

# COVER SHEET

SEC Registration Number

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Company Name

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting  
Month/Day

Fiscal Year  
Month/Day

## 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

Contact Person's Address

**Note:** 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.

**SECURITIES AND EXCHANGE COMMISSION**

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2015
2. Commission 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. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code
- 110 E. Rodriguez, Jr. Avenue, Bagumbayan, 1110  
Quezon City, Philippines

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	1,385,000,000

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

Yes [ / ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange - Common Share

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 [ ]

#### **PART I--FINANCIAL INFORMATION**

Item 1. Financial Statements

Please refer to the attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to the attached.

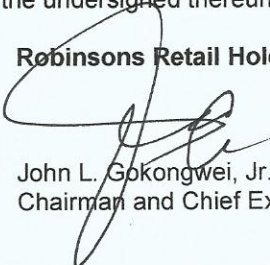
#### **PART II--OTHER INFORMATION**

Attachment 1 – Use of Proceeds from Initial Public Offering as of March 31, 2015

#### **SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **Robinsons Retail Holdings, Inc.**

Signature and Title:   
John L. Gokongwei, Jr.  
Chairman and Chief Executive Officer

Date: May 15, 2015

Signature and Title:   
Katheryn T. Lim  
Treasurer

Date: May 15, 2015

Signature and Title:   
Diosdado Felix A. Zapata III  
Chief Financial Officer

Date: May 15, 2015

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila


The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the period ended March 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

  
MR. JOHN L. GOKONGWEI, JR.  
Chairman

  
MR. JOHN L. GOKONGWEI, JR.  
Chief Executive Officer

  
KATHERYN T. LIM  
Treasurer

  
DIOSDADO FELIX A. ZAPATA III  
Chief Financial Officer

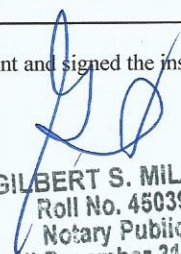
Before me, a notary public in the city named above, personally appeared:

Name	Competent Proof of Identity	Place/Date of Issue
John L. Gokongwei	TIN No. 124-294-226	
Katheryn T. Lim	TIN No. 142-200-457	
Diosdado Felix A. Zapata III	TIN No. 195-218-279	

Who is personally known to me to be the same person 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 MAY 14 2015 day of MAY, 2015.

Doc. No. 160 ;  
Page No. 32 ;  
Book No. 1 ;  
Series of 20 15 .

  
ATTY. GILBERT S. MILLADO, JR.  
Roll No. 45039  
Notary Public  
Until December 31, 2016  
110 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City  
PTR No. 0566316; Jan. 7, 2015; Quezon City  
IBP No. 0981290; Jan. 5, 2015; CALMANA  
TIN 166-215-465  
Commission-Adm. No. 174(2015-2016)  
MCLE Compliance No. 12-0010071

## **PART 1 – FINANCIAL INFORMATION**

### **Item 1 – Financial Statements**

- A. Unaudited Consolidated Statements of Financial Position as of March 31, 2015 and Audited Consolidated Statements of Financial Position as of December 31, 2014
- B. Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2015 and 2014
- C. Unaudited Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2015 and 2014
- D. Unaudited Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2015 and 2014
- E. Notes to Unaudited Consolidated Financial Statements

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION**

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 8 and 29)	<b>₱7,151,052,317</b>	₱9,969,823,164
Short-term investments (Notes 9 and 29)	<b>6,779,356</b>	1,852,726,333
Trade and other receivables (Notes 10 and 29)	<b>984,396,969</b>	1,529,443,918
Merchandise inventories (Note 11)	<b>9,746,710,569</b>	8,993,411,437
Other current assets (Note 12)	<b>1,586,367,088</b>	1,367,073,387
Total Current Assets	<b>19,475,306,299</b>	23,712,478,239
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets (Notes 13 and 29)	<b>19,035,851,372</b>	17,717,912,763
Property and equipment (Note 14)	<b>10,004,158,083</b>	9,653,665,304
Investment in shares of stocks (Note 15)	<b>2,209,739,059</b>	1,990,235,885
Intangible assets (Note 16)	<b>3,031,288,039</b>	3,034,318,342
Deferred tax assets - net (Note 27)	<b>180,468,367</b>	169,670,408
Other noncurrent assets (Notes 17 and 29)	<b>1,196,022,204</b>	1,215,713,690
Total Noncurrent Assets	<b>35,657,527,124</b>	33,781,516,392
	<b>₱55,132,833,423</b>	₱57,493,994,631
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 18 and 29)	<b>₱10,659,296,100</b>	₱14,139,144,305
Current portion of loans payable (Notes 19 and 29)	<b>55,555,556</b>	55,555,556
Income tax payable	<b>835,927,809</b>	629,586,074
Other current liabilities (Note 29)	<b>174,525,918</b>	198,062,357
Total Current Liabilities	<b>11,725,305,383</b>	15,022,348,292
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Notes 19 and 29)	<b>42,213,281</b>	56,131,441
Deferred tax liability - net (Notes 21 and 27)	<b>544,575,639</b>	544,575,639
Pension liability (Note 25)	<b>657,671,098</b>	634,701,436
Total Noncurrent Liabilities	<b>1,244,460,018</b>	1,235,408,516
Total Liabilities	<b>12,969,765,401</b>	16,257,756,808

(Forward)

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
<b>Equity</b> (Note 20)		
Capital stock	<b>₱1,385,000,000</b>	₱1,385,000,000
Additional paid-in capital	<b>27,227,385,090</b>	27,227,385,090
Treasury shares	—	—
Other comprehensive income (loss) (Notes 13, 15 and 25)	<b>30,912,147</b>	(23,641,261)
Equity reserve	<b>(991,931,906)</b>	(991,931,906)
Retained earnings		
Appropriated	<b>10,311,451,453</b>	10,311,451,453
Unappropriated	<b>2,521,165,720</b>	1,740,057,473
Total equity attributable to equity holders of the Parent Company	<b>40,483,982,504</b>	39,648,320,849
Non-controlling interest in consolidated subsidiaries	<b>1,679,085,518</b>	1,587,916,974
Total Equity	<b>42,163,068,022</b>	41,236,237,823
	<b>₱55,132,833,423</b>	₱57,493,994,631

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

	<b>Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>SALES-</b> net of sales discounts and returns (Note 22)	<b>₱19,715,150,870</b>	₱17,426,009,975
<b>COST OF MERCHANDISE SOLD</b> (Note 11)	<b>15,462,828,186</b>	13,761,172,471
<b>GROSS PROFIT</b>	<b>4,252,322,684</b>	3,664,837,504
<b>ROYALTY, RENT AND OTHER</b>		
<b>REVENUE</b> (Notes 7, 26, 30 and 31)	<b>396,990,153</b>	324,440,600
<b>GROSS PROFIT INCLUDING OTHER</b>		
<b>REVENUE</b>	<b>4,649,312,837</b>	3,989,278,104
<b>OPERATING EXPENSES</b> (Note 23)	<b>(3,859,215,468)</b>	(3,231,696,469)
<b>OTHER INCOME (CHARGES)</b>		
Interest income (Notes 8, 9 and 13)	199,328,342	100,048,790
Dividend income (Note 13)	27,875,000	—
Equity in net earnings of an associate (Note 15)	11,213,941	12,295,937
Interest expense (Note 19)	(5,218,795)	(5,211,277)
Foreign currency exchange gain (loss) - net	50,544	7,859
	<b>233,249,032</b>	107,141,309
<b>INCOME BEFORE INCOME TAX</b>	<b>1,023,346,401</b>	864,722,944
<b>PROVISION FOR (BENEFIT FROM) INCOME</b>		
<b>TAX</b> (Note 27)		
Current	235,247,600	243,575,419
Deferred	(34,177,990)	(21,493,951)
	<b>201,069,610</b>	222,081,468
<b>NET INCOME</b>	<b>822,276,791</b>	642,641,476
<b>OTHER COMPREHENSIVE INCOME(LOSS)</b>		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value and share in change in fair value of AFS financial assets of an associate (Notes 13 and 15)	77,563,014	13,995,705
Share in change in translation adjustment of an associate (Note 15)	370,426	(39,416,427)
Income tax effect	(23,380,032)	7,626,217
	<b>54,553,408</b>	(17,794,505)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱876,830,199</b>	₱624,846,971
Net income attributable to:		
Equity holders of the Parent Company	₱781,108,247	₱561,579,888
Non-controlling interest in consolidated subsidiaries	41,168,544	81,061,588
	<b>₱822,276,791</b>	₱642,641,476
Total comprehensive income attributable to:		
Equity holders of the Parent Company	₱835,661,655	₱543,785,383
Non-controlling interest in consolidated subsidiaries	41,168,544	81,061,588
	<b>₱876,830,199</b>	₱624,846,971
<b>Basic/Diluted Earnings Per Share</b> (Note 28)	<b>₱0.56</b>	₱0.41

*See accompanying Notes to Unaudited Interim Consolidated Financial Statements.*



# ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

(Formerly Robinsons Holdings, Inc. and Subsidiaries)

## INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Other Comprehensive Income (Loss) (Notes 13 and 15)	Equity Reserve (Note 20)	Retained Earnings Appropriated (Note 20)	Retained Earnings Unappropriated (Note 20)	Treasury Stock (Note 20)	Total Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interest in Consolidated Subsidiaries	Total
At January 1, 2015	<b>P1,385,000,000</b>	<b>P27,227,385,090</b>	<b>(P23,641,261)</b>	<b>(P991,931,906)</b>	<b>P10,311,451,453</b>	<b>P1,740,057,473</b>	<b>P-</b>	<b>P39,648,320,849</b>	<b>P1,587,916,974</b>	<b>P41,236,237,823</b>
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	50,000,000	50,000,000
Net income	-	-	-	-	-	781,108,247	-	781,108,247	41,168,544	822,276,791
Other comprehensive gain	-	-	54,553,408	-	-	-	-	54,553,408	-	54,553,408
Total comprehensive income	-	-	54,553,408	-	-	781,108,247	-	835,661,655	41,168,544	876,830,199
<b>Balance at March 31, 2015</b>	<b>P1,385,000,000</b>	<b>P27,227,385,090</b>	<b>P30,912,147</b>	<b>(P991,931,906)</b>	<b>P10,311,451,453</b>	<b>P2,521,165,720</b>	<b>P-</b>	<b>P40,483,982,504</b>	<b>P1,679,085,518</b>	<b>P42,163,068,022</b>
At January 1, 2014	P1,385,000,000	P27,026,913,866	P27,710,882	P116,459,430	P4,340,251,453	P4,710,692,005	(P1,100,373,100)	P36,506,654,536	P1,475,814,190	P37,982,468,726
Dividends paid	-	-	-	-	-	(2,666,667)	-	(2,666,667)	-	(2,666,667)
Appropriation during the year	-	-	-	-	1,742,000,000	(1,742,000,000)	-	-	-	-
Net income	-	-	-	-	-	561,579,888	-	561,579,888	81,061,588	642,641,476
Other comprehensive loss	-	-	(17,794,505)	-	-	-	-	(17,794,505)	-	(17,794,505)
Total comprehensive income	-	-	(17,794,505)	-	-	561,579,888	-	543,785,383	81,061,588	624,846,971
Balance at March 31, 2014	P1,385,000,000	P27,026,913,866	P9,916,377	P116,459,430	P6,082,251,453	P3,527,605,226	(P1,100,373,100)	P37,047,773,252	P1,556,875,778	P38,604,649,030

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

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

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**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three Months Ended March 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>P1,023,346,401</b>	P864,722,944
Adjustments for:		
Depreciation and amortization (Notes 14, 16 and 23)	<b>399,401,139</b>	285,335,011
Movement in pension liability (Note 25)	<b>22,969,662</b>	15,570,989
Equity in net earnings of an associate (Note 15)	<b>(11,213,941)</b>	(12,295,937)
Interest expense (Note 19)	<b>5,218,795</b>	5,211,277
Interest income (Notes 8, 9 and 13)	<b>(199,328,342)</b>	(100,048,790)
Dividend income (Note 13)	<b>(27,875,000)</b>	–
Unrealized foreign currency exchange loss (gain) - net	<b>(50,544)</b>	–
Operating income before working capital changes	<b>1,212,468,170</b>	1,058,495,494
Decrease (increase) in:		
Trade and other receivables	<b>562,507,743</b>	300,715,457
Merchandise inventories	<b>(753,299,132)</b>	(686,035,658)
Other current assets	<b>(219,293,701)</b>	(166,323,118)
Short-term investments	<b>1,845,946,977</b>	(11,580,269)
Increase (decrease) in:		
Trade and other payables	<b>(3,479,848,206)</b>	(1,948,366,668)
Other current liabilities	<b>(23,536,439)</b>	33,370,845
Net cash flows used in operations	<b>(855,054,588)</b>	(1,419,723,917)
Income tax paid	<b>(28,905,865)</b>	(31,667,758)
Interest received	<b>210,169,704</b>	155,021,921
Net cash flows used in operating activities	<b>(673,790,749)</b>	(1,296,369,754)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
AFS investments (Note 13)	<b>(1,264,350,000)</b>	(5,360,073,500)
Property and equipment (Note 14)	<b>(748,193,842)</b>	(975,192,010)
Franchise	<b>–</b>	(31,406,600)
Additional investment in an associate (Note 15)	<b>(184,280,900)</b>	–
Additional investment from non-controlling interest	<b>50,000,000</b>	–
Proceeds from disposal of property and equipment (Note 14)	<b>5,410,825</b>	–
Acquisition through business combination - net of cash received (Note 21)	<b>–</b>	(129,205,000)
Decrease (increase) in other noncurrent assets	<b>15,610,888</b>	(48,289,401)
Net cash flows used in investing activities	<b>(2,125,803,029)</b>	(6,544,166,511)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of loans (Note 19)	<b>(13,918,160)</b>	(13,974,232)
Interest paid (Note 19)	<b>(5,218,795)</b>	(5,211,277)
Dividends paid (Note 20)	<b>–</b>	(2,666,667)
Cash flows used in financing activities	<b>(19,136,955)</b>	(21,852,176)
<b>EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>(40,114)</b>	–
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,818,770,847)</b>	(7,862,388,441)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,969,823,164</b>	30,135,581,370
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 8)</b>	<b>P7,151,052,317</b>	P22,273,192,929

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*

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

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## **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

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

The Parent Company is 35.49% owned by JE Holdings, Inc., 34.10% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as “the Group”) is to engage in the business of trading goods, commodities and merchandise of any kind.

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

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

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### **2. Basis of Preparation**

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

The Group’s management opted to change the presentation of its consolidated statements of comprehensive income. “Gross profit” and “Gross profit including other revenue” have been presented to assist users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes and computation of financial ratios. The Group’s management believes that the inclusion of “Gross profit” and “Gross profit including other revenue”, which included the “royalty, rent and other revenue” line item, for the three months ended March 31, 2015 and 2014 would be more useful to the users of the consolidated financial statements.

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### *Finalization of Purchase Price Allocation*

In 2014, the Group finalized the purchase price allocation of its acquisitions of Eurogocer Corp. (EC), Beauty Skininnovations Retail, Inc. (BSRI), and JAS 8 Retailing Mngt. Corporation (JRMCI) through business combinations on September 14, 2013, December 5, 2013 and January 29, 2014, respectively. The December 31, 2013 comparative information was restated to reflect the adjustments to the provisional amounts and the effects to the consolidated financial statements (Note 21).

In 2013, the Group finalized the purchase price allocation of its acquisition of South Star Drug, Inc. (SSDI), a subsidiary, through business combination on July 4, 2012. The December 31, 2012 comparative information was restated to reflect the adjustments to the provisional amounts (Note 21).

#### Basis of Consolidation

The interim condensed consolidated financial statements represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

Investee Companies	March 31, 2015		December 31, 2014	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Robinson’s, Inc. (RI)	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	–	51.00%	–	51.00%
South Star Drug, Inc. (SSDI)	–	45.00%	–	45.00%
GNC Pharma Corporation (GPC)	–	100.00%	–	100.00%
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	100.00%	–	100.00%
Robinsons Supermarket Corporation (RSC)	100.00%	–	100.00%	–
Angeles Supercenter, Inc. (ASI)	–	67.00%	–	67.00%
Eurogrocer Corp. (EC)	–	100.00%	–	100.00%
JAS 8 Retailing Mngt. Corporation (JRMC)	–	100.00%	–	100.00%
Robinsons Appliances Corp. (RAC)	–	67.00%	–	67.00%
SSDI	–	45.00%	–	45.00%
Robinson’s Handyman, Inc. (RHMI)	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	52.00%	–	52.00%
Walmart-Handyman, Inc. (WHI)	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	53.60%	–	53.60%
Everyday Convenience Stores, Inc. (ECSI)	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	–	90.00%	–
RHD Daiso-Saizen Inc. (RHDDS)	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc.	100.00%	–	100.00%	–

All subsidiaries were incorporated in the Philippines.

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

#### *Additional Investments and Acquisitions*

On February 23, 2015, RHMI made additional investment amounting to ₱100.00 million to RHIB. Corresponding additional investment coming from NCI of RHIB amounted to ₱50.00 million.

On December 17, 2014 and July 3, 2014, RRHI made additional investments amounting to ₱295.00 million and ₱59.40 million, respectively to RSSI and RHDDS. Corresponding additional investments coming from NCI of RHDDS amounted to ₱40.60 million.

On December 5, 2014, RSC acquired additional 25.00% ownership of RHMI increasing its total ownership to 80.00%.

On September 15, 2014, RHMI made additional investment amounting to ₱100.00 million to RHIB. Corresponding additional investment coming from NCI of RHIB amounted to ₱50.00 million.

On July 3, 2014, RHMI acquired 67.00% ownership of RHIB, a Company engaged in the business of hardware retailing (Note 21). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱26.40 million.

On June 2, 2014, SSDI acquired 100% ownership of GPC, a Company engaged in the business of pharmaceutical retailing (Note 21).

On January 29, 2014, RSC acquired 100% ownership of JRMC, a Company engaged in the business of grocery retailing (Note 21).

On September 14, 2013, RSC acquired 100% ownership of EC, a Company engaged in the business of grocery retailing (Note 21).

On July 8, 2013, RGFBI, wholly-owned subsidiary of RI, was incorporated to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. RI provided equity funding to RGFBI amounting to ₱100.0 million.

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

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

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

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

On July 4, 2012, RSC and RI, wholly-owned subsidiaries of RRHI, each acquired 45.00% interest in SSDI, aggregating to 90.00% (Note 21).

#### *Mergers*

On October 24, 2014, the Board of Directors (BOD) of the Group approved the plan of the Group to merge RSC, EC and JRMC with the RSC as the surviving entity. The purpose of the merger is to centralize the Group's supermarket operations. On November 25, 2014, the plan of merger was presented to and approved by the Stockholders. The Plans and Articles of Merger are set to be filed with the SEC in April 2015.

On October 24, 2014, the BOD approved the plan of the Group to merge GNC and SSDI with SDDI as the surviving entity. The purpose of the merger is to centralize the Group's management and administration of the two drugstore chains. On November 25, 2014, the plan of merger was presented to and approved by the Stockholders. The Plan and Article of Merger are set to be filed with the SEC on or before April 15, 2015.

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

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

No RCSI shares were issued in exchange for the net assets of the RDCI, considering that the latter is a wholly-owned subsidiary of the former. The total retained earnings of RDCI amounting to ₱4.37 million as of December 31, 2010 was recognized as a reduction from RCSI's deficit.

*Subscription to RHDDS' Voting Shares*

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

In 2012, RHDDS issued an additional 15,764,000 shares, thereby increasing the issued and outstanding shares from 43,336,000 shares as of December 31, 2011 to 59,100,000 shares as of December 31, 2012, at ₱1.00 par value.

The Parent Company did not subscribe to the additional issuance of shares during the year which resulted to the decrease in the direct interest in RHDDS from 81.00% to 59.40%.

The transaction resulted in an increase in the non-controlling interest amounting to ₱28.31 million. The difference between the increase in non-controlling interest and consideration paid amounting to ₱18.36 million was also recognized directly in equity under "Equity Reserve". The Parent Company maintains the same number of common shares it held RHDDS prior to the transaction.

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

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

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

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

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

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### 3. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Group's interim consolidated financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended Philippine Financial Reporting Standards (PFRS) and Philippine Interpretations which became effective beginning January 1, 2015. Except as otherwise stated, the adoption of these new and amended Standards and Philippine Interpretations did not have any impact on the interim condensed consolidated financial statements.

- *PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*  
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

#### Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- *PFRS 2, Share-based Payment – Definition of Vesting Condition*  
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - a. A performance condition must contain a service condition
  - b. A performance target must be met while the counterparty is rendering service
  - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - d. A performance condition may be a market or non-market condition
  - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- *PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination*  
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*  
The amendments are applied retrospectively and clarify that:
  - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*  
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures – Key Management Personnel*  
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*  
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement – Portfolio Exception*  
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
- PAS 40, *Investment Property*  
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

#### *Effective January 1, 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)  
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)  
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For



government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- **PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)**  
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- **PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- **PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)**  
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.  
  
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.
- **PFRS 14, *Regulatory Deferral Accounts***  
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

#### Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*  
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures – Servicing Contracts*  
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
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- *PAS 19, Employee Benefits – Regional Market Issue regarding Discount Rate*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective January 1, 2018*

- *PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*  
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- **PFRS 9, *Financial Instruments* (2014 or final version)**

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- **IFRS 15, *Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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#### **4. Seasonality of Operations**

Due to the seasonal nature of the Group's business, higher revenues and operating profits are usually expected in the last quarter of the year than the first three (3) months. Higher revenues from October to December are mainly attributed to the increased sales during the peak holiday season.

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#### **5. Summary of Significant Accounting Policies**

##### **Revenue Recognition**

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

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

##### ***Sales Revenue***

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

##### ***Royalty Fee***

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

##### ***Rental Income***

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

#### *Interest Income*

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

#### *Dividend Income and Other Income*

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

#### Cost of Merchandise Sold

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

#### Operating Expenses

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

#### Financial Instruments

##### *Date of Recognition*

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

##### *Initial Recognition of Financial Instruments*

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

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

##### *Determination of Fair Value*

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

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

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

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

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

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

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

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

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

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

As of March 31, 2015 and December 31, 2014, the financial instruments of the Group are classified as loans and receivables, AFS financial assets and other financial liabilities.

#### *Day 1 Difference*

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

#### *AFS Financial Assets*

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

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

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

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

#### *Loans and Receivables*

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

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

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

#### *Receivables*

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

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

#### *Financial Liabilities*

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

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

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

#### Classification of Financial Instruments Between Debt and Equity

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

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

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

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

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

#### Offsetting of Financial Instruments

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

#### Impairment of Financial Assets

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

#### *AFS Financial Assets*

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

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

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

#### *Loans and Receivables*

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans, together with the associated allowance accounts, are written off when there is no

realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial Asset*

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

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

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

##### *Financial Liability*

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

#### Embedded Derivative

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

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

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



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

As of March 31, 2015 and December 31, 2014, the Group's interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either gain or loss on embedded derivative.

#### Cash and Cash Equivalents

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

#### Merchandise Inventories

Merchandise inventories are stated at the lower of cost or net realizable value (NRV). Cost is determined using the 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 an Associate

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

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

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

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

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

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

#### Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

#### Property and Equipment

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

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

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

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

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

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

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

#### Intangible Assets

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

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

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

#### *License*

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

#### *Trademark*

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

#### *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.

#### Impairment of Nonfinancial Assets

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

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

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

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

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's

recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

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

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

#### *Investment in an Associate*

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

#### *Impairment of Goodwill*

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

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

#### Pension Cost

##### *Defined Benefit Plan*

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

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

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies.

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

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

#### 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 and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.

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

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

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

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

#### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 20). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

#### Retained Earnings

Retained earnings represent accumulated earnings of the Group less dividends declared 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 (Note 20).

### Treasury Shares

Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. Any gain or loss on the purchase, sale, issue or cancellation or re-issuance is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance. The retained earnings account is restricted to payment of dividends to the extent of the cost of treasury shares (Note 20).

### 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) was initially included in the lease term;
- d) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- e) there is a substantial change to the asset.

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

### *Group as Lessee*

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases.

Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

### *Group as Lessor*

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

### Foreign Currency Transactions

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

### Earnings Per Share (EPS)

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

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

The Parent Company does not have any potential dilutive ordinary shares for the period ended March 31, 2015 and December 31, 2014 (Note 28).

#### Provisions

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

#### Contingencies

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

#### Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the President. The nature of the operating segment is set out in Note 7.

#### Events After the Reporting Date

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

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## **6. Significant Accounting Judgments, Estimates and Assumptions**

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

#### Judgments

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

#### *Going Concern*

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



*Operating Lease Commitments - Group as Lessee*

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

*Operating Lease Commitments - Group as Lessor*

The Group has entered into lease agreements to provide store facilities and equipment (Note 30). The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

*Revenue Recognition*

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

*Contingencies*

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 32).

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations (Note 32).

Estimates and Assumptions

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

*Determining Fair Values of Financial Assets and Liabilities*

Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time (see Note 29).

*Allowance for Impairment Losses on Trade and Other Receivables*

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

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

As of March 31, 2015 and December 31, 2014, the carrying value of the Group's trade and other receivables amounted to ₱984.40 million and ₱1.53 billion, respectively (Note 10).

*Impairment of AFS Financial Assets*

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

The carrying value of AFS financial assets amounted to ₱19.04 billion and ₱17.72 billion as of March 31, 2015 and December 31, 2014, respectively (Note 13).

*Estimating Net Realizable Value (NRV) of Merchandise Inventories*

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

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

No provision for impairment losses on merchandise inventories was recognized in March 31, 2015 and December 31, 2014.

Merchandise inventories amounted to ₱9.75 billion and ₱8.99 billion as of March 31, 2015 and December 31, 2014, respectively (Note 11).

*EUL of Property and Equipment*

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

In 2013, the management concluded its reassessment of the EUL of its property and equipment items to reflect the appropriate pattern of economic benefits. The changes in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by ₱780.64 million for the year ended December 31, 2013 (Note 14).

As of March 31, 2015 and December 31, 2014, the carrying value of the Group's property and equipment amounted to ₱10.00 billion and ₱9.65 billion, respectively.

*Evaluation of Impairment of Nonfinancial Assets*

The Group reviews property and equipment, investment in associate 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 an associate and intangible assets.

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

Based on management assessment as of March 31, 2015 and December 31, 2014, 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 an associate and intangible assets with definite useful lives.

As of March 31, 2015 and December 31, 2014, the carrying value of the Group's property and equipment amounted to ₱10.00 billion and ₱9.65 billion, investment share of stock amounted to ₱2.21 billion and ₱1.99 billion, licenses amounted to ₱93.94 million and ₱96.97 million, and franchise amounted to ₱13.81 million, respectively.

#### *Pension and Other Retirement Benefits*

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 25, and include, among others, discount rate and salary rates increase.

As of March 31, 2015 and December 31, 2014, the carrying value of the net pension liabilities amounted to ₱657.67 million and ₱634.70 million, respectively (Note 25).

#### *Deferred Tax Assets*

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

As of March 31, 2015 and December 31, 2014, the Group has deferred tax assets amounting to ₱180.47 million and ₱169.67 million, respectively (Note 27).

#### *Goodwill and Trademarks*

In the course of the Group's business combinations, goodwill and trademark were acquired (see Note 16). These assets have indefinite useful lives. Below are the business segments to which goodwill and trademarks arise from:

	Trademark	Goodwill
SSDI	₱1,566,917,532	₱745,887,131
EC	—	199,870,222
RHIB	—	147,400,000
RTSHPI	—	85,161,468
BSRI	—	83,324,691
JRMC	—	71,732,435
GPC	—	23,250,000
	<u>₱1,566,917,532</u>	<u>₱1,356,625,947</u>

## **7. Operating Segment**

#### Business Segment

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

Management monitors the operating results of its operating segments separately for the purpose of making decision about resource allocation and performance assessment. Group financing (including interest income, dividend income, investment 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 income before income tax, and earnings before income tax, 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 statements of financial position which is in accordance with PFRS.

The Group derives its revenue from the following reportable units:

- *Supermarket Division*  
The first major retailer to promote health and wellness. Robinson's Supermarket commits to bring together healthy options and affordable prices in a refreshingly clean and organized shopping destination. It makes a bold lifelong commitment to educate and empower its customers to make healthy choices.
- *Department Store Division*  
Robinson's Department Store is one of the premier shopping destinations in the country today. It offers an exceptional selection of merchandise from top international and local brands. From the trendiest fashion pieces, the most coveted lifestyle products, the latest items for the home, to playthings and necessities for the little ones. It provides experience that goes beyond ordinary shopping.
- *DIY Division*  
Handyman Do It Best has grown to be one of the most aggressive hardware and home improvement centers in the country. It aims to cover the Philippine landscape with more branches in key commercial centers to promote self reliance among "do-it yourselfers".
- *Convenience Store Division*  
Ministop is a 24 hour convenience store chain and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. The store carries a wide assortment of merchandise and an extensive selection of ready to eat products.
- *Drug Store Division*  
South Star Drug Store offers over a thousand brands from food and pharmaceuticals to personal care products.
- *Specialty Store Division*  
Specialty Store is the lifestyle retail arm of Robinsons Retail Group. It is committed to bringing the best loved international lifestyle brands, top entertainment systems, and unparalleled selection of toys and games.

The financial information about these operating segments as of and for the three months ended March 31, 2015 and 2014 and for the year ended December 31, 2014 is summarized below:

### March 31, 2015

	Supermarket Division	Department StoreDivision	DIY Division	Convenience Store Division	Drug store Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	P9,688,795,511	P2,985,223,750	P2,207,576,230	P1,255,943,495	P1,875,578,714	P1,702,033,170	P-	P-	P19,715,150,870
Intersegment net sales	-	-	-	-	-	215,097,473	-	(215,097,473)	-
<b>Total net sales</b>	<b>9,688,795,511</b>	<b>2,985,223,750</b>	<b>2,207,576,230</b>	<b>1,255,943,495</b>	<b>1,875,578,714</b>	<b>1,917,130,643</b>	<b>-</b>	<b>(215,097,473)</b>	<b>19,715,150,870</b>
Segment cost of merchandise sold	7,902,810,720	2,073,852,824	1,514,224,839	1,135,033,355	1,563,897,143	1,350,377,497	-	-	15,540,196,378
Intersegment cost of merchandise sold	2,927,079	137,729,281	1,109,335	-	-	763,250	-	(219,897,137)	(77,368,192)
<b>Total cost of merchandise sold</b>	<b>7,905,737,799</b>	<b>2,211,582,105</b>	<b>1,515,334,174</b>	<b>1,135,033,355</b>	<b>1,563,897,143</b>	<b>1,351,140,747</b>	<b>-</b>	<b>(219,897,137)</b>	<b>15,462,828,186</b>
<b>Gross profit</b>	<b>1,783,057,712</b>	<b>773,641,645</b>	<b>692,242,056</b>	<b>120,910,140</b>	<b>311,681,571</b>	<b>565,989,896</b>	<b>-</b>	<b>4,799,664</b>	<b>4,252,322,684</b>
Segment other income	24,695,758	17,550,048	-	333,141,841	17,753,464	3,849,042	-	-	396,990,153
Intersegment other income	27,982,244	4,799,664	-	-	-	-	-	(32,781,908)	-
<b>Total other income</b>	<b>52,678,002</b>	<b>22,349,712</b>	<b>-</b>	<b>333,141,841</b>	<b>17,753,464</b>	<b>3,849,042</b>	<b>-</b>	<b>(32,781,908)</b>	<b>396,990,153</b>
<b>Gross profit including other income</b>	<b>1,835,735,714</b>	<b>795,991,357</b>	<b>692,242,056</b>	<b>454,051,981</b>	<b>329,435,035</b>	<b>569,838,938</b>	<b>-</b>	<b>(27,982,244)</b>	<b>4,649,312,837</b>
Segment operating expenses	1,277,179,517	611,207,648	475,088,174	394,853,497	236,433,986	462,559,144	2,492,363	-	3,459,814,329
Intersegment operating expenses	(760,437)	13,587,833	5,367,218	-	6,139,196	3,648,434	-	(27,982,244)	-
<b>Total operating expenses</b>	<b>1,276,419,080</b>	<b>624,795,481</b>	<b>480,455,392</b>	<b>394,853,497</b>	<b>242,573,182</b>	<b>466,207,578</b>	<b>2,492,363</b>	<b>(27,982,244)</b>	<b>3,459,814,329</b>
<b>Earnings before interest, taxes and depreciation and amortization</b>	<b>559,316,634</b>	<b>171,195,876</b>	<b>211,786,664</b>	<b>59,198,484</b>	<b>86,861,853</b>	<b>103,631,360</b>	<b>(2,492,363)</b>	<b>-</b>	<b>1,189,498,508</b>
Depreciation and amortization	151,049,905	50,897,303	50,361,994	52,660,854	13,667,436	80,763,647	-	-	399,401,139
<b>Earnings before interest and taxes</b>	<b>408,266,729</b>	<b>120,298,573</b>	<b>161,424,670</b>	<b>6,537,630</b>	<b>73,194,417</b>	<b>22,867,713</b>	<b>(2,492,363)</b>	<b>-</b>	<b>790,097,369</b>
Interest expense	-	-	(1,796,222)	(5,555,998)	(1,351,256)	(7,723,496)	-	11,208,177	(5,218,795)
Interest income	2,358,649	2,472,628	2,646,618	124,957	445,048	2,510,035	199,978,584	(11,208,177)	199,328,342
Dividend Income	-	-	-	-	-	-	27,875,000	-	27,875,000
Unrealized forex gain (loss)	-	-	-	-	-	-	50,544	-	50,544
Equity in net earnings of an associate	-	-	-	-	-	-	11,213,941	-	11,213,941
<b>Income before income tax</b>	<b>P410,625,378</b>	<b>P122,771,201</b>	<b>P162,275,066</b>	<b>P1,106,589</b>	<b>P72,288,209</b>	<b>P17,654,252</b>	<b>P236,625,706</b>	<b>-</b>	<b>P1,023,346,401</b>
<b>Assets and Liabilities</b>									
Segment assets	11,789,115,480	3,177,244,313	4,230,750,143	2,255,677,550	2,834,470,650	4,000,267,660	28,268,690,990	(1,423,383,363)	55,132,833,423
Investment in subsidiaries - at cost	2,771,636,283	1,834,770,374	-	-	-	-	4,892,815,839	(9,499,222,496)	-
<b>Total segment assets</b>	<b>P14,560,751,763</b>	<b>P5,012,014,687</b>	<b>P4,230,750,143</b>	<b>P2,255,677,550</b>	<b>P2,834,470,650</b>	<b>P4,000,267,660</b>	<b>P33,161,506,829</b>	<b>(10,922,605,859)</b>	<b>P55,132,833,423</b>
<b>Total segment liabilities</b>	<b>P6,718,737,985</b>	<b>P2,171,294,320</b>	<b>P1,924,535,479</b>	<b>P1,482,390,102</b>	<b>P1,405,126,654</b>	<b>P2,476,462,364</b>	<b>P36,222,299</b>	<b>(P3,245,003,802)</b>	<b>P12,969,765,401</b>
<b>Other segment information:</b>									
Capital expenditures	P289,706,434	P82,497,358	P76,714,223	P166,447,638	P38,805,371	P94,022,818	P-	P-	P748,193,842

### March 31, 2014

	Supermarket Division	Department StoreDivision	DIY Division	Convenience Store Division	Drug store Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱8,703,126,311	₱2,727,371,216	₱1,825,391,692	₱1,058,886,734	₱1,679,922,940	₱1,431,311,082	₱-	₱-	₱17,426,009,975
Intersegment net sales	-	-	-	-	-	116,076,693	-	(116,076,693)	-
<b>Total net sales</b>	<b>8,703,126,311</b>	<b>2,727,371,216</b>	<b>1,825,391,692</b>	<b>1,058,886,734</b>	<b>1,679,922,940</b>	<b>1,547,387,775</b>	<b>-</b>	<b>(116,076,693)</b>	<b>17,426,009,975</b>
Segment cost of merchandise sold	7,123,305,378	1,907,988,820	1,249,105,901	958,618,319	1,400,811,212	1,121,342,841	-	-	13,761,172,471
Intersegment cost of merchandise sold	-	116,076,693	-	-	-	-	-	(116,076,693)	-
<b>Total cost of merchandise sold</b>	<b>7,123,305,378</b>	<b>2,024,065,513</b>	<b>1,249,105,901</b>	<b>958,618,319</b>	<b>1,400,811,212</b>	<b>1,121,342,841</b>	<b>-</b>	<b>(116,076,693)</b>	<b>13,761,172,471</b>
<b>Gross profit</b>	<b>1,579,820,933</b>	<b>703,305,703</b>	<b>576,285,791</b>	<b>100,268,415</b>	<b>279,111,728</b>	<b>426,044,934</b>	<b>-</b>	<b>-</b>	<b>3,664,837,504</b>
Segment other income	21,293,969	15,303,337	-	269,456,373	15,526,710	2,860,211	-	-	324,440,600
Intersegment other income	22,428,023	-	-	-	-	-	-	(22,428,023)	-
<b>Total other income</b>	<b>43,721,992</b>	<b>15,303,337</b>	<b>-</b>	<b>269,456,373</b>	<b>15,526,710</b>	<b>2,860,211</b>	<b>-</b>	<b>(22,428,023)</b>	<b>324,440,600</b>
<b>Gross profit including other income</b>	<b>1,623,542,925</b>	<b>718,609,040</b>	<b>576,285,791</b>	<b>369,724,788</b>	<b>294,638,438</b>	<b>428,905,145</b>	<b>-</b>	<b>(22,428,023)</b>	<b>3,989,278,104</b>
Segment operating expenses	1,134,551,478	548,744,454	383,280,270	299,989,960	212,409,834	365,045,788	2,339,674	-	2,946,361,458
Intersegment operating expenses	-	10,696,466	4,749,392	-	4,007,338	2,974,827	-	(22,428,023)	-
<b>Total operating expenses</b>	<b>1,134,551,478</b>	<b>559,440,920</b>	<b>388,029,662</b>	<b>299,989,960</b>	<b>216,417,172</b>	<b>368,020,615</b>	<b>2,339,674</b>	<b>(22,428,023)</b>	<b>2,946,361,458</b>
<b>Earnings before interest, taxes and depreciation and amortization</b>	<b>488,991,447</b>	<b>159,168,120</b>	<b>188,256,129</b>	<b>69,734,828</b>	<b>78,221,266</b>	<b>60,884,530</b>	<b>(2,339,674)</b>	<b>-</b>	<b>1,042,916,646</b>
Depreciation and amortization	128,192,088	39,713,460	26,960,033	42,890,215	9,936,371	37,642,844	-	-	285,335,011
<b>Earnings before interest and taxes</b>	<b>360,799,359</b>	<b>119,454,660</b>	<b>161,296,096</b>	<b>26,844,613</b>	<b>68,284,895</b>	<b>23,241,686</b>	<b>(2,339,674)</b>	<b>-</b>	<b>757,581,635</b>
Interest expense	-	-	-	(807,292)	(2,073,957)	(2,330,028)	-	-	(5,211,277)
Interest income	888,768	1,048,522	3,464,124	75,682	714,390	557,653	93,299,651	-	100,048,790
Unrealized forex gain (loss)	-	-	-	-	-	-	7,859	-	7,859
Equity in net earnings of an associate	-	-	-	-	-	-	12,295,937	-	12,295,937
<b>Income before income tax</b>	<b>₱361,688,127</b>	<b>₱120,503,182</b>	<b>₱164,760,220</b>	<b>₱26,113,003</b>	<b>₱66,925,328</b>	<b>₱21,469,311</b>	<b>₱103,263,773</b>	<b>-</b>	<b>₱864,722,944</b>

### December 31, 2014

<b>Assets and Liabilities</b>									
Segment assets	10,924,736,561	3,717,280,449	4,087,924,263	2,285,354,461	2,835,218,028	4,192,432,860	30,993,276,665	(1,542,228,656)	57,493,994,631
Investment in subsidiaries - at cost	2,771,636,283	1,834,770,374	-	-	-	-	2,031,274,134	(6,637,680,791)	-
<b>Total segment assets</b>	<b>₱13,696,372,844</b>	<b>₱5,552,050,823</b>	<b>₱4,087,924,263</b>	<b>₱2,285,354,461</b>	<b>₱2,835,218,028</b>	<b>₱4,192,432,860</b>	<b>₱33,024,550,799</b>	<b>(₱8,179,909,447)</b>	<b>₱57,493,994,631</b>
<b>Total segment liabilities</b>	<b>₱6,301,266,770</b>	<b>₱2,802,810,941</b>	<b>₱1,946,091,733</b>	<b>₱1,512,863,649</b>	<b>₱1,456,282,356</b>	<b>₱2,678,479,603</b>	<b>₱83,064,840</b>	<b>(₱523,103,084)</b>	<b>₱16,257,756,808</b>
<b>Other segment information:</b>									
Capital expenditures	₱1,616,215,223	₱513,996,144	₱436,570,364	₱582,710,117	₱135,609,024	₱590,429,057	₱-	₱-	₱3,875,529,929

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting to P215.10 million and P116.08 million for the three months ended March 31, 2015 and 2014, respectively, are eliminated on consolidation.

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

Capital expenditures consist of additions to property and equipment 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 contributes 10.00% or more to the revenues of the Group.

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## 8. Cash and Cash Equivalents

This account consists of cash on hand and in banks and short-term investments amounting to P7.15 billion and P9.97 billion as of March 31, 2015 and December 31, 2014, respectively.

Cash in banks earn 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 interest at the respective short-term investment rates that range from 0.40% to 3.20% and 0.20% to 3.20% for the three months ended March 31, 2015, and for the year ended December 31, 2014, respectively.

Interest income arising from cash in banks and cash equivalents amounted to P22.98 million and P79.99 million for the three months ended March 31, 2015 and 2014, respectively.

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## 9. Short-term Investments

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

Short-term investments are made for varying periods of up to one (1) year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates based on annual interest rates that ranges from 6.78% to 8.38% for the three months ended March 31, 2015 and 1.80% to 2.31% for the year ended December 31, 2014.

Interest income arising from short-term investments amounted to P0.59 million and P1.87 million for the three months ended March 31, 2015 and 2014, respectively.

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## 10. Trade and Other Receivables

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade	P339,315,593	P918,921,594
Nontrade	420,246,734	380,749,143
Due from franchisees	254,876,743	259,815,282
	1,014,439,070	1,559,486,019
Less allowance for impairment losses	30,042,101	30,042,101
	P984,396,969	P1,529,443,918

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

As of March 31, 2015 and December 31, 2014, nontrade receivables consist mainly of receivable from insurer amounting to P143.79 million. Receivable from insurer represents amounts recoverable from the insurance company for properties that were damaged due to fire and typhoon (Notes 11 and 14). The remaining balance consists of advances to officers and employees, cashier shortages and interest receivable arising from short-term investments.

As of March 31, 2015 and December 31, 2014, the allowance for impairment losses amounting to P30.04 million pertains to the provision for amounts due from lessees/franchisees.

## 11. Merchandise Inventories

This account consists of:

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
Beginning inventory	<b>P8,993,411,437</b>	P7,028,810,289
Add: Purchases - net of purchase discounts and allowances	<b>16,216,127,318</b>	64,936,463,670
Cost of goods available for sale	<b>25,209,538,755</b>	71,965,273,959
Cost of merchandise sold	<b>15,462,828,186</b>	62,971,862,522
Ending inventory	<b>P9,746,710,569</b>	P8,993,411,437

In 2013, the Group had written-down inventory costs amounting to P88.20 million which were damaged during a typhoon and a fire. These amounts are fully recoverable from the insurance company (Note 10).

There are no merchandise inventories pledged as security for liabilities.

The cost of merchandise inventories charged to the statements of comprehensive income amounted to P15.46 million and P13.76 million for the three months ended March 31, 2015 and 2014, respectively.

## 12. Other Current Assets

This account consists of:

	<b>March 31, 2015 (Unaudited)</b>	<b>December 31, 2014 (Audited)</b>
Input value-added tax (VAT) - net	<b>P1,210,026,953</b>	P1,092,694,647
Prepayments	<b>344,922,508</b>	265,911,688
Others	<b>31,417,627</b>	8,467,052
	<b>P1,586,367,088</b>	P1,367,073,387

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

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



### 13. Available-for-Sale Financial Assets

Rollforward analysis of AFS financial assets follow:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost		
At January 1	<b>₱17,704,262,593</b>	₱–
Additions	<b>1,264,350,000</b>	17,704,262,593
At end of the period	<b>18,968,612,593</b>	17,704,262,593
Accretion of interest income	<b>(25,276,399)</b>	(24,849,243)
Change in fair value of AFS financial assets		
At January 1	<b>(12,131,857)</b>	–
Changes in fair value during the year	<b>53,925,107</b>	(12,131,857)
At end of the period	<b>41,793,250</b>	(12,131,857)
Foreign exchange gains	<b>50,721,928</b>	50,631,270
Total	<b>₱19,035,851,372</b>	₱17,717,912,763

As of March 31, 2015, investments in AFS financial asset consists of investment in quoted equity shares amounting to ₱2.02 billion and debt securities amounting to ₱17.02 billion.

Quoted equity security consists of marketable equity security that is listed and traded on the Philippine Stock Exchange (PSE). The fair market value of the listed shares is based on the quoted market price as of March 31, 2015.

Dividend income earned by the Group amounted to ₱27.88 million as of March 31, 2015.

Quoted debt securities consist of peso and dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.38% to 7.88%.

Interest income arising from AFS financial assets amounted to ₱175.76 million and ₱18.20 million for the three months ended March 31, 2015 and 2014, respectively.

Accretion of interest pertains to the amortization of interest income resulting from the difference of the book value and the face value of AFS financial assets with terms ranging from 5 to 10 years.

### 14. Property and Equipment

The rollforward analysis of this account follows:

#### March 31, 2015

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At January 1	<b>₱8,987,372,550</b>	<b>₱6,939,918,610</b>	<b>₱820,876,405</b>	<b>₱114,971,723</b>	<b>₱1,483,565,334</b>	<b>₱1,577,978,948</b>	<b>₱518,599</b>	<b>₱19,925,202,169</b>
Additions	324,058,940	208,235,725	83,298,253	3,972,478	50,686,384	77,942,062	–	748,193,842
Transfers	(12,762,636)	11,403,182	–	–	–	1,359,454	–	–
Disposals and retirement	(66,437,514)	(186,392)	–	–	–	(251,154)	–	(66,875,060)
At March 31	<b>9,232,231,340</b>	<b>7,159,371,125</b>	<b>904,174,658</b>	<b>118,944,201</b>	<b>1,534,251,718</b>	<b>1,657,029,310</b>	<b>518,599</b>	<b>20,606,520,951</b>
Accumulated Depreciation and Amortization								
At January 1	4,527,417,236	3,833,452,256	138,533,034	73,194,357	618,094,076	1,005,045,974	–	10,195,736,933
Depreciation and amortization (Note 23)	199,512,848	122,042,360	22,025,944	2,396,843	9,406,393	36,905,849	–	392,290,237
Disposals and retirement	(61,002,950)	(175,191)	–	–	–	(286,093)	–	(61,464,234)
At March 31	<b>4,665,927,134</b>	<b>3,955,319,425</b>	<b>160,558,978</b>	<b>75,591,200</b>	<b>627,500,469</b>	<b>1,041,665,730</b>	<b>–</b>	<b>10,526,562,936</b>

(Forward)

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Allowance for impairment losses								
At January 1	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
Reversals	–	–	–	–	–	–	–	–
At March 31	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	P4,516,736,533	P3,178,168,714	P743,615,680	P43,353,001	P906,751,249	P615,014,307	P518,599	P10,004,158,083

#### December 31, 2014

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At January 1	P7,306,919,983	P5,858,291,941	P319,297,358	P97,664,409	P1,307,783,555	P1,216,382,713	–	P16,106,339,959
Additions through business combination (Note 21)	77,754,117	84,617,057	–	–	–	–	–	162,371,174
Additions	1,642,162,660	1,009,420,823	501,714,731	17,307,314	175,781,779	366,252,849	518,599	3,713,158,755
Disposals and write-off	(39,464,210)	(12,411,211)	(135,684)	–	–	(4,656,614)	–	(56,667,719)
At December 31	8,987,372,550	6,939,918,610	820,876,405	114,971,723	1,483,565,334	1,577,978,948	518,599	19,925,202,169
Accumulated Depreciation and Amortization								
At January 1	3,975,604,885	3,382,268,492	80,012,797	65,077,645	589,560,930	875,009,258	–	8,967,534,007
Depreciation and amortization (Note 23)	584,342,327	456,299,807	58,556,267	8,116,712	28,533,146	131,516,322	–	1,267,364,581
Disposals	(32,529,976)	(5,116,043)	(36,030)	–	–	(1,479,606)	–	(39,161,655)
At December 31	4,527,417,236	3,833,452,256	138,533,034	73,194,357	618,094,076	1,005,045,974	–	10,195,736,933
Allowance for impairment losses								
At January 1	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
Reversals	–	–	–	–	–	–	–	–
At December 31	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	P4,410,387,641	P3,080,583,368	P682,343,371	P41,777,366	P865,471,258	P572,583,701	P518,599	P9,653,665,304

There are no property and equipment items as of March 31, 2015 and December 31, 2014 that are pledged as security to liability.

In 2013, the Group had written down property and equipment with net book values amounting to P49.29 million which were damaged during a typhoon and a fire. These amounts are fully recoverable from the insurance company (Note 10).

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

Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2013, the Group's capitalized payments as construction in-progress amounted to P5.75 million. There are no capitalized payments as of March 31, 2015 and December 31, 2014.

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

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

The change in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by P780.64 million for the year ended December 31, 2013.

Cost of fully depreciated property and equipment still in use amounted to ₱4.92 billion and ₱4.87 billion as at March 31, 2015 and December 31, 2014, respectively.

# 15. Investment in Shares of Stocks

This account consists of investment in shares of stocks of Robinsons Bank Corporation (RBC):

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Investment in preferred stock	<b>₱1,654,364,339</b>	₱1,470,083,439
Investment in common stock	<b>555,374,720</b>	520,152,446
	<b>₱2,209,739,059</b>	₱1,990,235,885

The preferred stock has the following features:

- Preferred stockholders are entitled to receive preferential but non-cumulative dividends at the rate to be determined by the Board of Directors (BOD) of RBC.
- Preferred stocks are redeemable at the option of RBC at any time provided that the redemption price shall not be lower than the par value or higher than 110.00% of said par value.
- In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the said shares equivalent to 110.00% of the par value plus any unpaid but declared dividends thereon. If the net assets of RBC shall be insufficient to pay in full the liquidation value of all the preferred stock, then such net resources shall be distributed among such preferred stock ratably in accordance with the respective liquidation value of the shares they are holding.

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

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Beginning balance	<b>₱1,470,083,439</b>	₱1,470,083,439
Additional investment during the year	<b>184,280,900</b>	–
	<b>₱1,654,364,339</b>	₱1,470,083,439

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

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Shares of common stock - at equity:		
Acquisition cost	<b>₱124,933,383</b>	₱124,933,383
Accumulated equity in net earnings:		
Beginning balance	<b>568,093,465</b>	511,543,518
Equity in net earnings of an associate for the period	<b>11,213,941</b>	56,549,947
Ending balance	<b>579,307,406</b>	568,093,465
Share in fair value changes of AFS financial assets of RBC		
Beginning balance	<b>(122,558,084)</b>	(260,239,692)
Share in fair value changes during the year	<b>23,637,907</b>	137,681,608
Ending balance	<b>(98,920,177)</b>	(122,558,084)

(Forward)

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Share in translation loss adjustments		
Beginning balance	<b>(41,129,697)</b>	(33,984,500)
Share in translation adjustments	<b>370,426</b>	(7,145,197)
Ending balance	<b>(40,759,271)</b>	(41,129,697)
Share in remeasurement loss on pension liability		
Beginning balance	<b>(9,186,621)</b>	(9,186,621)
Share in remeasurement loss on pension liability	<b>–</b>	–
Ending balance	<b>(9,186,621)</b>	(9,186,621)
	<b>430,441,337</b>	(172,874,402)
	<b>P555,374,720</b>	P520,152,446

RBC is incorporated in the Philippines 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.

No dividends have been declared by RBC in 2015 and 2014.

Financial information of RBC follows:

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Total assets	<b>P50,220,679,187</b>	P50,074,411,821
Total liabilities	<b>43,996,247,517</b>	44,317,364,239
Net income	<b>28,034,853</b>	141,374,867

The consolidated statement of comprehensive income follows:

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Total operating income	<b>P758,104,958</b>	P2,439,100,476
Total operating expenses and provision for income tax	<b>730,070,105</b>	2,297,725,609
Net income	<b>P28,034,853</b>	P141,374,867

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

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Net assets of associate attributable to common shareholders	<b>P666,362,235</b>	P578,306,550
Proportionate ownership in the associate	<b>40%</b>	40%
Share in net identifiable assets	<b>266,544,894</b>	231,322,620
Total share in net assets	<b>555,374,720</b>	520,152,446
Difference	<b>P288,829,826</b>	P288,829,826

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

## 16. Intangible Assets

This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trademark (Note 21)	<b>P1,566,917,532</b>	P1,566,917,532
Goodwill	<b>1,356,625,947</b>	1,356,625,947
Licenses	<b>93,939,395</b>	96,969,698
Franchise	<b>13,805,165</b>	13,805,165
	<b>P3,031,288,039</b>	P3,034,318,342

### *Trademark*

The trademark was acquired through business combination in 2012 and was recognized at fair value at the date of acquisition (Note 21).

### *Goodwill*

The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of SSDI, EC, RTSHPI, BSRI, JPMC, GPC and RHIB as follows (Note 21):

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
SSDI	<b>P745,887,131</b>	P745,887,131
EC	<b>199,870,222</b>	199,870,222
RHIB	<b>147,400,000</b>	147,400,000
RTSHPI	<b>85,161,468</b>	85,161,468
BSRI	<b>83,324,691</b>	83,324,691
JPMC	<b>71,732,435</b>	71,732,435
GPC	<b>23,250,000</b>	23,250,000
	<b>P1,356,625,947</b>	P1,356,625,947

### Acquisition of RHIB by RHMI

RHIB was acquired on July 3, 2014. The acquisition represents 67.00% ownership interest on the shares of stock of RHIB.

### Acquisition of GPC by SSDI

GPC was acquired on June 2, 2014. The acquisition represents 100% ownership interest on the shares of stock of GPC.

### Acquisition of JPMC by RSC

JPMC was acquired by RSC on January 29, 2014. The acquisition represents 100% ownership interest on the shares of stock of JPMC.

### Acquisition of EC by RSC

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

### Acquisition of RTSHPI by RHMI

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

### Acquisition of BSRI by RSSI

On December 5, 2013, RSSI acquired the business of BSRI. The transaction was accounted for as a business combination.

Acquisition of SSDI by RSC and RI

SSDI was acquired by RSC and RI in July 4, 2012. The acquisition represents 90% ownership interest on the shares of stock of SSDI (Note 21).

*License*

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 ₱3.03 million for the three months ending March 31, 2015 and 2014.

*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 franchise fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one year after the date of the agreement, and annual service fee which is equal to a certain percentage of sales. In 2014, the Company recognized a franchise asset amounting to ₱13.81 million.

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**17. Other Noncurrent Assets**

This account consists of:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Security and other deposits	<b>₱1,162,189,537</b>	₱1,181,956,719
Construction bond	<b>33,832,667</b>	33,756,971
	<b>₱1,196,022,204</b>	₱1,215,713,690

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

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**18. Trade and Other Payables**

This account consists of:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade	<b>₱8,261,985,775</b>	₱10,769,670,664
Nontrade (Note 26)	<b>2,156,448,555</b>	3,002,090,181
Others	<b>240,861,770</b>	367,383,460
	<b>₱10,659,296,100</b>	₱14,139,144,305

Trade payables are noninterest-bearing and are normally settled on forty five (45) to sixty (60) 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 (Note 26).

Others consist of taxes and licenses payable and salaries payable.

## 19. Loans Payable

The rollforward analysis of this account follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
At January 1	<b>P111,686,997</b>	P507,415,708
Availments	—	—
Payments	<b>(13,918,160)</b>	(395,728,711)
	<b>97,768,837</b>	111,686,997
Less current portion	<b>55,555,556</b>	55,555,556
Noncurrent portion	<b>P42,213,281</b>	P56,131,441

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

Total interest expense charged to operations amounted to P5.22 million and P5.21 million for the three months ended March 31, 2014 and 2013, respectively.

## 20. Equity

### Capital Stock

The details of this account follow:

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Amount	No. of shares	Amount	No. of shares
Common stock - P1 par value				
Authorized shares	<b>P2,000,000,000</b>	<b>2,000,000,000</b>	P2,000,000,000	2,000,000,000
Issued shares	<b>1,385,000,000</b>	<b>1,385,000,000</b>	1,385,000,000	1,385,000,000

The rollforward of issued shares account follows:

	No. of Shares		Amount	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
At January 1	<b>1,385,000,000</b>	1,385,000,000	<b>P1,385,000,000</b>	P1,385,000,000
Issuance	—	—	—	—
	<b>1,385,000,000</b>	1,385,000,000	<b>P1,385,000,000</b>	P1,385,000,000

### Increase in authorized capital stock

As approved by the BOD on June 7, 2013, the Parent Company increased its authorized capital stock from P500.00 million divided into 500,000,000 common shares with par value of P1.00 per share to P2.00 billion divided into 2,000,000,000 common shares with par value of P1.00 per share.

Of the said increase in the authorized capital stock, 485,250,000 shares have been subscribed amounting to P485.25 million on the same date.

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

#### Registration Track Record

On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱745.65 million, charged against “Additional paid-in capital” in the consolidated statement of financial position.

#### Equity Reserve

On December 5, 2014, RSC has 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 now holds 80% interest in RHMI. The Group recognized equity reserve from the acquisition amounting to ₱1.11 billion included in “Equity Reserve” in the 2014 consolidated statement 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.

#### *Retained Earnings*

The income of the subsidiaries and associates that are recognized in the consolidated statement of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries and an associate included in retained earnings amounted to ₱9.72 billion and ₱9.16 billion as at March 31, 2015 and December 31, 2014, respectively.

#### Appropriation of Retained Earnings

On December 1, 2014, the BOD approved the additional appropriation of ₱1.50 billion for RRHI. The appropriated retained earnings shall be used to continue RRHI’s investment programs for the next 3 years.

On November 25, 2014, the Group’s BOD approved the additional appropriation of ₱2.27 billion. The appropriated retained earnings shall be used to augment funds in construction, renovation and strategic acquisitions in the next 2 years in line with the Group’s nationwide expansion. Details follow:

Entity	Amount
RSC	₱900,000,000
RRHI TMI	440,200,000
RHMI	430,000,000
RI	410,000,000
SSDI	190,000,000
RAC	106,000,000
RTI	86,000,000
RTSHPI	60,000,000
WHMI	60,000,000
EC	25,000,000
RVC	10,000,000
HEMI	5,000,000
<b>Total</b>	<b>₱2,722,200,000</b>

On November 25, 2014, the BOD approved the reversal of the appropriated retained earnings of RSSI amounting to ₱15.00 million.

On February 6, 2014, the Group’s BOD approved the appropriation of ₱1.76 billion. The appropriated retained earnings shall be used to augment funds to construct 69 new stores and renovate 3 stores during the year in line with the Group’s nationwide expansion. Details follow:



Entity	Amount
RSC	₱1,000,000,000
RHMI	325,000,000
RI	200,000,000
RTSHPI	80,000,000
WHMI	55,000,000
RAC	47,000,000
RSSI	25,000,000
RTI	32,000,000
<b>Total</b>	<b>₱1,764,000,000</b>

On July 4, 2013, the BOD approved the reversal of the appropriated retained earnings amounting to ₱1.40 billion. The appropriation was made in 2011 for continuing investment in subsidiaries.

#### Declaration of Dividends of the Subsidiaries

On August 20, 2014, the BOD of the subsidiaries of the Parent Company approved the declaration of cash dividends as follows:

Entity	Amount
RSC	₱200,000,000
RI	100,000,000
RTSHPI	35,000,000
<b>Total</b>	<b>₱335,000,000</b>

The cash dividends above are to be paid in 2015.

In January 30, 2014, the BOD of the subsidiaries of the Group approved the declaration of cash dividends of RTSHPI amounting to ₱8.00 million. The dividends were paid on February 28, 2014.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended March 31, 2015 and December 31, 2014, respectively.

The Group considers its equity as follows:

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 (Audited)
Capital stock	<b>₱1,385,000,000</b>	₱1,385,000,000
Additional paid-in capital	<b>27,227,385,090</b>	27,227,385,090
Other comprehensive income (loss)	<b>30,912,147</b>	(23,641,261)
Equity reserve	<b>(991,931,906)</b>	(991,931,906)
Treasury shares	—	—
Retained earnings	<b>12,832,617,173</b>	12,051,508,926
	<b>₱40,483,982,504</b>	₱39,648,320,849

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

## 21. Business Combinations

### *Acquisition of SSDI*

On July 4, 2012, RSC and RI, wholly-owned subsidiaries of RRHI, each acquired 45% interest in SSDI, aggregating to 90%, for a total consideration amounting to ₱2.57 billion.

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

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

	Fair Values recognized on acquisition
<b>Assets</b>	
Cash	₱418,078,660
Trade and other receivables	59,002,918
Inventories	1,348,427,599
Other current assets	60,866,170
Property and equipment (Note 14)	181,924,835
Trademark (Note 16)	1,566,917,532
Other noncurrent assets	37,252,913
	<u>3,672,470,627</u>
<b>Liabilities</b>	
Trade and other payables	906,773,885
Income tax payable	5,134,007
Loans payable (Note 19)	246,483,209
Deferred tax liability	470,075,260
Pension liability (Note 25)	17,028,684
	<u>1,645,495,045</u>
Net assets before non-controlling interest	<u>₱2,026,975,582</u>
Non-controlling interest measured at share of net assets (10%)	<u>202,697,558</u>
Net assets (90%)	<u>1,824,278,024</u>
Goodwill arising on acquisition (Note 16)	<u>745,887,131</u>
Acquisition cost	<u><u>₱2,570,165,155</u></u>

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

In 2013, the Group finalized the price allocation and the fair value computation of trademark and goodwill. Adjustments to provisional amounts that were made during the measurement period were recognized as if the accounting for the business combination had been completed on July 4, 2012, the acquisition date. Accordingly, the December 31, 2012 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, trademark, deferred tax liability and non-controlling interest increased by ₱1.57 billion, ₱470.08 million and ₱109.68 million, respectively. The final purchase price allocation resulted in goodwill of ₱745.89 million from the previous determined provisional amount of ₱1.73 billion.

*Acquisition of EC*

On September 14, 2013, RSC acquired 100% ownership of EC for a total consideration of ₱318.72 million.

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

	Fair Values recognized on acquisition (Restated – Note 2)
Assets	
Property and equipment (Note 14)	₱168,717,540
Liability	
Deferred tax liability	49,865,262
Net Assets	118,852,278
Goodwill (Note 16)	199,870,222
Acquisition cost	₱318,722,500

In 2014, the Group finalized the price allocation and the fair value computation of goodwill. Adjustments to provisional amounts that were made during the measurement period were recognized as if the accounting for the business combination had been completed on September 14, 2013, the acquisition date. Accordingly, the December 31, 2013 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, property and equipment and deferred tax liability increased by ₱166.22 million and ₱49.87 million, respectively. The final purchase price allocation resulted in goodwill of ₱199.87 million from the previous determined provisional amount of ₱316.22 million.

*Acquisition of BSRI*

On December 5, 2013, RSSI, acquired the business of BSRI for a total consideration of ₱90.00 million. The latter is engaged in the sale of cosmetic products in the Philippines. The transaction was accounted for as a business combination. The fair values of the identifiable assets of BSRI at the date of acquisition follow:

	Fair Values recognized on acquisition
Assets	
Property and equipment	₱3,545,245
Security deposits	3,130,064
Net assets	6,675,309
Goodwill (Note 16)	83,324,691
Acquisition cost	₱90,000,000

As of December 31, 2014, the purchase price allocation has been finalized. The fair values of the assets acquired as of date of acquisition were based on the net book values as this approximates the fair value as of date of acquisition. There was no adjustment in the provisional accounting made in 2013. The final purchase price allocation resulted in goodwill of ₱83.32 million.

*Acquisition of JRMC*

On January 29, 2014, RSC acquired 100% ownership of JRMC for a total consideration of ₱131.71 million.

The fair values of the identifiable assets of JRMC at the date of acquisition follow:

	Fair Values recognized on acquisition
Assets	
Property and equipment	₱84,617,057
Liability	
Deferred tax liability	24,635,117
Net Assets	59,981,940
Goodwill (Note 16)	71,732,435
Acquisition cost	₱131,714,375

Subsequent to the reporting period, the Group finalized the price allocation and the fair value computation of goodwill since the measurement period for the finalization of the fair values of the net assets acquired in the acquisition of JRMC ended on January 28, 2015. There were no adjustments to provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱71.73 million.

*Acquisition of GPC*

On June 2, 2014, SSDI acquired 100% ownership of GPC for a total consideration of ₱24.50 million.

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

	Fair Values recognized on acquisition
Assets	
Property and equipment	₱1,250,000
Goodwill (Note 16)	23,250,000
Acquisition cost	₱24,500,000

*Acquisition of RHIB*

On July 3, 2014, RHMI acquired 67.00% ownership of RHIB for a total consideration of ₱201.00 million.

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

	Fair Values recognized on acquisition
Assets	
Property and equipment	₱76,504,117
Security deposits	3,495,883
Net assets before non-controlling interest	80,000,000
Non-controlling interest measured at share of net assets (33.00%)	26,400,000
Net Assets (at 67.00%)	53,600,000
Goodwill (Note 16)	147,400,000
Acquisition cost	₱201,000,000

## 22. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores. Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱453.53 million and ₱392.19 million in March 31, 2015 and 2014, respectively.

## 23. Operating Expenses

Operating expenses for the three months ended March 31 consist of:

	2015 (Unaudited)	2014 (Unaudited)
Rental and utilities (Note 30)	₱1,721,031,511	₱1,495,955,733
Personnel costs and contracted services (Note 24)	1,111,116,339	890,874,383
Depreciation and amortization (Notes 14 and 16)	399,401,139	285,335,011
Transportation and travel	153,963,709	146,009,240
Supplies	111,057,747	116,114,375
Bank and credit charges	92,695,439	79,730,451
Repairs and maintenance	72,502,351	49,732,248
Advertising	67,426,240	60,471,754
Royalty	28,514,027	24,305,987
Others	101,506,966	83,167,287
	<b>₱3,859,215,468</b>	<b>₱3,231,696,469</b>

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment, amortization of license fee amounting to ₱392.29 million and ₱7.11 million, respectively in 2015 and ₱284.78 million and ₱0.56 million, respectively in 2014.

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

## 24. Personnel Costs and Contracted Services

Personnel costs and contracted services for the three month ended March 31, consist of (Note 23):

	2015 (Unaudited)	2014 (Unaudited)
Salaries, allowances and benefits	₱527,687,764	₱432,685,304
Contracted services	583,428,575	458,189,079
	<b>₱1,111,116,339</b>	<b>₱890,874,383</b>

## 25. Employee Benefits

The Group has a defined benefit plan, covering substantially all of its employees. The latest retirement valuation was issued on March 13, 2015.

Under the existing regulatory framework, Republic Act 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 pension expense under “Operating expenses” account in the consolidated statements of comprehensive income are as follows:

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Current service cost	<b>₱19,037,207</b>	₱51,528,036
Interest cost on net benefit obligation	<b>3,932,455</b>	19,255,328
Net pension expense	<b>₱22,969,662</b>	₱70,783,364

*Net pension liabilities*

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Pension obligation	<b>₱675,096,463</b>	₱652,126,801
Fair value of plan assets	<b>(17,425,365)</b>	(17,425,365)
Pension liability	<b>₱657,671,098</b>	₱634,701,436

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

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	<b>₱634,701,436</b>	₱361,181,660
Pension expense	<b>22,969,662</b>	70,783,364
Recognized in OCI	—	205,700,822
Benefits paid	—	(2,964,410)
Balance at end of period	<b>₱657,671,098</b>	₱634,701,436

Changes in the present value of defined benefit obligation follow:

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	<b>₱652,126,801</b>	₱378,150,409
Current service cost	<b>19,037,207</b>	51,528,036
Interest cost	<b>3,932,455</b>	20,291,151
Actuarial losses on:		
Changes in financial assumptions	—	173,467,100
Experience adjustments	—	32,625,715
Changes in demographic assumptions	—	(971,200)
Benefits paid	—	(2,964,410)
Balance at end of period	<b>₱675,096,463</b>	₱652,126,801

Movements in the fair value of plan assets follow:

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	<b>₱17,425,365</b>	₱16,968,749
Interest income included in net interest cost	—	1,035,823
Actual return excluding amount in net interest cost	—	(579,207)
Balance at end of period	<b>₱17,425,365</b>	₱17,425,365

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Discount rates	4.55%-4.69%	4.55%-4.69%
Salary increase rates	3.00%-7.70%	3.00%-7.70%

The Group does not expect to contribute to the fund in 2015.

The distribution of the plan assets at year end follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>Assets</b>		
Cash	P1,842,548	P1,842,548
Investments in government securities	14,643,584	14,643,584
Investments in funds - AFS financial assets	959,862	959,862
Receivables	—	—
	<b>P17,445,994</b>	<b>P17,445,994</b>
<b>Liabilities</b>		
Trust fee payable	<b>P20,629</b>	<b>P20,629</b>

Salaries, allowances and benefits (Note 24):

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Salaries, wages and allowances	P504,718,102	P1,905,290,885
Net pension expense	22,969,662	70,783,364
	<b>P527,687,764</b>	<b>P1,976,074,249</b>

## 26. 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 affiliates arising from the normal course of operations.

a. The following are the Company's transaction with its related parties:

Category	Amount		Due from (Due to)		Terms and Conditions
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	
<b>Other affiliates under common control</b>					
Trade receivable and other receivables	P—	P—	P202,149,616	P155,787,553	Noninterest bearing and due in 30 days, not impaired
Sales	542,219,837	1,537,528,360	—	—	
Royalty income	203,731,605	582,384,261	—	—	

(Forward)

Category	Amount		Due from (Due to)		Terms and Conditions
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	
Trade and other payable	–	–	(346,050,571)	(430,547,980)	Noninterest bearing and payable in 30 days, unsecured
Purchases - net	(410,509,288)	(1,903,235,750)	–	–	
Rent and utilities	(787,131,454)	(2,401,061,241)	–	–	

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

- b. 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 pension plans.

*Terms and conditions of transactions with related parties*

Outstanding balances at year-end are unsecured, interest-free and settlement occur in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the three months ended March 31, 2015 and the year ended December 31, 2014. 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.

## 27. Income Tax

Provision for income tax for the three months ended March 31 follows:

	2015 (Unaudited)	2014 (Unaudited)
Current	<b>P191,276,400</b>	P243,575,419
Deferred	<b>9,793,210</b>	(21,493,951)
	<b>P201,069,610</b>	P222,081,468

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Tax effects of:		
Pension liability	<b>P197,301,329</b>	P190,410,429
NOLCO	<b>30,181,606</b>	11,758,498
MCIT	<b>7,901,555</b>	7,325,046
Accrued rent	<b>4,518,462</b>	4,518,461
Allowance for inventory write-down	<b>1,923,125</b>	2,052,550
Allowance for impairment losses	<b>328,993</b>	199,568
Unrealized foreign exchange loss	<b>383</b>	(8,302,254)
Fair value adjustment on AFS financial assets and investment in an associate	<b>(62,540,955)</b>	(39,160,923)
Others	<b>853,869</b>	869,033
	<b>P180,468,367</b>	P169,670,408

As of March 31, 2015 and December 31, 2014, the deferred tax liability of the Group amounting to P544.58 million, pertains to the deferred tax attributable to the trademark and difference in the fair values and carrying values of the net assets acquired through business combinations (Note 21).



## 28. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company for the three months ended March 31, 2015 and 2014:

	2015	2014
Net income attributable to equity holders of the Parent Company	<b>₱781,108,247</b>	₱561,579,888
Weighted average number of common shares	<b>1,385,000,000</b>	1,366,028,050
Adjusted weighted average number of common shares for diluted EPS	<b>1,385,000,000</b>	1,366,028,050
Basic/ Diluted EPS	<b>₱0.56</b>	₱0.41

The Parent Company has no dilutive potential common shares in 2015 and 2014.

## 29. Risk Management and Financial Instruments

### Governance Framework

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

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

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the AFS financial assets and noncurrent loans payable as of March 31, 2015 and December 31, 2014.

### Fair Value Information

As of March 31, 2015 and December 31, 2014, the carrying value and fair value of the AFS financial assets amounted to ₱18.94 billion and ₱19.04 billion, and ₱17.73 billion and ₱17.72 billion, respectively.

As of March 31, 2015 and December 31, 2014, the carrying values of loans payable amounted to ₱97.77 million and ₱111.69 million, respectively. Corresponding fair values amounted to ₱100.03 million and ₱113.94 million, respectively.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

#### *Financial Assets*

Due to the short-term nature of the transaction, the fair value of cash and cash equivalents, trade and other receivables and security deposits approximates the carrying values at year-end. The fair value of the AFS financial assets has been determined based on prevailing market quotes.

#### *Financial Liabilities*

Due to the short-term nature of trade and other payables and other current liabilities, their carrying values approximate fair value. The fair values of loans payable are based on the discounted value of future cash flows using the applicable rates for similar types of loans.

The main purpose of the Group's financial instruments is to fund its operations and capital expenditures.

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

#### Fair Value Hierarchy

As of March 31, 2015 and December 31, 2014, the Group has AFS financial assets valued under Level 1 amounting to P19.04 million and P17.72 billion, respectively (Note 13). These financial assets are measured at fair value.

As of March 31, 2015 and December 31, 2014, the Group has loans payable for which fair values are disclosed under level 3 amounting to P100.03 million and P113.94 million, respectively (Note 19).

There were no transfers among levels 1, 2 and 3 in 2015 and 2014.

#### Financial Risk

##### *Interest rate risk*

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

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

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

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

##### *Liquidity risk*

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

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

The table below shows the maturity profile of the financial instruments of the Group as of March 31, 2015 and December 31, 2014 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

#### March 31, 2015

	On Demand	1 year	More than 1 year	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	P7,151,052,317	P-	P-	P7,151,052,317
Short-term investments	-	6,779,356	-	6,779,356
Trade receivables	36,785,438	301,949,065	-	338,734,503
Nontrade receivables	-	420,246,734	-	420,246,734
Due from franchises	-	225,415,732	-	225,415,732
Other noncurrent assets				
Security and other deposits	-	48,379,782	1,113,809,755	1,162,189,537
Construction bond	-	3,389,965	30,442,702	33,832,667
<b>AFS financial assets</b>	-	-	19,035,851,372	19,035,851,372
	<b>P7,187,837,755</b>	<b>P1,006,160,634</b>	<b>P20,180,103,829</b>	<b>P28,374,102,218</b>
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Trade and other payables*	P-	P10,555,786,828	P-	P10,555,786,828
Loans payable	-	55,555,556	42,213,281	97,768,837
Other current liabilities	-	196,103,918	-	196,103,918
	<b>P-</b>	<b>P10,807,446,302</b>	<b>P42,213,281</b>	<b>P10,849,659,583</b>

\*excluding statutory liabilities amounting P103,509,272

December 31, 2014

	On Demand	1 year	More than 1 year	Total
<b>Financial Assets</b>				
Loans and receivables				
Cash and cash equivalents	P9,969,823,164	P–	P–	P9,969,823,164
Short -term investments	–	1,852,726,333	–	1,852,726,333
Trade receivables	53,528,902	864,811,602	–	918,340,504
Nontrade receivables	3,650,601	377,098,542	–	380,749,143
Due from franchises	–	230,354,271	–	230,354,271
Other noncurrent assets				
Security and other deposits	–	188,248,344	993,708,375	1,181,956,719
Construction bond	–	–	33,756,971	33,756,971
AFS financial assets	–	–	17,717,912,763	17,717,912,763
	<b>P10,027,002,667</b>	<b>P3,513,239,092</b>	<b>P18,745,378,109</b>	<b>P32,285,619,868</b>
<b>Financial Liabilities</b>				
Other financial liabilities				
Trade and other payables*	P–	P13,793,848,492	P–	P13,793,848,492
Loans payable	–	55,555,556	56,131,441	111,686,997
Other current liabilities	–	198,062,357	–	198,062,357
	<b>P–</b>	<b>P14,047,466,405</b>	<b>P56,131,441</b>	<b>P14,103,597,846</b>

\*excluding statutory liabilities amounting P345,295,813

As of March 31, 2015 and December 31, 2014, the Group has outstanding loans from Robinsons Savings Bank and Metrobank and Trust Company amounting to P97.77 million and P111.69 million, respectively (Note 19).

*Credit risk*

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

The Group's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

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

The tables below show the aging analysis of loans and receivables and AFS financial assets as at March 31, 2015 and December 31, 2014.

March 31, 2015

	Neither past due nor impaired	1 year	More than 1 year	Impaired Financial Assets	Total
<b>Financial Assets</b>					
<b>Loans and receivables</b>					
Cash in bank and cash equivalents	P7,021,937,300	P–	P–	–	P7,021,937,300
Short -term investments	6,779,356	–	–	–	6,779,356
Trade receivables	301,949,065	36,785,438	–	581,090	339,315,593
Nontrade receivables	348,564,759	71,681,975	–	–	420,246,734
Due from franchises	225,415,732	–	–	29,461,011	254,876,743
Other noncurrent assets					
Security and other deposits	1,162,189,537	–	–	–	1,162,189,537
Construction bond	33,832,667	–	–	–	33,832,667
AFS financial assets	19,035,851,372	–	–	–	19,035,851,372
	<b>P28,136,519,788</b>	<b>P108,467,413</b>	<b>P–</b>	<b>P30,042,101</b>	<b>P28,275,029,302</b>

December 31, 2014

	Neither past due nor impaired	1 year	More than 1 year	Impaired Financial Assets	Total
Financial Assets					
Loans and receivables					
Cash in bank and cash equivalents	₱9,049,704,225	₱-	₱-		₱9,049,704,225
Short-term investments	1,852,726,333		-		1,852,726,333
Trade receivables	864,811,602	53,528,902		581,090	918,921,594
Nontrade receivables	377,098,542	3,650,601	-		380,749,143
Due from franchisees	230,354,271	-	-	29,461,011	259,815,282
Other noncurrent assets					
Security and other deposits	1,181,956,719	-	-	-	1,181,956,719
Construction bond	33,756,971	-	-	-	33,756,971
AFS financial assets	17,717,912,763	-	-	-	17,717,912,763
	₱31,308,321,426	₱57,179,503	₱-	₱30,042,101	₱31,395,543,030

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

### 30. Lease Commitments

*Group as lessee*

The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to fifteen (15) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense for the period ended March 31, 2015 and 2014 amounted to ₱968.88 million and ₱820.34 million, respectively (Notes 23 and 26).

### 31. Agreements

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

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

Royalty expense amounted to ₱14.67 million and ₱13.03 million in 2015 and 2014, respectively (Note 23). Royalty payable to Ministop included under "Nontrade payable" as of March 31, 2015 and December 31, 2014 amounted to ₱5.29 million and ₱27.32 million, respectively (Note 18).

- 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 royalty fee is based on a certain percentage of the gross profit of the franchisee. The related royalty fee amounted to ₱331.16 million and ₱267.31 million in 2015 and 2014, respectively.

As of March 31, 2015 and December 31, 2014, amounts due from franchisees amounted to ₱225.42 million and ₱230.35 million, respectively. These amounts are net of allowance for impairment losses amounting to ₱29.46 million as of March 31, 2015 and December 31, 2014, respectively (Note 10).

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

Royalty expense amounted to ₱0.93 million and ₱0.53 million in 2015 and 2014, respectively.

- d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines.
- e.) The Group is a sub-licensee of Toys R Us in the Philippines. Royalty expense amounted to ₱12.24 million and ₱10.01 million in 2015 and 2014, respectively.
- f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a franchise fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one year after the date of the agreement subject to closing conditions, and annual service fee which is equal to a certain percentage of sales. In 2014, the Group recognized a franchise asset amounting to ₱13.81 million. The agreement is contracted for 5 years and subject to renewal.
- g.) The Group has licenses and franchises to carry various global brands.

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### 32. Contingencies

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

**USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**  
**March 31, 2015**

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.

The net proceeds have not been fully disbursed as of March 31, 2015. For the period covered January 1 to March 31, 2015, the application of the net proceeds is broken down as follows:

<b>Use of Proceeds</b>	<b>Amount in Pesos</b>
Expansion of store network	₱401,846,115
Renovation of existing stores	265,996,879
Other corporate purposes	45,881,606
Repayment of bank loans	15,269,416
Total	₱728,994,016

## **SUPPLEMENTARY SCHEDULES**

### **I. Supplementary schedules required by Annex 68-E**

- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)
- C. Amounts Receivable From Related Parties which are Eliminated During the  
Consolidation of Financial Statements
- D. Intangible Assets
- E. Short term and Long term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock

### **II. Schedule of Financial Ratios**

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE A: FINANCIAL ASSETS**

March 31, 2015

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
<b>AFS Financial Assets</b>				
Various bonds	P15,284,912,593	P15,332,151,372	P15,332,151,372	P157,697,347
Notes	1,683,700,000	1,683,700,000	1,683,700,000	18,062,275
Investment in preferred shares	4,000,000	2,020,000,000	2,020,000,000	27,875,000
<b>Money Market Placements</b>				
RBC	P6,191,400	P6,779,356	P6,779,356	P587,956
	P16,978,803,993	P19,042,630,728	P19,042,630,728	P204,222,578



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND  
PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)**

March 31, 2015

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

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE C: AMOUNTS RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

March 31, 2015

<b>Entity with Receivable Balance</b>	<b>Balance at Beginning of Period</b>	<b>Net Movement</b>	<b>Write-offs</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Robinsons Retail Holdings Inc.	P647,165,017	P2,822,331,701	P–	P3,469,496,718	P–	P3,469,496,718
Robinsons Toys Inc.	228,074,071	(163,524,609)	–	64,549,462	–	64,549,462
Robinsons Convenience Stores Inc.	39,106,088	–	–	–	–	39,106,088
Robinsons Supermarket Corporation	15,579,310	(8,275,190)	–	7,304,120	–	7,304,120
Eurogrocer Corp.	135,270	(30,770)	–	104,500	–	104,500
Robinson's Incorporated	17,767,427	14,522,806	–	14,522,806	–	14,522,806
Robinson's Handyman Inc.	2,862,264	(580,402)	–	2,281,862	–	2,281,862
RHD Daiso- Saizen Inc.	70,498,671	(37,132,258)	–	33,366,413	–	33,366,413
	P1,021,052,848	P2,776,343,851	P–	P3,512,449,113	P–	P3,512,449,113

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D: INTANGIBLE ASSETS**

March 31, 2015

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Trademark	P1,566,917,532	P–	P–	P–	P–	P1,566,917,532
Goodwill	1,356,625,947	–	–	–	–	1,356,625,947
License	96,969,698	–	(3,030,303)	–	–	93,939,395
Franchise	13,805,165	–	–	–	–	13,805,165
	P3,034,318,342	P–	(P3,030,303)	P–	P–	P3,031,288,039

See Note 16 of the Consolidated Financial Statements.

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE E: SHORT TERM AND LONG TERM DEBT**

March 31, 2015

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Floating rate bank loans	₱97,768,837	5.3%	₱55,555,556	₱42,213,281
	₱97,768,837		₱55,555,556	₱42,213,281

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**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES****March 31, 2015**

Name of related party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE

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

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**SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS**

March 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

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**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE H: CAPITAL STOCK**

March 31, 2015

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,385,000,000	—	520,067,497	380,182,503	484,750,000
	2,000,000,000	1,385,000,000	—	520,067,497	380,182,503	484,750,000

See Note 20 of the Consolidated Financial Statements

**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE OF FINANCIAL RATIOS****FOR THE PERIOD ENDED March 31, 2015 AND 2014**

<b>Financial Soundness Indicator</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
<b>i. Liquidity analysis ratios:</b>		
Current ratio	<b>1.66</b>	3.22
<b>ii. Profitability ratio:</b>		
Operating margin ratio	<b>0.22</b>	0.21
<b>iii. Stability ratio:</b>		
Solvency ratio	<b>0.09</b>	0.07
Net debt to equity ratio	<b>0.31</b>	0.33
Asset to equity ratio	<b>1.31</b>	1.33
Interest rate coverage rate ratio	<b>151.39</b>	145.37
<b>iii. Other ratios</b>		
Return on assets	<b>0.02</b>	0.02
Return on equity	<b>0.02</b>	0.03

*\*See attached supporting computation.*



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE OF FINANCIAL RATIOS****FOR THE PERIOD ENDED MARCH 31, 2015 AND MARCH 31, 2014**

	<b>2015</b>	<b>2014</b>
Current assets	<b>P19,475,306,299</b>	P37,626,804,142
Current liabilities	<b>11,725,305,383</b>	11,672,158,806
Current ratio	<b>1.66</b>	3.22
Operating income	<b>P4,252,322,684</b>	P3,664,837,504
Net sales	<b>19,715,150,870</b>	17,426,009,975
Operating margin ratio	<b>0.22</b>	0.21
After tax net profit	<b>P822,276,791</b>	P642,641,476
Depreciation and amortization	<b>399,401,139</b>	285,335,011
	<b>1,221,677,930</b>	927,976,487
Total liabilities	<b>12,969,765,401</b>	12,616,872,635
Solvency ratio	<b>0.09</b>	0.07
Total liabilities	<b>P12,969,765,401</b>	P12,616,872,635
Total equity	<b>42,163,068,022</b>	38,604,649,030
Debt to equity ratio	<b>0.31</b>	0.33
Total assets	<b>P55,132,833,423</b>	P51,221,521,665
Total equity	<b>42,163,068,022</b>	38,604,649,030
Asset to equity ratio	<b>1.31</b>	1.33
Earnings before interest and taxes	<b>P790,097,369</b>	P757,581,635
Interest expense	<b>5,218,795</b>	5,211,277
Interest rate coverage ratio	<b>151.39</b>	145.37
Net income	<b>P822,276,791</b>	P642,641,476
Average total assets	<b>53,177,177,544</b>	36,263,716,448
Return on assets	<b>0.02</b>	0.02
Net income	<b>P822,276,791</b>	P642,641,476
Average total equity	<b>40,383,858,526</b>	23,573,562,977
Return on equity	<b>0.02</b>	0.03

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Consolidated Results of Operations**

#### **For the Three Months Ended March 31, 2015 and 2014**

*(Amounts in Millions Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of P822 million for the three months ended March 31, 2015, an increase of 28.0% as compared to P643 million for the three months ended March 31, 2014. The increase was largely due to increased income from operations as a result of new store openings and higher interest income from AFS investments.

Consolidated revenues increased by 13.1% from P17,426 million for the three months ended March 31, 2014 to P19,715 million for the three months ended March 31, 2015. The robust growth was largely due to increase in sales volume as a result of the additional 29 stores, rent and other income also increased from P324 million to P397 million or a 22.5% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the three months ended March 31, 2015 amounted to P4,252 million, 16.0% higher than P3,665 million for the three months ended March 31, 2014. The increase was on the back of increased margins of the supermarket segment, higher vendor volume incentives and discounts.

Operating expenses grew by 19.4% from P3,232 million to P3,859 million for the three months ended March 31, 2015 due to higher selling expenses and accelerated store network expansion.

Other income and charges increased by 117.8% from P107 million to P233 million for the three months ended March 31, 2015 primarily due to the higher interest income earned from bond investments.

EBITDA (earnings before interests, taxes, depreciation, amortization and other non-cash items) expanded by 14.0% from P1,043 million for the three months ended March 31, 2014 to P1,189 million for the three months ended March 31, 2015. The increase was largely due to higher gross profit margins as compared to last year.

### **Supermarket**

Robinsons Supermarket, the biggest business segment of the group, registered net sales of P9,689 million for the three months ended March 31, 2015, representing 11.3% growth from last year's net sales of P8,703 million. The growth was driven by the strong performance of the existing stores and sales contribution of the 15 new stores that were opened during the period.

The cost of merchandise sold grew by 11.0% from P7,123 million in 2014 to P7,906 million in 2015. Gross profit for the first quarter of the year amounted to P1,783 million, 12.9% higher than the P1,580 million registered in the same period last year. The increase was on the back of higher sales and vendor discounts. As a percentage to sales, gross margin increased 20 bps to 18.4% this year versus 18.2% last year.

The supermarket segment's EBIT reached P408 million as of end of March 2015, 13.2% jump from P361 million in the same period last year. Accordingly, EBITDA expanded by 14.4% to P559 million this year against P489 million last year.

### **Department Store**

Robinsons Department Store (RDS) registered P2,985 million net sales for the three months ended March 31, 2015, a 9.5% increase from P2,727 million for the same period last year. The percentage lift in net sales was attributable to the gain in same stores sales and the sales contribution of the new stores.

RDS' cost of sales amounted to P2,212 million for the three months ended March 31, 2015, an increase of 9.3% from P2,024 million for the same period last year. The growth in cost of sales could be directly attributable to the growth in net sales. The resulting gross profit of P774 million for the quarter, also improved by 10.0% against P703 million for the same period last year.

Although RDS realized growth in revenue, this was just enough to compensate the escalation in operating expenses. As a result, RDS' EBIT (earnings before interests and taxes) for the quarter amounted to P120 million, a slight increase of 0.7% from P119 million in the same period last year. The EBITDA for the quarter reached P171 million, 7.6% higher than last year's EBITDA of P159 million.

### **DIY Stores**

The DIY segment ended the first quarter of 2015 with healthy increases in sales and gross margin. Net sales lifted by 20.9% from P1,825 million to P2,208 million for the three months ended March 31, 2014 and March 31, 2015, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the aggressive expansion of 27 new stores from 2014, which includes the 18 A.M. Builders' Depot stores acquired in July 2014. DIY's cost of sales grew by 21.3% from P1,249 million in 2014 to P1,515 million in 2015, in line with the increase in net sales. As a result, gross profit expanded to P692 million from P576 million in the three months ended 2015. As a percentage to sales, gross profit was at 31.4% this year against 31.6% last year. However, operating expenses as a percentage to sales swelled by 1.3 percentage points from 22.7% to 24.0% because the sales of the new stores are still ramping-up.

Consequently, EBIT was flattish at P161 million for the first quarter of 2015 versus same period last year. On the other hand EBITDA showed a modest growth of 12.5% to P212 million for the three months ended March 31, 2015 against P188 million for the same period in 2014.

### **Convenience Stores**

The Convenience stores segment registered a system wide sales and merchandise sales of P1,796 million and P1,256 million, respectively, for the first quarter of 2015, a 13.6% and 18.6% growth from P1,581 million and P1,059 million of the same period last year. The increase in sales can be attributed to the increase in number of operating stores from last year's 402 to this year's 473 and same store sales growth of 5.0%.

Other Income which mainly consist of Royalty Fee grew by 23.6% from P269 million last year to P333 million this year. Royalty Fee is computed as a percentage of system wide Gross Profit and is about 99% of the total Other Income.

Cost of Sales grew by P176 million or 18.4%, to P1,135 million for the first quarter of 2015 from P959 million in 2014. Gross Margin is 0.1% higher from 9.5% last year to 9.6% this year. Operating expenses grew by 30.5% which outweighed the increase in gross margin and other income of 22.9%. Convenience stores recorded an EBIT of P7 million this year versus last year's P27 million.

EBITDA generated for the first quarter of 2015 was P59 million, 15.1% lower than the P70 million recorded in the same period last year.

Convenience stores will continue its expansion mostly in the central business district areas and will continue to introduce breakthrough products and increase in efficiencies in operations.

### **Drug Stores**

The drug store segment registered net sales of P1,875.6 million as of March 31, 2015, representing a growth of 11.6% from last year's sales of P1,679.9 million. The growth was mainly driven by the sales contribution of the 65 stores added from last year to March 2015, which includes Chavez Pharmacy, a seven-store retail chain acquired in June 2014.

The segment's cost of sales as of March 31, 2015 reached P1,563.9 million, representing an increase of 11.6% from the same period last year, which is in line with the sales growth. Consequently, gross margins have also expanded from P279.1 million in the first quarter of 2014 to P311.7 million in 2015.

EBIT for the first quarter of 2015 reached P73.2 million, representing a 7.2% jump from P68.3 million for the same period last year. Likewise, EBITDA also grew by 11.0% from P78.2 million to P86.9 million this year.

### **Specialty Stores**

The net sales of the Specialty Stores segment increased by 23.9% from P1,547 million to P1,917 million for the three months ended March 31, 2014 and March 31, 2015, respectively. The higher net sales was attributed to higher same store sales growth and sales contribution from the new stores. The segment added 31 more stores after March 31, 2014 bringing the store network to 239 by the end of March 2015.

The cost of merchandise sold of Specialty Stores segment increased at a slower clip than net sales at 20.4% from P1,121 million to P1,351 million for the three months ended March 31, 2014 and March 31, 2015, respectively. As a result, gross margin rose to 29.5% this year versus 27.5% last year, resulting to a 33.0% jump in gross profit from P426 million to P566 million for the three months ended March 31, 2014 and March 31, 2015, respectively.

For the three months ended March 31, 2015, the Specialty Stores segment generated an EBITDA of P104 million, an increase of 71.9% as compared to P61 million last year. As a percentage to sales, EBITDA increased by 1.5 percentage points from 3.9% to 5.4% for the three months ended March 31, 2014 and March 31, 2015, respectively.

### **Financial Position**

March 31, 2015 versus December 31, 2014

As of March 31, 2015, the Company's balance sheet showed consolidated assets of P55,133 million, which was 4.1% lower from the total consolidated assets of P57,494 million as of December 31, 2014.

Cash and cash equivalents decreased from P9,970 million as of December 31, 2014 to P7,151 million as of March 31, 2015. Net cash used in operating activities totaled P674 million. Net cash used in investing activities amounted to P2,126 million, P748 million of which were used to acquire properties and equipments and P1,264 were used to acquire available for sale investments. Net cash used in financing activities amounted to P19 million.

Trade and other receivables decreased by 35.7% from P1,529 million to P984 million.

Trade and other payables decreased by 24.8% from P14,139 million to P10,638 million.

Stockholder's equity grew from P41,236 million as of December 31, 2014 to P42,163 million as of March 31, 2015 due to higher net income during the period.