HEMI	–	7,000,000	–	8,000,000	15,000,000
	₱2,800,000,000	₱3,177,000,000	₱180,000,000	₱3,065,000,000	₱9,222,000,000

In 2019, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Date of reversal	Amount
RHMI	June 14	₱191,000,000
WHMI	June 14	77,000,000
RSSI	November 8	75,000,000
RDDC	November 8	33,000,000
HEMI	June 14	17,000,000
Total		₱393,000,000

In 2018, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Date of reversal	Amount
RTSHPI	December 12	₱3,000,000
RTI	July 6	150,000,000
RHMI	June 16	100,000,000
SEWI	March 22	30,000,000
Total		₱283,000,000

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.0 million due to completion of certain store expansions and renovations.

Declaration of Dividends of the Subsidiaries

In 2019, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI TMI	November 8	₱600,000,000
TGP	June 10	560,007,000
RHMI	June 14	200,000,000
HEMI	June 14	20,000,000
WHMI	June 14	80,000,000
CCC	September 30	2,585,332
Total		₱1,462,592,332

In 2018, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
SEWI	May 30	₱30,000,000
ASI	June 4	15,000,000
TGP	May 3	200,000,000
	December 14	220,000,000
RHMI	June 14	100,000,000
RTI	July 6	150,000,000
RRHI TMI	December 2	700,000,000
RTSHPI	December 12	35,000,000
Total		₱1,450,000,000

In 2017, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI TMI	December 12	₱1,050,000,000
	May 10	1,028,400,000
TGP	February 1	300,000,000
	October 1	300,000,000
RTI	February 1	130,000,000
WHMI	March 12	40,000,000
RTSHPI	December 12	30,000,000
CCC	February 1	20,000,000
Total		₱2,898,400,000

NCI

Acquisition of NCI
In November 2019, the Group acquired NCI in RCSI increasing the Group's ownership stake from 59.05% to 60.00%.

In April 2019, the Group acquired NCI in ASI increasing the Group's ownership stake from 67% to 100%.

Investment from NCI
On February 27, 2018, an NCI made an investment which represents 49% ownership in Super50 amounting to ₱14.70 million.

On December 20, 2017, the BOD of RCSI authorized the increase of capital stock from ₱1.0 billion to ₱2.0 billion of which to ₱490.0 million was subscribed and paid in full by Ministop.

Dividends to NCI
In 2019, 2018 and 2017, dividends declared attributable to NCI amounted to ₱349.41 million, ₱266.84 million and ₱357.80 million, respectively.

Material Partly-Owned Subsidiary
In 2019 and 2018, 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 ₱942.16 million, ₱580.69 million and ₱408.86 million in 2019, 2018 and 2017, respectively. Profit allocated to material non-controlling interest amounted to ₱322.28 million, ₱238.68 million and ₱237.23 million in 2019, 2018 and 2017, respectively. Total assets of TGPPI as of December 31, 2019 and 2018 amounted to ₱2,127.47 million and ₱1,818.38 million, respectively, while total liabilities as of December 31, 2019 and 2018 amounted to ₱881.32 million and ₱679.77 million, respectively. Total sales in 2019, 2018 and 2017 amounted to ₱4,783.81 million, ₱4,335.08 million and ₱4,193.39 million, respectively. Net income in 2019, 2018 and 2017 amounted to ₱631.93 million, ₱464.73 million and ₱464.85 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, 2019 and 2018.

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

	2019	2018
Capital stock	**₱1,576,489,360**	₱1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Other comprehensive income (loss)	**272,839,305**	(563,817,037)
Equity reserve	**(989,776,800)**	(970,435,361)
Retained earnings		
Appropriated	**26,944,852,847**	24,151,852,847
Unappropriated	**3,548,986,390**	3,558,435,683
Total equity attributable to equity holders of the Parent Company	**72,121,593,999**	68,520,728,389
Non-controlling interest in consolidated subsidiaries	**4,404,802,611**	4,183,439,610
Total Equity	**₱76,526,396,610**	₱72,704,167,999

19. **Business Combinations**

Business Combination and Goodwill

On March 23, 2018, the BOD of RRHI and MCBV approved the acquisition by RRHI of MCBV's 100% stake in RSCI through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. RSCI was incorporated in the Philippines and operates food retail brands "Marketplace by Rustan's", "Rustan's Supermarket", "Shopwise Hypermarket", "Shopwise Express" and "Wellcome".

RRHI agreed to pay MCBV at an agreed price which was settled by the issuance of 191.49 million new RRHI common shares as consideration for the value of the net assets of RSCI. RRHI engaged an independent financial advisor to review the transaction and render a fairness opinion on the transaction and the consideration payable by RRHI. The independent financial advisor completed its review and concluded that the acquisition of the net assets is fair and reasonable and in the interest of RRHI shareholders as a whole.

The completion of the acquisition was subjected to the procurement of certain regulatory and other approvals including:

i. Approval by the shareholders of RRHI of the issuance of primary shares;
ii. Approval of the transaction by the Philippine Competition Commission; and
iii. Confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI.

The acquisition was completed on November 23, 2018 as agreed in the Shareholders Agreement which is seven days after the confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI on November 16, 2018. Approvals (i) and (ii) were obtained on May 28, 2018 and August 16, 2018, respectively. On November 23, 2018, the market value of RRHI shares amounted to ₱72.05 per share. Transaction costs related to the issuance of new shares amounted to ₱64.50 million was charged to 'Additional paid-in capital'.

In 2019, 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 ₱9.11 billion. The goodwill of ₱9.11 billion comprises the fair value of expected synergies arising from acquisition.

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

	Fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment (Note 12)	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	12,454,975,787
Liabilities	
Trade and other payables	(4,633,625,787)
Loans payable	(1,500,000,000)
Income tax payable	(39,346,173)
Other current liabilities	(60,595,212)
Retirement obligation	(283,655,342)
Deferred tax liability	(961,623,483)
Other noncurrent liabilities	(288,707,463)
	(7,767,553,460)
Net assets acquired	4,687,422,327
Goodwill from the acquisition (Note 14)	9,109,386,061
Purchase consideration transferred	₱13,796,808,388

20. Sales Revenue

Sales are recognized from customers at the point of sale in the stores and upon delivery.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱4.64 billion, ₱4.55 billion and ₱3.77 billion in 2019, 2018 and 2017, respectively.

Disaggregated revenue information
Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the year ended December 31, 2019						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	**₱88,514,715,048**	**₱18,039,637,214**	**₱14,382,541,311**	**₱–**	**₱17,684,834,470**	**₱19,283,310,699**	**₱157,905,038,742**
Sale of merchandise to franchisees	**–**	**–**	**–**	**6,744,155,713**	**–**	**–**	**6,744,155,713**
Franchise revenue	**–**	**–**	**–**	**6,676,528**	**49,168,502**	**–**	**55,845,030**
Royalty fee	**–**	**–**	**–**	**1,840,105,448**	**60,181,952**	**–**	**1,900,287,400**
	₱88,514,715,048	**₱18,039,637,214**	**₱14,382,541,311**	**₱8,590,937,689**	**₱17,794,184,924**	**₱19,283,310,699**	**₱166,605,326,885**
Timing of revenue recognition							
Goods transferred at point in time	**₱88,514,715,048**	**₱18,039,637,214**	**₱14,382,541,311**	**₱6,744,155,713**	**₱17,684,834,470**	**₱19,283,310,699**	**₱164,649,194,455**
Services transferred over time	**–**	**–**	**–**	**1,846,781,976**	**109,350,454**	**–**	**1,956,132,430**
	₱88,514,715,048	**₱18,039,637,214**	**₱14,382,541,311**	**₱8,590,937,689**	**₱17,794,184,924**	**₱19,283,310,699**	**₱166,605,326,885**

Segments	Supermarket	Department Store	DIY	Convenience Store	Drug Store	Specialty Store	Total
	For the year ended December 31, 2018						
Type of goods or service							
Sale of goods - retail	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱–	₱15,823,983,850	₱18,199,803,880	₱128,072,208,120
Sale of merchandise to franchisees	–	–	–	6,176,910,080	–	–	6,176,910,080
Franchise revenue	–	–	–	7,221,915	42,472,718	–	49,694,633
Royalty fee	–	–	–	1,882,097,405	59,926,262	–	1,942,023,667
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500
Timing of revenue recognition							
Goods transferred at point in time	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱6,176,910,080	₱15,823,983,850	₱18,199,803,880	₱134,249,118,200
Services transferred over time	–	–	–	1,889,319,320	102,398,980	–	1,991,718,300
	₱62,362,494,774	₱17,780,879,313	₱13,905,046,303	₱8,066,229,400	₱15,926,382,830	₱18,199,803,880	₱136,240,836,500

Intersegment eliminating adjustments related to sale of goods amounted to ₱1.73 billion and ₱1.57 billion in 2019 and 2018, respectively (Note 6).

21. Operating Expenses

This account consists of:

	2019	2018	2017
Rental and utilities (Notes 24 and 28)	**₱8,884,787,244**	₱10,508,824,120	₱8,959,404,658
Personnel costs and contracted services (Notes 22 and 23)	**9,801,982,310**	7,585,433,667	6,431,793,533
Depreciation and amortization (Notes 12, 14 and 28)	**6,879,793,222**	2,395,085,036	2,073,037,176
Transportation and travel	**1,666,796,549**	1,241,660,822	1,083,492,425
Supplies	**1,013,015,415**	806,241,418	760,801,644
Repairs and maintenance	**830,280,835**	587,624,491	438,011,103
Advertising	**755,776,814**	705,204,990	723,145,718
Bank and credit charges	**754,389,132**	663,624,324	547,994,430
Royalty expense (Note 29)	**213,685,744**	189,196,515	169,747,191
Others	**1,322,671,404**	948,506,781	561,728,077
	₱32,123,178,669	₱25,631,402,164	₱21,749,155,955

Others consist mainly of taxes and licenses, insurance and professional fees and allowance for impairment losses on trade and other receivables (Note 8).

Depreciation and amortization pertains to:

	2019	2018	2017
Property and equipment (Note 12)	**₱3,023,656,560**	₱2,377,059,872	₱2,058,368,620
Trademarks, franchise and license fees (Note 14)	**52,068,805**	18,025,164	14,668,556
Amortization of ROU assets (Note 28)	**3,804,067,857**	–	–
	₱6,879,793,222	₱2,395,085,036	₱2,073,037,176

22. Personnel Costs and Contracted Services

This account consists of:

	2019	2018	2017
Salaries, allowances and benefits (Note 21)	**₱5,570,643,300**	₱4,162,098,867	₱3,418,503,809
Contracted services (Note 21)	**4,231,339,010**	3,423,334,800	3,013,289,724
	₱9,801,982,310	₱7,585,433,667	₱6,431,793,533

Details of salaries, allowances and benefits:

	2019	2018	2017
Salaries, wages and allowances	**₱5,378,560,824**	₱4,006,099,584	₱3,247,551,513
Retirement expense (Note 23)	**192,082,476**	155,999,283	170,952,296
	₱5,570,643,300	₱4,162,098,867	₱3,418,503,809

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan, South Star Drug Retirement Plan and Rustan Supercenters Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary.

The Group is a member of the Plan which is administered separately by the Trustee, RBC, Metrobank Corporation and Bank of the Philippine Islands, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

The Plan was amended effective April 1, 2019. The effect of the change in retirement plan is reflected as past service cost and recognized immediatey in the 2019 retirement expense. During the year, certain number of employees were involuntarily separated. The settlement gain, as a result of the event, is also reflected in the retirement expense.

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:

	2019	2018	2017
Current service cost	**₱143,133,157**	₱135,673,669	₱142,074,946
Net interest cost	**(19,202,019)**	20,325,614	28,877,350
Past service cost	**56,379,082**	–	–
Net settlement gain	**11,772,256**	–	–
Retirement expense	**₱192,082,476**	₱155,999,283	₱170,952,296

Net retirement obligation as of December 31, 2019 and 2018 recognized in the consolidated statements of financial position follow:

	2019	2018
Present value of defined benefit obligation	**₱1,410,838,083**	₱1,052,484,292
Fair value of plan assets	**(1,063,100,793)**	(818,276,606)
Net retirement obligation	**₱347,737,290**	₱234,207,686

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

	2019	2018
Balance at beginning of year	**₱234,207,686**	₱546,188,167
Remeasurement (gain) loss	**364,536,075**	(342,862,134)
Retirement expense	**192,082,476**	155,999,283
Additions arising from business combination (Note 19)	**–**	283,655,342
Derecognition of retirement obligation	**(4,154,380)**	
Benefits paid from direct payments	**(51,320,069)**	(21,251,517)
Actual contribution	**(387,614,498)**	(387,521,455)
Balance at end of year	**₱347,737,290**	₱234,207,686

Remeasurement effects recognized in OCI:

	2019	2018
Remeasurement gains (losses) on:		
Retirement obligation	**(₱336,546,144)**	₱406,864,233
Retirement plan assets	**(23,835,551)**	(64,002,099)
Derecognition of cumulative gain	**(4,154,380)**	–
	(₱364,536,075)	₱342,862,134

In 2019, cumulative gain amounting to ₱4.15 million were derecognized from RGFBI. Cumulative gains are not to be reclassified in profit or loss in the consolidated financial statements of comprehensive income.

Movements of cumulative remeasurement effect recognized in OCI:

	2019	2018
Balance at beginning of year	**₱37,280,758**	(₱305,581,376)
Actuarial gain (loss)	**(336,546,144)**	406,864,233
Derecognition of cumulative gain	**(4,154,380)**	–
Return on assets excluding amount included in net interest cost	**(23,835,551)**	(64,002,099)
Total remeasurement	**(327,255,317)**	37,280,758
Income tax effect	**98,176,595**	(11,184,228)
	(₱229,078,722)	₱26,096,530

Movements in the fair value of plan assets follow:

	2019	2018
Balance at beginning of year	**₱818,276,606**	₱421,598,614
Actual contribution	**387,614,498**	387,521,455
Interest income included in net interest cost	**94,778,879**	33,406,467
Benefits paid	**(213,733,639)**	(1,145,647)
Remeasurement loss	**(23,835,551)**	(64,002,099)
Additions arising from business combination (Note 19)	**–**	40,897,816
Balance at end of year	**₱1,063,100,793**	₱818,276,606

Changes in the present value of defined benefit obligation follow:

	2019	2018
Balance at beginning of year	**₱1,052,484,292**	₱967,786,781
Current service cost	**143,133,157**	135,673,669
Interest cost	**75,576,860**	53,732,081
Past service cost	**56,379,082**	–
Remeasurement (gain) loss arising from:		
Changes in financial assumptions	**310,057,697**	(307,538,498)
Experience adjustments	**10,986,395**	(82,362,765)
Changes in demographic assumptions	**15,502,052**	(16,962,970)
Benefits paid	**(265,053,708)**	(22,397,164)
Effect of curtailment	**(181,030,230)**	–
Settlement	**192,802,486**	–
Additions arising from business combination (Note 19)	**–**	324,553,158
Balance at end of year	**₱1,410,838,083**	₱1,052,484,292

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

	2019	2018
Cash and cash equivalents		
Savings deposit	**₱1,533,873**	₱1,688,422
Investments in government securities		
Fixed rate treasury notes	**16,823,198**	16,439,885
Investments in UITF	**1,023,540,040**	800,037,660
Other receivables	**21,425,167**	133,151
Accrued trust fee payable	**(221,485)**	(22,512)
	₱1,063,100,793	₱818,276,606

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

	2019	2018
Discount rates	**4.80% - 7.40%**	7.19% - 7.46%
Salary increase rates	**2.50% - 9.00%**	3.00% - 7.70%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return (loss) on plan assets amounted to ₱70.94 million, (₱30.60 million) and (₱15.64 million) in 2019, 2018 and 2017, respectively.

The Group expects to contribute ₱240.88 million to the defined benefit plan in 2020.

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

	2019	2018
Balances at the beginning of year	**₱445,262,395**	₱236,820,467
Remeasurement gains (losses) during the year	**(243,889,801)**	208,441,928
Balances at end of year	**₱201,372,594**	₱445,262,395

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
2019	**Salary increase**	**+1.00%**	**₱173,337,407**
		-1.00%	**(147,799,483)**
	Discount rates	**+1.00%**	**(141,379,808)**
		-1.00%	**168,739,864**
2018	Salary increase	+1.00%	96,724,955
		-1.00%	(82,990,856)
	Discount rates	+1.00%	(77,198,339)
		-1.00%	66,855,480

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:

	2019	2018
Less than 1 year	**₱73,004,268**	₱93,327,604
More than 1 year but less than 5 years	**274,556,901**	255,986,130
More than 5 years but less than 10 years	**607,497,556**	517,995,321
More than 10 years but less than 15 years	**985,217,891**	767,895,040
More than 15 years but less than 20 years	**1,466,962,240**	1,134,757,501
More than 20 years	**6,421,733,661**	5,596,509,099

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)	
	2019	2018	2017	**2019**	2018
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱4,158,993,927**	₱3,214,288,927	₱2,804,711,625	**₱574,940,992**	₱325,303,347
Royalty income	**1,681,857,691**	1,443,589,170	1,261,104,503	**–**	–
b. Trade and other payable					
Purchases - net	**(2,925,027,729)**	(2,896,390,334)	(2,832,232,330)	**–**	–
Rent and utilities	**(4,694,100,343)**	(4,462,345,647)	(3,949,827,999)	**(626,847,493)**	(541,174,032)

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

a. As of December 31, 2019 and 2018, the Group has outstanding balances from its other affiliates arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

b. As of December 31, 2019 and 2018, the Group has outstanding payable to its other affiliates 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 normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year.

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 2019, 2018 and 2017 follow:

	2019	2018	2017
Short-term employee benefits	**₱174,301,314**	₱144,741,622	₱140,592,485
Post-employment benefits	**44,379,656**	25,737,872	37,004,324
	₱218,680,970	₱170,479,494	₱177,596,809

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the years ended December 31, 2019, 2018 and 2017. 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.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

25. Income Tax

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

	2019	2018	2017
Current	**₱2,056,973,505**	₱1,807,600,901	₱1,785,241,581
Deferred	**(497,680,792)**	(35,579,353)	(81,928,619)
	₱1,559,292,713	₱1,772,021,548	₱1,703,312,962

The components of the net deferred tax assets of the Group as of December 31, 2019 and 2018 pertain to the deferred tax effects of the following:

	2019	2018
Tax effects of:		
Items recognized in profit or loss:		
Lease liabilities	**₱532,370,210**	₱–
MCIT	**180,183,648**	123,082,937
Unamortized past service cost	**106,529,705**	66,962,036
NOLCO	**57,471,277**	77,184,991
Allowance for expected credit losses	**40,162,454**	40,894,445
Deferred revenue	**14,527,365**	16,971,298
Allowance for inventory write-obsolescence	**8,977,236**	23,384,581
Accrued expenses	**1,446,846**	61,078,099
Unrealized foreign exchange - net	**(2,687,617)**	4,549,743
Retirement expense	**(27,664,859)**	10,535,727
	911,316,265	424,643,857
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**98,176,595**	(11,184,228)
	₱1,009,492,860	₱413,459,629

In 2019, the Group derecognized deferred tax assets amounting to ₱1.25 million related to the retirement obligation of RGBFI.

The components of the net deferred tax liabilities of the Group as of December 31, 2019 and 2018 represent deferred tax effects of the following:

	2019	2018
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱1,921,295,422**	₱1,921,295,422
Asset revaluation	**37,979,643**	47,669,901
Unrealized forex gains	**–**	1,318,126
	1,959,275,065	1,970,283,449
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**106,579,459**	(15,463,859)
	₱2,065,854,524	₱1,954,819,590

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2019	2018
Tax effects of:		
Allowance for impairment losses	**₱22,739,980**	₱22,739,980
Retirement obligation	**33,809,451**	–
NOLCO	**13,936,252**	55,174,650
MCIT	**697,208**	–
Allowance for expected credit losses	**–**	22,751,697
	₱71,182,891	₱100,666,327

Details of the Group's NOLCO related to RRHI, RDDC, RI, RCSI, RGFBI, RHIB, HPTD, RSSI, RLSI and Super50 follow:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Reversals	Ending Balance	Expiry Year
2019	₱–	₱–	₱213,280,729	₱–	₱213,280,729	2022
2018	166,466,045	1,500	–	162,504,028	3,960,517	2021
2017	170,325,860	7,196,117	–	142,345,894	20,783,849	2020
2016	104,406,899	64,023,704	–	40,383,195	–	2019
Total	₱441,198,804	₱71,221,321	₱213,280,729	₱345,233,117	₱238,025,095	

In 2019, RLSI recognized deferred tax assets pertaining to NOLCO amounting to ₱0.42 million which was unrecognized in prior year.

Details of the Group's MCIT related to RRHI, RI, RVC, RCSI, RHIB, RSSI and RDDC follow:

Inception Year	Beginning Balance	Applied/ Expired	Additions	Ending Balance	Expiry Year
2019	₱–	₱–	₱67,040,246	₱67,040,246	2022
2018	100,297,401	3,368,360	–	96,929,041	2021
2017	16,911,569	–	–	16,911,569	2020
2016	5,873,967	5,873,967	–	–	2019
Total	₱123,082,937	₱9,242,327	₱67,040,246	₱180,880,856	

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

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	**4.92**	–	1.74
Nondeductible expense	–	0.17	–
Change in unrecognized deferred tax assets	**(0.14)**	(0.15)	(0.77)
Effect of PFRS 9 and 15 adoption	–	(0.24)	–
Dividend income	**(0.49)**	(0.44)	(0.46)
Effect of OSD	**(0.69)**	(0.50)	(3.67)
Nontaxable income subject to final tax	**(0.70)**	(0.82)	–
Nontaxable income not subject to final tax	**(0.07)**	–	–
Franchise income	**(0.22)**	–	–
Derecognized DTA for NOLCO	**(1.70)**	(0.82)	–
Expired MCIT and NOLCO	**(0.40)**	–	–
Interest income subject to final tax	**(4.99)**	(3.88)	(3.59)
Effective income tax rate	**25.52%**	23.32%	23.25%

On December 19, 2017, the RA No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changed existing tax law and includes several provisions that generally affected businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of December 31, 2018.

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 2019, 2018 and 2017 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:

	2019	2018	2017
Net income attributable to equity holders of the Parent Company	**₱3,918,623,046**	₱5,107,328,539	₱4,978,039,066
Weighted average number of common shares	**1,576,489,360**	1,400,957,447	1,385,000,000
Basic and Diluted EPS	**₱2.49**	₱3.65	₱3.59

	2019	2018	2017
No. of shares at the beginning of year	**1,576,489,360**	1,385,000,000	1,385,000,000
Weighted average number of shares issued during the year	–	15,957,447	–
Weighted average number of common shares	**1,576,489,360**	1,400,957,447	1,385,000,000

The Parent Company has no dilutive potential common shares in 2019, 2018 and 2017.

27. Risk Management and Financial Instruments

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

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

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

Market Risk
Market risk is the risk of loss to future earnings, to fair value of cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates equity prices and other market factors.

Interest Rate Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

Price Interest Rate Risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVTPL and FVOCI.

The table below shows the impact on income before tax of the estimated future yield of the related market indices of the Group's financial assets at FVTPL and FVOCI using a sensitivity approach.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**2019**	2018
+100 basis points (bps)	**₱7,091,164**	₱9,198,181
-100 bps	**(7,091,164)**	(9,198,181)

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arises mainly from foreign currency-denominated cash and cash equivalents, interest receivable, and financial assets at FVOCI 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 (₱)**	
	2019	2018	**2019**	2018
USD	**+0.99%**	+1.13%	**₱47,902,028**	₱48,071,706
	-0.99%	-1.13%	**(47,902,028)**	(48,071,706)

The Group used foreign exchange rate of ₱50:64:USD1 and ₱52.58: USD1 as of December 31, 2019, and 2018, 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 0.99% and 1.13% in 2019 and 2018 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 2019 and 2018 are as follows:

	2019		2018	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$4,136,036**	**₱209,428,183**	$1,447,926	₱76,131,949
Receivables	**1,043,879**	**52,856,813**	766,277	40,290,845
FVOCI with recycling	**90,618,545**	**4,588,470,026**	78,704,449	4,138,279,928
Total	**$95,798,460**	**₱4,850,755,022**	$80,918,652	₱4,254,702,722

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, 2019 and 2018. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk
The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2019 and 2018.

Quoted equity securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of December 31, 2019 and 2018.

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
2019	**+14.70%**	**₱28,693,491**
	-14.70%	**(28,693,491)**
2018	+17.95%	₱68,645,011
	-17.95%	(68,645,011)

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 14.70% and 17.95% in 2019 and 2018, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

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

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

The table on the next page shows the maturity profile of the financial instruments of the Group as of December 31, 2019 and 2018 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

December 31, 2019

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱20,292,913,953**	**₱–**	**₱–**	**₱20,292,913,953**
Trade receivables	**79,335,269**	**2,381,289,112**	**–**	**2,460,624,381**
Nontrade receivables	**–**	**874,803,571**	**–**	**874,803,571**
Due from franchisees	**–**	**609,368,201**	**–**	**609,368,201**
Other noncurrent assets:				
Security and other deposits	**–**	**–**	**2,479,555,628**	**2,479,555,628**
Construction bonds	**–**	**–**	**35,535,709**	**35,535,709**
FVOCI	**–**	**–**	**14,756,805,821**	**14,756,805,821**
FVTPL	**–**	**100,547,120**	**–**	**100,547,120**
	₱20,372,249,222	**₱3,966,008,004**	**₱17,271,897,158**	**₱41,610,154,384**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱24,326,887,881**	**₱–**	**₱24,326,887,881**
Short-term loans payable	**–**	**4,634,000,000**	**–**	**4,634,000,000**
Lease liabilities	**–**	**2,163,735,524**	**25,889,035,549**	**28,052,771,073**
Other current liabilities	**–**	**267,245,302**	**–**	**267,245,302**
	₱–	**₱31,391,868,707**	**₱25,889,035,549**	**₱57,280,904,256**

**Excluding statutory liabilities amounting ₱775,105,311.*

December 31, 2018

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱14,788,040,613	₱–	₱–	₱14,788,040,613
Trade receivables	173,451,559	1,935,168,711	–	2,108,620,270
Nontrade receivables	–	734,264,185	–	734,264,185
Due from franchisees	75,838,989	409,218,908	–	485,057,897
Other noncurrent assets:				
Security and other deposits	–	–	2,550,724,180	2,550,724,180
Construction bonds	–	–	33,092,201	33,092,201
FVOCI	–	–	18,086,295,711	18,086,295,711
FVTPL	–	–	1,665,171,011	1,665,171,011
	₱15,037,331,161	₱3,078,651,804	₱22,335,283,103	₱40,451,266,068
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱24,046,700,951	₱–	₱24,046,700,951
Short-term loans payable	–	6,794,000,000	–	6,794,000,000
Other current liabilities	–	279,844,005	–	279,844,005
Other noncurrent liabilities	–	304,021,928	–	304,021,928
	₱–	₱31,424,566,884	₱–	₱31,424,566,884

**Excluding statutory liabilities amounting ₱530,409,504.*

Credit Risk

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

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

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱1.47 billion and ₱2.17 billion in 2019 and 2018, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

Financial assets at FVOCI and FVTPL 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 ₱39.96 billion and ₱36.46 billion as of December 31, 2019 and 2018, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost and FVOCI as of December 31, 2019 and 2018.

2019

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	**₱18,825,510,649**	**₱–**	**₱–**	**₱18,825,510,649**
Trade receivables	**2,381,289,112**	**–**	**79,335,269**	**2,460,624,381**
Nontrade receivables	**874,803,571**	**–**	**–**	**874,803,571**
Due from franchisees	**609,368,201**	**–**	**–**	**609,368,201**
Other noncurrent assets:				
Security and other deposits	**2,479,555,628**	**–**	**–**	**2,479,555,628**
Construction bond	**35,535,709**	**–**	**–**	**35,535,709**
FVOCI	**14,756,805,821**	**–**	**–**	**14,756,805,821**
	₱39,962,868,691	**₱–**	**₱79,335,269**	**₱40,042,203,960**

2018

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	₱12,613,663,128	₱–	₱–	₱12,613,663,128
Trade receivables	2,028,112,411	–	80,507,859	2,108,620,270
Nontrade receivables	734,264,185	–	–	734,264,185
Due from franchisees	409,218,908	–	75,838,989	485,057,897
Other noncurrent assets:				
Security and other deposits	2,550,724,180	–	–	2,550,724,180
Construction bond	33,092,201	–	–	33,092,201
FVOCI	18,086,295,712	–	–	18,086,295,712
	₱36,455,370,725	₱–	₱156,346,848	₱36,611,717,573

Impairment of Financial Assets The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Trade receivables;
- Debt securities at FVOCI; and
- Other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include accrued interest receivables, refundable security and other deposits, advances to employees and officers and receivable from insurance. These are also subject to impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized recoveries of (provision for) expected credit losses on its debt instruments at FVOCI amounting to ₱6.17 million and (₱13.13 million) in 2019 and 2018, respectively (Note 11).

Trade Receivables. The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (Note 8).

A summary of Group exposure to credit risk under general and general approach as of December 31, 2019 and 2018 follows:

2019

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱18,825,510,649	₱–	₱–	₱–
Trade receivables	–	–	–	2,460,624,381
Due from franchisees	–	–	–	609,368,201
Nontrade receivables	874,803,571	–	–	–
Security and other deposits	2,515,091,337	–	–	–
FVOCI	14,756,805,821	–	–	–
Total gross carrying amounts	36,972,211,378	–	–	3,069,992,582
Less allowance	6,957,722	–	–	79,335,269
	₱36,965,253,656	₱–	₱–	₱2,990,657,313

2018

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱12,613,663,128	₱–	₱–	₱–
Trade receivables	–	–	–	2,108,620,270
Due from franchisees	–	–	–	485,057,897
Nontrade receivables	734,264,185	–	–	–
Security and other deposits	2,583,816,381	–	–	–
FVOCI	18,086,295,711	–	–	–
Total gross carrying amounts	34,018,039,405	–	–	2,593,678,167
Less allowance	13,130,750	–	–	156,346,848
	₱34,004,908,655	₱–	₱–	₱2,437,331,319

In 2019 and 2018, there were no movements between stage 1, 2 and 3.

Fair Values of Financial Assets and Liabilities

The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.

- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

- Debt and equity instrument financial assets amounting to ₱14.86 billion and ₱19.75 billion as at December 31, 2019 and 2018, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.

- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

- Due to the long-term nature of lease contracts, lease payments are discounted using an incremental borrowing rate to approximate the fair value of lease liablities.

In 2019 and 2018, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. Lease Commitments

Group as Lessee (Effective Beginning January 1, 2019)
The Group has lease contracts for various land and building wherein the offices, stores and warehouses are located and built. Lease terms are generally between one (1) year up to thirty (30) years. Most lease are renewable at certain agreed terms and conditions. The monthly fees are based on fixed rate subject to 2%-5% escalation rate or percentage of sales, whichever is higher.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year ended December 31, 2019:

Beginning balance, as restated (Note 3)	₱28,188,970,775
Additions	1,933,057,843
Amortization of ROU assets (Note 21)	(3,804,067,857)
	₱26,317,960,761

Set out below are the carrying amounts of lease liabilities and the movements during the year ended December 31, 2019:

Beginning balance, as restated (Notes 3 and 30)	₱28,284,869,213
New leases during the year (Note 30)	1,932,222,117
Accretion of interest expense	2,277,816,116
Payments	(4,442,136,373)
	28,052,771,073
Less current portion of lease liabilities	2,163,735,524
Noncurrent portion of lease liabilities	₱25,889,035,549

The following are the amounts recognized in profit or loss for the year ended December 31, 2019:

Amortization of ROU assets (Note 21)	₱3,804,067,857
Interest expense on lease liabilities	2,277,816,116
Expenses relating to short-term leases and variable lease payments (Note 21)	3,469,829,538
	₱9,551,713,511

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

Within one (1) year	₱4,569,408,586
After one (1) year but not more than five (5) years	17,979,615,424
More than five (5) years	20,577,246,970
	₱43,126,270,980

The Company's additions to ROU assets and lease liabilities as of January 1, 2019 are considered non-cash activities.

Rental expense in 2018 and 2017 amounted to ₱6.26 billion and ₱5.49 billion, respectively (Notes 21 and 24).

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the "Royalty, Rent and Other Revenue" account in the consolidated statements of comprehensive income (Note 29).

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

Accrued rent recognized in the consolidated statements of financial position as of December 31, 2018 amounting to ₱151.87 million pertains to RSCI's lease agreements arising from lease straight-lining.

29. **Agreements**

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

   Royalty expense amounted to ₱87.96 million, ₱82.17 million and ₱74.12 million in 2019, 2018 and 2017, respectively (Note 21). Royalty payable to Ministop included under "Other current liabilities" as of December 31, 2019 and 2018 amounted to ₱7.43 million and ₱7.91 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 ₱1.84 billion, ₱1.88 billion and ₱1.72 billion in 2019, 2018 and 2017, respectively.

   As of December 31, 2019 and 2018, amounts due from franchisees amounted to ₱609.37 million and ₱409.22 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to nil and ₱75.84 million as of December 31, 2019 and 2018 (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 ₱11.42 million, ₱10.11 million and ₱7.95 million in 2019, 2018 and 2017, respectively.

d.) 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 ₱93.52 million, ₱89.78 million and ₱82.15 million in 2019, 2018 and 2017, respectively.

e.) 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 ₱4.39 million, ₱7.04 million and ₱5.52 million in 2019, 2018 and 2017, respectively.

f.) On April 25, 2019, Emart Inc., granted the Group, an exclusive and non-transferrable right to carry on the "NO BRAND" business in the Philippines. The Group pays royalty fee amounting to ₱139,868 for 2019 representing 0.5% of the net revenue arising from sale of "NO BRAND" products and EMART sourced products in the Philippines.

g.) In 2019, the Group paid royalty fee in the amount of ₱15.70 million. This represents 0.5% royalty fee on net sales for the use of "Rustan's" trademarks. The royalty fee is payable to a third party.

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

30. Changes in Liabilities Arising from Financing Activities

2019

	January 1, 2019	Net Cash Flows	Dividend Declaration	Others	December 31, 2019
Lease liabilities	₱28,284,869,213	(4,442,136,373)	₱–	₱4,210,038,233	₱28,052,771,073
Loans payable	6,794,000,000	(2,160,000,000)	–	–	4,634,000,000
Dividends payable	11,666,662	(1,456,975,501)	1,484,482,720	–	39,173,881
Total liabilities from financing activities	₱35,090,535,875	(₱8,059,111,874)	₱1,484,482,720	₱4,210,038,233	₱32,725,944,954

2018

	January 1, 2018	Net Cash Flows	Dividend Declaration	Others	December 31, 2018
Loans payable	₱6,377,954,863	(₱1,083,954,863)	₱–	₱1,500,000,000	₱6,794,000,000
Dividends payable	14,000,000	(1,266,370,255)	1,264,036,917	–	11,666,662
Total liabilities from financing activities	₱6,391,954,863	(₱2,350,325,118)	₱1,264,036,917	₱1,500,000,000	₱6,805,666,662

In 2019, others pertain to the new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱1.93 billion and ₱2.28 billion, respectively.

In 2018, others pertain to the short-term loans assumed in the acquisition of RSCI. Interest paid in 2019 and 2018 amounted to ₱300.68 million and ₱159.07 million, respectively. Interest

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 Period**

Significant non-adjusting events follows:

Merger of RSC, RI, RTI and RGFBI
On March 4, 2019, the stockholders of RSC with RI, RTI and RGFBI approved the plan of merger of the companies with RSC as the surviving company. This was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies.

On September 30, 2019, the SEC approved the merger of RSC with RI, RTI and RGFBI with RSC as the surviving entity effective January 1, 2020.

Sale of Investment in CCC
On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of ₱230.00 million.

Buy-back of Common Shares of RRHI
On March 9, 2020, the BOD of RRHI approved the creation and implementation of a share buyback program involving up to Philippine Pesos: Two Billion (₱2.0 billion) worth of the RRHI's common shares to enhance shareholder value and to manifest confidence in the Group's value and prospects through the repurchase of its common shares and the return of a portion of the Group's capital to its shareholders.

The program will not involve any active and widespread solicitation from the stockholders and will be implemented in the open market through the trading facilities of the PSE. It will not affect any of the Group's prospective and existing projects and investments and will be supervised by Robina Y. Gokongwei-Pe, President and Chief Executive Officer and Mylene A. Kasiban, Chief Financial Officer, as authorized by the BOD.

Any significant development in the share buyback program will be duly disclosed to the SEC and the PSE.

COVID-19 Impact, Risks and Mitigation in RRHI
On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until April 12, 2020. The Group considers the measure taken by the government as a non-adjusting subsequent event.

The Group has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. Its supermarkets, convenience stores and drugstores formats, which are considered essential to the nationwide effort, remain open to serve the public. In the face of this global crisis, the Group remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its employees and customers.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019.

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

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 23, 2020.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated March 23, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

March 23, 2020

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 23, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wenda Lynn M. Loyola

Wenda Lynn M. Loyola
Partner
CPA Certificate No. 109952
SEC Accreditation No. 1540-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

March 23, 2020

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, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Debt and Equity Securities				
Various bonds	₱13,627,775,097	₱13,541,822,321	₱13,541,822,321	₱684,546,371
Notes	100,000,000	100,547,120	100,547,120	38,169,550
Investment in preferred shares	2,000,000,000	1,214,983,500	1,214,983,500	100,315,156
	₱15,727,775,097	₱14,857,352,941	₱14,857,352,941	₱823,031,077

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, 2019

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, 2019

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱545,075,446	(₱39,991,138)	₱–	₱505,084,308	₱–	₱505,084,308
Robinsons Toys, Inc.	213,995,712	(961,136)	–	213,034,576	–	213,034,576
Robinsons Convenience Stores, Inc.	39,106,088	–	–	39,106,088	–	39,106,088
Robinson’s Supermarket Corporation	27,770,762	(6,487,835)	–	21,282,927	–	21,282,927
Robinson’s Incorporated	15,279,270	205,180,057	–	220,459,327	–	220,459,327
Robinsons Handyman, Inc.	7,383,979	(7,383,979)	–	–	–	–
RHD Daiso - Saizen, Inc.	370,881,028	(31,190,473)	–	339,690,555	–	339,690,555
	₱1,219,492,285	₱119,165,496	₱–	₱1,338,657,781	₱–	₱1,338,657,781

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

DECEMBER 31, 2019

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2019

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱259,085,303	₱308,146,985
Universal Robina Corporation	282,088,729	318,533,093
JG Summit Holdings, Inc.	–	167,415
	₱541,174,032	₱626,847,493

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G: CAPITAL STOCK
DECEMBER 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	2,000,000,000	1,576,489,360	491,299,997	259,344,155	825,845,208

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF DECEMBER 31, 2019 and 2018

Financial Soundness Indicator	**2019 Under PFRS 16**	**2019 Under PAS 17**	2018 Under PAS 17
i. Liquidity ratio:			
Current ratio	**1.42**	**1.52**	1.22
ii. Profitability ratio:			
Gross profit margin	**0.23**	**0.23**	0.22
Return on assets	**0.04**	**0.05**	0.06
Return on equity	**0.06**	**0.08**	0.09
iii. Stability ratio:			
Solvency ratio	**0.19**	**0.26**	0.23
Debt to equity ratio	**0.80**	**0.43**	0.48
Asset to equity ratio	**1.80**	**1.43**	1.48
Interest rate coverage ratio	**3.02**	**23.81**	41.65

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018

	2019 Under PFRS 16	**2019 Under PAS 17**	2018 Under PAS 17
Current assets	**₱46,919,908,520**	**₱46,959,665,576**	₱39,747,311,135
Current liabilities	**32,964,943,189**	**30,801,207,665**	32,488,636,348
Current ratio	**1.42**	**1.52**	1.22
Gross profit	**₱37,181,153,639**	**₱37,181,153,639**	₱29,835,082,422
Net sales	**162,915,687,301**	**162,915,687,301**	132,680,466,776
Gross profit margin	**0.23**	**0.23**	0.22
After tax net profit	**₱4,550,287,809**	**₱5,657,665,199**	₱5,825,137,424
Depreciation and amortization	**6,879,793,222**	**3,075,725,365**	2,395,085,036
	11,430,081,031	**8,733,390,564**	8,220,222,460
Total liabilities	**61,339,673,703**	**33,421,722,399**	35,072,939,195
Solvency ratio	**0.19**	**0.26**	0.23
Total liabilities	**₱61,339,673,703**	**₱33,421,722,399**	₱35,072,939,195
Total equity	**76,526,396,610**	**77,633,773,999**	72,704,167,999
Debt to equity ratio	**0.80**	**0.43**	0.48
Total assets	**₱137,866,070,313**	**₱111,055,496,398**	₱107,777,107,194
Total equity	**76,526,396,610**	**77,633,773,999**	72,704,167,999
Asset to equity ratio	**1.80**	**1.43**	1.48
Earnings before interest and taxes	**₱7,798,155,994**	**₱7,160,087,478**	₱6,625,876,142
Interest expense	**2,578,499,847**	**300,683,731**	159,071,734
Interest rate coverage ratio	**3.02**	**23.81**	41.65
Net income	**₱4,550,287,809**	**₱5,657,665,199**	₱5,825,137,424
Average total assets	**122,821,588,754**	**109,416,301,796**	94,978,917,013
Return on assets	**0.04**	**0.05**	0.06
Net income	**₱4,550,287,809**	**₱5,657,665,199**	₱5,825,137,424
Average total equity	**74,615,282,305**	**75,168,970,999**	63,985,403,542
Return on equity	**0.06**	**0.08**	0.09

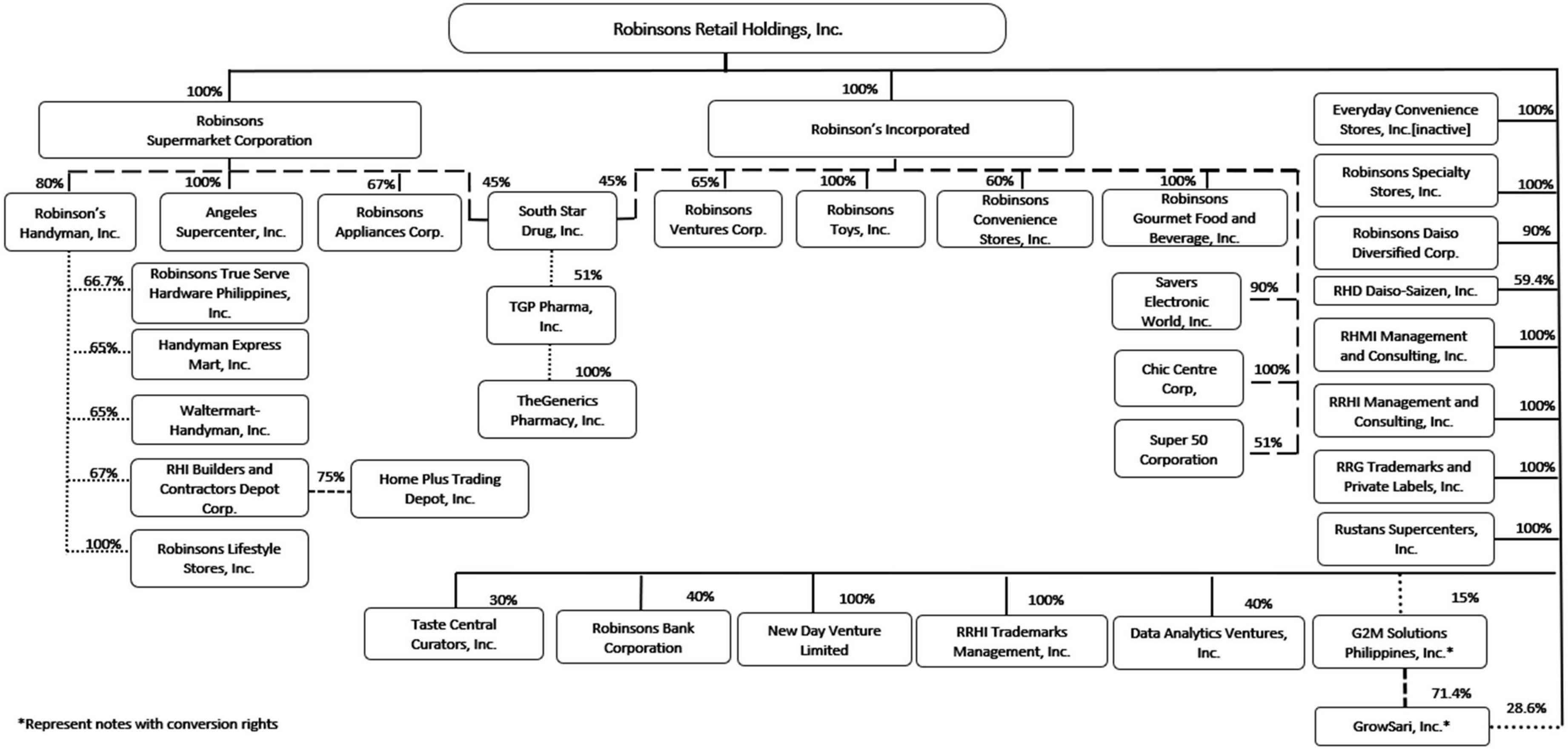
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019

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, 2019:



ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Unappropriated Retained Earnings of the Parent Company, January 1, 2019		₱1,802,510,337
Net income based on the face of audited financial statements	1,183,604,494	
Provision for deferred income tax through profit or loss	290,112	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of an associate	–	
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 - 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	–	
Unrealized foreign exchange loss - net		
Adjustment due to deviation from PFRS - loss	–	
Loss on fair value adjustment of investment properties	–	
Net income actual/realized	1,183,314,382	1,183,314,382
Less: Appropriations during the year		–
Dividend declarations during the year		1,135,072,399
Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2019		₱1,850,752,320

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱1,118,488,684
Other corporate purposes	413,472,529
Renovation of existing stores	738,987,454
Repayment of bank loans	367,444,795
Total	₱2,638,393,462

ROBINSONS RETAIL
HOLDINGS, INC.

January 14, 2020

THE PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
6th Floor, Philippine Stock Exchange Tower
28th Street, corner 5th Avenue
Bonifacio Global City
Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head – Disclosure Department

Subject: **Annual Summary of the Application of Proceeds from the Initial Public Offering (IPO) with External Auditor Certification**

Dear Ms. Encarnacion:

We are submitting the following attachments as compliance with the PSE requirement for newly listed companies to provide a progress report on the application of proceeds.

1. Progress report on the application of proceeds from IPO for the year ended December 31, 2019.
2. Certification of SGV on the accuracy of information provided by Robinsons Retail Holdings, Inc. in relation to the progress report.

We hope you find everything in order.

Very truly yours,

Gina Roa-Dipaling
Vice President - Corporate Planning & Investor Relations

ROBINSONS RETAIL HOLDINGS, INC.
110 E. Rodriguez, Jr. Avenue, Libis, Quezon City 1110, Philippines
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E info@robinsonsretailholdings.com.ph
www.robinsonsretailholdings.com.ph

ROBINSONS RETAIL
HOLDINGS, INC.

January 14, 2020

THE PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
6th Floor, Philippine Stock Exchange Tower
28th Street, corner 5th Avenue
Bonifacio Global City
Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head – Disclosure Department

Subject: **Annual Summary of the Application of Proceeds from the Initial Public Offering (IPO)**

Dear Ms. Encarnacion:

In line with the Initial Public Offering (IPO) of Robinsons Retail Holdings, Inc. (RRHI) on November 11, 2013, we submit herewith our report on the application of the net proceeds coming from the primary offer of RRHI shares amounting to TWENTY-SIX BILLION TWO HUNDRED SIXTY-NINE MILLION FOUR HUNDRED SEVENTY THREE THOUSAND EIGHT HUNDRED FORTY SEVEN PESOS (₱26,269,473,847).

For the year ended December 31, 2019, the application of the net proceeds is broken down as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱1,118,488,684
Renovation of existing stores	738,987,454
Repayment of bank loan	367,444,795
Other corporate purposes	413,472,529
Total	₱2,638,393,462

Thank you.

Very truly yours,

Mylene A. Kasiban
Chief Financial Officer

ROBINSONS RETAIL HOLDINGS, INC.
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1226 Makati City
Philippines

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

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

REPORT OF FACTUAL FINDINGS

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 performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2019 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, 2019, and agreed the amounts for expansion of store networks, 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, 2019 totaling ₱2.27 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 ₱367.44 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.

4. Inquired into and identified the nature of the disbursements. Checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of IPO proceeds.

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, 2019.

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.

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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 ₱367.44 million. The amount recorded agreed with the supporting documents.

4. With respect to item 4, we noted that all disbursements made as appearing in the report are consistent with the planned use of the fund based on our inquiries and understanding of the underlying transactions.

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-AR-1 (Group A),
January 10, 2019, valid until January 9, 2022
Tax Identification No. 242-019-387
BIR Accreditation No. 08-001998-117-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125250, January 7, 2020, Makati City

January 14, 2020