COVER SHEET

SEC Registration Number

A	2	0	0	2	0	1	7	5	6	

Company Name

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
29	**Last Thursday of May**	**December 31**

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

Note: 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 June 30, 2017

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 **Pasig City, Philippines**

6. Industry Classification Code: ______ (SEC Use Only)

....

7. Address of issuer's principal office
   43rd Floor, Robinsons Equitable Tower
   ADB Avenue corner Poveda Sts., Ortigas Center
   Pasig City, Metro Manila
   Postal Code 1605

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 June 30, 2017

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:	Lance Y. Gokongwei Chairman
Date:	August 10, 2017
Signature and Title:	Lance Y. Gokongwei Chief Executive Officer
Date:	August 10, 2017
Signature and Title:	Robina Y. Gokongwei-Pe President and Chief Operating Officer
Date:	August 10, 2017
Signature and Title:	Graciela A. Banatao Treasurer
Date:	August 10, 2017
Signature and Title:	Mylene A. Kasiban Chief Financial Officer
Date:	August 10, 2017

PART 1 – FINANCIAL INFORMATION

Item 1 – Financial Statements

A. Unaudited Consolidated Statements of Financial Position as of June 30, 2017 and Audited Consolidated Statements of Financial Position as of December 31, 2016.

B. Unaudited Consolidated Statements of Comprehensive Income for the Six Months Ended June 30, 2017 and 2016.

C. Unaudited Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2017 and 2016

D. Unaudited Consolidated Statements of Cash Flow for the Six Months Ended June 30, 2017 and 2016

E. Notes to Unaudited Consolidated Financial Statement.

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 June 30, 2017 and 2016, 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. LANCE Y. GOKONGWEI
Chairman

MR. LANCE Y. GOKONGWEI
Chief Executive Officer

ROBINA Y. GOKONGWEI-PE
President and Chief Operating Officer

MYLENE A. KASIBAN
Chief Financial Officer

GRACIELA A. BANATAO
Treasurer

PASIG CITY

SUBSCRIBED AND SWORN to before me, a notary public in the City named above, personally appeared:

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

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

Witness my hand and seal this AUG 14 2017 day of 2017, 2017.

Doc. No. 119;
Page No. 25;
Book No. IV;
Series of 2017.

ATTY. PATRICK ARNOLD P. TETANGCO
Notary Public for Pasig City
Commission No. 207 (2016-2017)
40th Flr., Robinsons Equitable Tower,
Ortigas Center, Pasig City
IBP No. 012638; Quezon City Chapter
Roll No. 63825; 05/08/2014
PTR No. 2241402; 01/11/2016; Q.C.
[illegible]

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱7,964,404,516**	₱12,718,000,227
Trade and other receivables (Notes 8, 24 and 27)	**1,662,985,607**	1,987,889,900
Merchandise inventories (Note 9)	**14,190,925,324**	13,341,684,985
Other current assets (Note 10)	**2,374,001,423**	2,184,712,107
Total Current Assets	**26,192,316,870**	30,232,287,219
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Notes 11 and 27)	**20,444,836,554**	20,430,029,363
Property and equipment (Note 12)	**12,931,433,543**	12,562,161,367
Investments in an associate (Note 13)	**5,210,727,548**	5,077,911,984
Intangible assets (Notes 14 and 19)	**6,664,564,148**	6,671,898,429
Deferred tax assets - net (Note 25)	**336,948,221**	290,042,638
Other noncurrent assets (Notes 15 and 27)	**1,522,908,481**	1,430,720,629
Total Noncurrent Assets	**47,111,418,495**	46,462,764,410
	₱73,303,735,365	₱76,695,051,629
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱14,598,776,892**	₱16,796,597,482
Short-term loans payable (Notes 17 and 27)	**3,740,639,377**	6,575,698,733
Income tax payable	**580,720,335**	835,648,327
Other current liabilities (Note 27)	**221,918,700**	269,927,089
Total Current Liabilities	**19,142,055,304**	24,477,871,631
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 25)	**1,057,801,558**	1,042,105,721
Net pension liabilities (Notes 22 and 23)	**671,442,120**	609,529,248
Total Noncurrent Liabilities	**1,729,243,678**	1,651,634,969
Total Liabilities	**20,871,298,982**	26,129,506,600
Equity (Note 18)		
Capital stock	**1,385,000,000**	1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income (Notes 11, 13 and 23)	**338,760,166**	352,393,412
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**15,262,852,847**	15,262,852,847
Unappropriated	**5,694,078,738**	4,381,691,262
Total equity attributable to equity holders of the Parent Company	**48,886,182,172**	47,587,427,942
Non-controlling interest in consolidated subsidiaries	**3,546,254,211**	2,978,117,087
Total Equity	**52,432,436,383**	50,565,545,029
	₱73,303,735,365	₱76,695,051,629

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	**2017**	**2016**
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱27,762,781,753**	25,638,154,813	**₱53,485,740,145**	₱48,333,723,767
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**21,536,736,265**	20,050,755,469	**41,540,812,725**	37,941,436,931
GROSS PROFIT (Note 6)	**6,226,045,488**	5,587,399,344	**11,944,927,420**	10,392,286,836
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 24 and 29)	**601,560,040**	564,497,351	**1,113,576,114**	1,053,290,261
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**6,827,605,528**	6,151,896,695	**13,058,503,534**	11,445,577,097
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(5,270,943,379)**	(4,756,293,990)	**(10,343,026,623)**	(9,145,820,905)
OTHER INCOME (CHARGES)				
Interest income (Notes 6, 7 and 11)	**220,898,126**	184,863,946	**449,048,713**	388,509,278
Foreign currency exchange gain - net	**34,173,568**	70,242,411	**66,511,881**	(2,632,429)
Dividend income (Notes 6 and 11)	**27,875,000**	27,875,000	**55,750,000**	55,750,000
Equity in net earnings of an associate (Note 13)	**39,636,343**	27,231,754	**64,531,742**	53,647,193
Interest expense (Notes 6 and 17)	**(28,727,237)**	(9,314,219)	**(72,047,693)**	(25,734,550)
	293,855,800	300,898,892	**563,794,643**	469,539,492
INCOME BEFORE INCOME TAX (Note 6)	**1,850,517,949**	1,696,501,597	**3,279,271,554**	2,769,295,684
PROVISION FOR INCOME TAX (Note 25)				
Current	**435,002,128**	408,945,818	**788,295,909**	670,943,319
Deferred	**(25,365,354)**	(44,376,400)	**(50,548,955)**	(67,089,317)
	409,636,774	364,569,418	**737,746,954**	603,854,002
NET INCOME	**1,440,881,175**	1,331,932,179	**2,541,524,600**	2,165,441,682
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of available-for-sale (AFS) financial assets (Note 11)	**(132,898,011)**	205,640,218	**(69,688,547)**	412,449,090
Share in change in fair value of AFS financial assets of an associate (Note 13)	**(2,367,281)**	98,577,520	**62,865,348**	197,750,810
Share in change in translation adjustment of an associate (Note 13)	**(187,149)**	(262,303)	**(1,096,810)**	(2,142,151)
Income tax effect	**766,329**	(29,494,565)	**(18,530,561)**	(58,682,598)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Cumulative Translation Adjustment	**4,669,361**		**8,256,625**	
Share in actuarial losses on pension liability of an associate (Note 13)	**6,561,879**	94,048	**6,515,284**	94,048
Income tax effect	**(1,968,564)**	(28,214)	**(1,954,585)**	(28,214)
	(125,423,436)	274,526,704	**(13,633,246)**	549,440,985
TOTAL COMPREHENSIVE INCOME	**1,315,457,739**	1,606,458,883	**2,527,891,354**	2,714,882,667

(Forward)

	Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	**2017**	2016
Net income attributable to:				
Equity holders of the Parent Company	**₱1,286,152,756**	₱1,238,173,923	**₱2,281,887,476**	₱2,022,847,440
Non-controlling interest in consolidated Subsidiaries	**154,728,419**	93,758,256	**259,637,124**	142,594,242
	₱1,440,881,175	₱1,331,932,179	**₱2,541,524,600**	₱2,165,441,682
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**₱1,160,729,320**	₱1,512,700,627	**₱2,268,254,230**	₱2,572,288,425
Non-controlling interest in consolidated subsidiaries	**154,728,419**	93,758,256	**259,637,124**	142,594,242
	₱1,315,457,739	₱1,606,458,883	**₱2,527,891,354**	₱2,714,882,667
Basic/Diluted Earnings Per Share (Note 26)	0.93	0.89	1.65	1.46

See accompanying Notes to Consolidated Financial Statements.

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

	Total Equity Attributable to Equity Holders of the Parent Company									
					Retained Earnings					
	Capital Stock (Note 18)	**Additional Paid-in Capital** (Note 18)	**Other Comprehensive Income (Loss)** (Notes 11,13 and 23)	**Equity Reserve** (Note 18)	**Appropriated** (Note 18)	**Unappropriated** (Note 18)	**Treasury Stock** (Note 18)	**Total**	**Non-controlling Interest in Consolidated Subsidiaries**	**Total**
At January 1, 2017	**₱1,385,000,000**	**₱27,227,385,090**	**₱352,393,412**	**(₱1,021,894,669)**	**₱15,262,852,847**	**₱4,381,691,262**	**₱–**	**₱47,587,427,942**	**₱2,978,117,087**	**₱50,565,545,029**
Additional investment (Notes 2 and 18)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**490,000,000**	**490,000,000**
Dividends (Note 18)	**–**	**–**	**–**	**–**	**–**	**(969,500,000)**	**–**	**(969,500,000)**	**(181,500,000)**	**(1,151,000,000)**
Net income	**–**	**–**	**–**	**–**	**–**	**2,281,887,476**	**–**	**2,281,887,476**	**259,637,124**	**2,541,524,600**
Other comprehensive income	**–**	**–**	**(13,633,246)**	**–**	**–**	**–**	**–**	**(13,633,246)**		**(13,633,246)**
Total comprehensive income	**–**	**–**	**(13,633,246)**			**2,281,887,476**	**–**	**2,268,254,230**	**259,637,124**	**2,527,891,354**
Balance at June 30, 2017	**₱1,385,000,000**	**₱27,227,385,090**	**₱338,760,166**	**(₱1,021,894,669)**	**₱15,262,852,847**	**₱5,694,078,738**	**₱–**	**₱48,886,182,172**	**₱3,546,254,211**	**₱52,432,436,383**
At January 1, 2016	₱1,385,000,000	₱27,227,385,090	₱251,829,136	(₱1,027,402,846)	₱12,997,451,453	₱2,689,501,691	₱–	₱43,523,764,524	₱1,981,511,324	₱45,505,275,848
Acquisition of a Subsidiary	–	–	–	–	–	–	–	–	1,033,907,332	1,033,907,332
Dividends (note 18)	–	–	–	–	–	(872,550,000)	–	(872,550,000)	–	(872,550,000)
Net income	–	–	–	–	–	2,022,847,440	–	2,022,847,440	142,594,242	2,165,441,682
Other comprehensive income	–	–	549,440,985	–	–	–	–	549,440,985	–	549,440,985
Total comprehensive income	–	–	549,440,985	–	–	2,022,847,440	–	2,572,288,425	142,594,242	2,714,882,667
Balance at June 30, 2016	₱1,385,000,000	₱27,227,385,090	₱801,270,121	(₱1,027,402,846)	₱12,997,451,453	₱3,839,799,131	₱–	₱45,223,502,949	₱3,158,012,898	₱48,381,515,847

See accompanying Notes to Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,279,271,554**	₱2,769,295,684
Adjustments for:		
Depreciation and amortization (Notes 6, 12, 14 and 21)	**988,824,733**	944,309,014
Interest expense (Notes 6 and 17)	**72,047,693**	25,734,550
Equity in net earnings of an associate (Note 13)	**(64,531,742)**	(53,647,193)
Dividend income (Notes 6 and 11)	**(55,750,000)**	(55,750,000)
Unrealized foreign currency exchange gain - net (Note 6)	**(66,511,881)**	2,632,429
Interest income (Notes 6, 7 and 11)	**(449,048,713)**	(396,348,574)
Operating income before working capital changes	**3,704,301,644**	3,236,225,910
Decrease (increase) in:		
Trade and other receivables	**351,073,392**	561,338,170
Merchandise inventories	**(849,240,339)**	(1,197,089,706)
Other current assets	**(189,289,316)**	(367,980,572)
Short-Term Investment	−	7,059,000
Increase (decrease) in:		
Trade and other payables	**(3,349,037,568)**	(1,815,856,181)
Movement in pension liability (Notes 22 and 23)	**61,912,872**	58,231,171
Other current liabilities	**(48,008,389)**	56,111,988
Net cash flows generated from operations	**(318,287,704)**	538,039,780
Interest received	**450,195,198**	291,241,177
Income tax paid	**(1,043,223,901)**	(875,451,964)
Net cash flows provided by operating activities	**(911,316,407)**	(46,171,007)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale (AFS) financial assets (Note 11)	**(136,765,655)**	(150,000,000)
Property and equipment (Note 12)	**(1,351,691,586)**	(1,505,405,380)
Franchise (Note 14)	−	(749,438)
Proceeds from Redemption of Available for Sale Assets (Note 11)	**99,722,838**	−
Acquisition of a Subsidiary (net of cash received)	−	(2,023,843,203)
Dividends received (Note 11)	**55,750,000**	55,750,000
Increase in other noncurrent assets	**(92,187,852)**	(78,656,478)
Net cash flows used in investing activities	**(1,425,172,255)**	(3,702,904,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments (Note 17)	**249,976,027**	2,195,000,000
Payment of loans (Note 17)	**(₱3,085,035,383)**	(₱613,915,951)
Interest paid (Note 17)	**(72,047,693)**	(12,586,726)
Investment from Noncontrolling Interest	**490,000,000**	−
Net cash flows provided by financing activities	**(2,417,107,049)**	1,568,497,323
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,753,595,711)**	(2,180,578,183)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**12,718,000,227**	9,757,351,816
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱7,964,404,516**	₱7,576,773,633

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company is 35.00% owned by JE Holdings, Inc., 24.49% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as "the Group") is to engage in the business of trading goods, commodities and merchandise of any kind.

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

2. Basis of Preparation

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

<u>Statement of Compliance</u>
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Basis of Consolidation</u>
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	Effective Percentages of Ownership June 30, 2017 Direct	 Indirect	 December 31, 2016 Direct	 Indirect
Robinson's, Incorporated. (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%
TGP Pharma, Inc. (TGPPI)	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	45.90%	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	45.90%	–	45.90%
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	100.00%	–	100.00%
Savers Electronic World, Inc. (SEWI)	–	90.00%	–	90.00%
Chic Centre Corporation	–	100.00%	–	100.00%
Robinson's Supermarket Corporation (RSC)	100.00%	–	100.00%	–
Eurogrocer Corp. (EC)	–	–	–	–
JAS 8 Retailing Mngt. Corporation (JRMC)	–	–	–	–
Angeles Supercenter, Inc. (ASI)	–	67.00%	–	67.00%
Robinsons Appliances Corp. (RAC)	–	67.00%	–	67.00%
South Star Drugs, Inc. (SSDI)	–	45.00%	–	45.00%
Robinsons Handyman, Inc. (RHMI)	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	52.00%	–	52.00%
Waltermart-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%
Home Plus Trading Depot, Inc. (HPTDI)	–	40.20%	–	40.20%
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%	–
New Day Ventures Limited (NDV)	100.00%	–	100.00%	–

All subsidiaries are incorporated in the Philippines and the functional currency is the Philippine Peso (₱).

Subsidiaries are 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.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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 statements of financial position, separately from the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the 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.

Additional Investments and Acquisitions
On the first quarter of 2017, RI made additional investment to RCSI amounting to ₱510.0 million.

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

On August 1, 2016, RHIB acquired 75.00% ownership of HPTDI, a company engaged in the business of hardware retailing (Note 19). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱9.50 million.

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

On February 11, 2016, RI made additional investments to RGFBI amounting to ₱100.00 million.

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

Mergers

Merger of EC and JRMC to RSC

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

Merger of GPC to SSDI

On October 24, 2014, the BOD approved the plan of the Group to merge SSDI with its subsidiary, GPC, whereby the entire assets and liabilities of GPC will be transferred and absorbed by SSDI doing business under the name of South Star Drug and Manson Drug.

On November 25, 2014, the plans of merger was presented to and approved by the stockholders. The Plan and Article of Merger were filed with the SEC in April 2015 and were approved in August 2015.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception* (Amendments)

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income 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. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative* (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
  - That specific line items in the statements of income and other comprehensive income and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements;
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

- 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.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property and equipment and intangible assets.

- PAS 16 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 applied retrospectively and do not have any impact on 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 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.

  These amendments do not have any impact on the Group’s consolidated financial statements.

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.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal* (Amendment)

  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. The amendment has no significant impact on the Group’s financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts* (Amendment)

  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 for continuing involvement 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. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements* (Amendment)

  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. The amendment has no significant impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue* (Amendment)

  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. The amendment has no significant impact of the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'* (Amendment)

  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). The amendment has no significant impact on the Group's financial position or performance.

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

Effective January 1, 2017

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

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will have no impact on the Group's financial position or performance.

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

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

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

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

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

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Effective January 1, 2018

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

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

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

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

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

During 2016, the Group performed a preliminary assessment of PFRS 15, which is subject to change arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by IASB in April 2016 and will monitor any further development.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting, if any, and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL). They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendments will have no significant impact on the Group's financial position or performance.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The amendments will have no significant impact on the Group's financial position or performance.

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

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements.

Effective January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15, *Revenue from Contracts with Customers*. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

Deferred Effectivity

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

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

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

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

4. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Initial Recognition 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 June 30, 2017 and December 31, 2016, the financial instruments of the Group are classified as cash and cash equivalents, short-term investment, 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 statements 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 statements 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 statements of financial position.
When the security is disposed of, the cumulative gain or loss previously recognized in the consolidated statements of changes in equity is recognized in the consolidated statements 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. Interest earned on holding AFS financial assets are reported as interest income using effective interest rate (EIR). Dividends earned on holding AFS financial assets are recognized in the consolidated statements 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 statements of comprehensive income.

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

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

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

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

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

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

This accounting policy relates primarily to the Group's trade and other payables, 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 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 statements of changes in equity and recognized in the consolidated statements 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 the use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original EIR of the asset. Loans receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements 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.

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

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

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

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements 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 June 30, 2017 and December 31, 2016, 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 are classified and accounted for as loans and receivables.

Short-term Investments
Short-term investments pertain to money market placements with maturities of more than three (3) months to one (1) year from dates of placement and are subject to an insignificant risk of change in values.

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 statements 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 an associate is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in value. The profit or loss reflects the share of the results of the operations of the associate reflected as "Equity in net earnings of an associate" under "Other income (charges)" in the consolidated statements 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 associate are eliminated to the extent of the interest in the associate and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when the investment in an associate is reduced to zero (0). Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate 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 associate and the Group are identical and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in an associate. 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 the difference between the recoverable amount of the associate and its carrying value and recognizes the amount under "Other expenses" in the consolidated statements of comprehensive 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 comprehensive income.

Business Combination and Goodwill

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

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

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

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

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment 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.

Combination of Entities under Common Control

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

Property and Equipment

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

Construction in-progress (CIP) are transferred to the related 'Property and equipment' account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service. 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 in general are as follows:

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

The assets' useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is derecognized.

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

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

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

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

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

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

Impairment of Nonfinancial Assets
This accounting policy primarily applies to the Group's property and equipment, investment in 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 associate. 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 investment in an associate and recognizes the difference in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Value-Added Taxes (VAT)</u>
Input tax represents the VAT paid on purchases of goods and services that the Group can apply against any future liability for output VAT on sale of goods and services subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Group upon approval of the BIR. Input VAT is stated at its estimated NRV. Input VAT is recorded under other current assets in the consolidated statement of financial position.

Output VAT pertains to the 12% tax due on the local sale of goods by the Group.

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

<u>Creditable Withholding Taxes (CWT)</u>
Creditable withholding taxes are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

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

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

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

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

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

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

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

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

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 18).

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 18).

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease, only if one of the following applies:

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

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

Group as Lessee

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

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

Group as Lessor

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

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Group’s functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing 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 June 30, 2017 and year ended December 31, 2016.

Provisions

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Date

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

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

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

Judgments

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

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

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

Contingencies
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

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 30).

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

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

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

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

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

The Group performed its annual impairment test as at December 31, 2016. The recoverable amounts of the CGUs have been determined based on value in use and EV/EBITDA multiple calculations.

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

The pre-tax discount rate applied to cash flow projections in 11.50% in 2016 (10.00% in 2015) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2016 growth rate (5.00% to 10.00% in 2015) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

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

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

Gross Margins
Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 5.00% to 11.50% for 2016 and 11.00% to 11.60% for 2015 would result in impairment.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost

of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 11.00% to 16.89% and 11.00% to 14.61%, in 2016 and 2015, respectively, would result in impairment.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2016 and 2015. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

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

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

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

In 2015 and 2016, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

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

Allowance for Impairment Losses on Trade and Other Receivables
The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the 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 June 30, 2017 and December 31, 2016, the carrying value of the Group's trade and other receivables amounted to ₱1.66 billion and ₱1.99 billion, respectively (Note 8).

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 ₱20.44 billion and ₱20.43 billion as of June 30, 2017 and December 31, 2016, respectively (Note 11).

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

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

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

Merchandise inventories amounted to ₱14.2 billion and ₱13.34 billion as of June 30, 2017 and December 31, 2016, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets
The Group reviews property and equipment, investment in an associate and intangible assets with definite lives for impairment of value.

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

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

Based on management assessment as of June 30, 2017 and December 31, 2016, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in an associate and intangible assets with definite useful lives.

As of June 30, 2017 and December 31, 2016, the carrying value of the Group's property and equipment amounted to ₱12.93 billion and ₱12.56 billion (Note 12), investment in an associate amounted to ₱5.2 billion and ₱5.08 billion (Note 13), licenses amounted to ₱69.67 million and ₱72.73 million, and franchise amounted to ₱21.5 million and ₱21.83 million, respectively (Note 14).

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 23, and include, among others, discount rate and salary rates increase.

As of June 30, 2017, and December 31, 2016, the carrying value of the net pension liabilities amounted to ₱671.4 million and ₱609.53 million, respectively (Note 23).

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

As of June 30, 2017 and December 31, 2016, the Group has deferred tax assets amounting to ₱336.95 million and ₱290.04 million, respectively (Note 25).

Revenue Recognition - Points for Loyalty Programme
The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As at June 30, 2017 and December 31, 2016, the estimated liability for unredeemed points was approximately ₱152.3 million and ₱123.8 million, respectively.

6. Operating Segments

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

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

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

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

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

The Group derives its revenue from the following reportable units:

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

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

- *DIY Division*
  The four (4) DIY brands Handyman Do it Best, True Value, True Home, and Robinsons Builders have grown to have a reputation of quality and dependability in the Philippine retail market, as well as being aggressive in terms of expansion among mall and big box hardware and home improvement centers in the country. The DIY segment aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers, as well as offer a wide selection of construction materials for contractors and builders.

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

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

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

The financial information about these operating segments as of and for the six months ended June 30, 2017 and 2016 and for the year ended December 31, 2016 is summarized below:

June 30, 2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱24,285,552,335	₱7,304,214,888	₱5,825,247,921	₱2,757,320,664	₱6,965,014,604	₱6,348,389,733	₱–	₱–	₱53,485,740,145
Intersegment net sales	–	–	–	–	–	563,443,618	–	(563,443,618)	–
Total net sales	24,285,552,335	7,304,214,888	5,825,247,921	2,757,320,664	6,965,014,604	6,911,833,351	–	(563,443,618)	53,485,740,145
Segment cost of merchandise sold	19,639,716,600	4,814,198,098	3,932,872,867	2,489,495,108	5,652,932,297	5,011,597,755	–	–	41,540,812,725
Intersegment cost of merchandise sold	–	563,443,618	–	–	–	–	–	(563,443,618)	–
Total cost of merchandise sold	19,639,716,600	5,377,641,716	3,932,872,867	2,489,495,108	5,652,932,297	5,011,597,755	–	(563,443,618)	41,540,812,725
Gross profit	4,645,835,735	1,926,573,172	1,892,375,054	267,825,556	1,312,082,307	1,900,235,596	–	–	11,944,927,420
Segment other income	56,492,926	67,992,313	–	849,328,670	136,261,140	3,501,065	–	–	1,113,576,114
Intersegment other income	66,515,691	19,306,428	–	–	–	–	–	(85,822,119)	–
Total other income	123,008,617	87,298,741	–	849,328,670	136,261,140	3,501,065	–	(85,822,119)	1,113,576,114
Gross profit including other income	4,768,844,352	2,013,871,913	1,892,375,054	1,117,154,226	1,448,343,447	1,903,736,661	–	(85,822,119)	13,058,503,534
Segment operating expenses	3,106,723,733	1,574,240,626	1,314,889,035	997,754,794	925,091,211	1,398,228,524	37,273,970	–	9,354,201,893
Intersegment operating expenses	13,742,172	23,919,501	16,824,311	–	15,616,806	15,719,329	–	(85,822,119)	–
Total operating expenses	3,120,465,905	1,598,160,127	1,331,713,346	997,754,794	940,708,017	1,413,947,853	37,273,970	(85,822,119)	9,354,201,893
Earnings before interest, taxes and depreciation and amortization	1,648,378,447	415,711,786	560,661,708	119,399,432	507,635,430	489,788,808	(37,273,970)	–	3,704,301,641
Depreciation and amortization	407,217,231	166,368,169	96,436,791	118,836,272	48,717,108	151,249,159	–	–	988,824,730
Earnings before interest and taxes	1,241,161,216	249,343,617	464,224,917	563,160	458,918,322	338,539,649	(37,273,970)	–	2,715,476,911
Interest expense	(3,102,333)	(20,060,245)	(787,500)	(1,620,135)	(39,851,592)	(21,554,633)		14,928,744	(72,047,694)
Interest income	12,947,059	6,435,658	11,800,063	2,653,492	2,856,763	8,638,983	418,645,439	(14,928,744)	449,048,713
Dividend income	–	–	–	–	–	–	55,750,000	–	55,750,000
Foreign exchange gain – net	–	–	–	–	–	–	66,511,881	–	66,511,881
Equity in net earnings of an associate	–	–	–	–	–	–	64,531,742	–	64,531,742
Income before income tax	₱1,251,005,942	₱235,719,030	₱475,237,480	₱1,596,517	₱421,923,493	₱325,623,999	₱568,165,092	₱–	₱3,279,271,554
Assets and liabilities									
Segment assets	₱16,244,611,365	₱3,947,412,958	₱5,503,954,963	₱2,752,616,081	₱7,729,451,361	₱6,831,456,830	₱30,575,928,092	(₱281,696,282)	₱73,303,735,365
Investment in subsidiaries - at cost	2,777,974,074	3,777,600,374	–	–	–	–	5,286,030,763	(11,841,605,211)	–
Total segment assets	₱19,022,585,439	₱7,725,013,332	₱5,503,954,963	₱2,752,616,081	₱7,729,451,361	₱6,831,456,830	₱35,861,958,855	(₱12,123,301,493)	₱73,303,735,365
Total segment liabilities	₱7,401,475,669	₱3,228,581,463	₱2,201,551,175	₱1,047,684,561	₱4,658,291,464	₱4,194,191,508	₱1,119,637,377	(₱2,490,114,234)	₱21,361,298,982
Other segment information:									
Capital expenditures	₱559,770,065	₱330,359,675	₱136,515,378	₱33,271,443	₱142,508,825	₱149,266,200	₱–	₱–	₱1,351,691,586

June 30, 2016

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱22,631,311,052	₱7,190,215,277	₱5,200,005,552	₱2,799,607,506	₱5,031,777,436	₱5,480,806,944	₱–	₱–	₱48,333,723,767
Intersegment net sales	–	–	–	–	–	480,971,301	–	(480,971,301)	–
Total net sales	22,631,311,052	7,190,215,277	5,200,005,552	2,799,607,506	5,031,777,436	5,961,778,245	–	(480,971,301)	48,333,723,767
Segment cost of merchandise sold	18,359,519,316	4,830,943,150	3,538,781,418	2,537,874,678	4,196,737,810	4,477,580,559	–	–	37,941,436,931
Intersegment cost of merchandise sold	–	480,971,301	–	–	–	–	–	(480,971,301)	–
Total cost of merchandise sold	18,359,519,316	5,311,914,451	3,538,781,418	2,537,874,678	4,196,737,810	4,477,580,559	–	(480,971,301)	37,941,436,931
Gross profit	4,271,791,736	1,878,300,826	1,661,224,134	261,732,828	835,039,626	1,484,197,686	–	–	10,392,286,836
Segment other income	53,648,332	49,033,995	–	867,753,538	76,217,395	6,637,001	–	–	1,053,290,261
Intersegment other income	61,253,752	13,674,511	–	–	–	–	–	(74,928,263)	–
Total other income	114,902,084	62,708,506	–	867,753,538	76,217,395	6,637,001	–	(74,928,263)	1,053,290,261
Gross profit including other income	4,386,693,820	1,941,009,332	1,661,224,134	1,129,486,366	911,257,021	1,490,834,687	–	(74,928,263)	11,445,577,097
Segment operating expenses	2,832,848,735	1,417,714,288	1,170,656,199	937,934,405	631,986,075	1,202,420,004	7,952,185	–	8,201,511,890
Intersegment operating expenses	10,499,704	22,477,712	16,098,766	–	13,744,255	12,107,826	–	(74,928,263)	–
Total operating expenses	2,843,348,439	1,440,192,000	1,186,754,965	937,934,405	645,730,330	1,214,527,830	7,952,185	(74,928,263)	8,201,511,890
Earnings before interest, taxes and depreciation and amortization	1,543,345,381	500,817,332	474,469,169	191,551,961	265,526,691	276,306,857	(7,952,185)	–	3,244,065,206
Depreciation and amortization	361,883,187	141,309,026	83,033,290	172,004,839	35,131,382	150,947,290	–	–	944,309,014
Earnings before interest and taxes	1,181,462,194	359,508,306	391,435,879	19,547,122	230,395,309	125,359,567	(7,952,185)	–	2,299,756,192
Interest expense	(4,552,083)	(13,225,625)	–	(5,950,694)	(3,275,036)	(17,308,660)	–	18,577,548	(25,734,550)
Interest income	6,231,952	5,517,040	9,213,552	224,815	626,687	6,781,946	378,490,834	(18,577,548)	388,509,278
Dividend income	–	–	–	–	–	–	55,750,000	–	55,750,000
Unrealized forex gain (loss)	–	–	–	–	–	–	(2,632,429)	–	(2,632,429)
Equity in net earnings of an associate	–	–	–	–	–	–	53,647,193	–	53,647,193
Income before income tax	₱1,183,142,063	₱351,799,721	₱400,649,431	₱13,821,243	₱227,746,960	₱114,832,853	₱477,303,413	₱–	₱2,769,295,684

December 31, 2016

Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	–	–	–	–	5,286,030,763	(11,344,238,361)	–
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱ 7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱–	₱–	₱3,436,420,104

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱563.4 million and ₱480.97 million for the six months ended June 30, 2017 and 2016, respectively, were eliminated on consolidation.

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

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

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

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and short-term investments amounting to ₱7.96 billion and ₱12.72 billion as of June 30, 2017 and December 31, 2016, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 1.25% to 1.5% for the six months ended June 30, 2017 and 0.88% to 2.5% for the year ended December 31, 2016, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱30.4 million and ₱11.78 million for the six months ended June 30, 2017 and 2016, respectively.

8. Trade and Other Receivables

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade (Notes 24 and 27)	**₱1,107,434,263**	₱1,377,955,042
Nontrade (Notes 24 and 27)	**431,824,021**	432,096,725
Due from franchisees (Notes 27 and 29)	**210,437,700**	257,548,511
	1,749,695,984	2,067,600,278
Less: allowance for impairment losses (Notes 21 and 29)	**86,710,377**	79,710,378
	₱1,662,985,607	₱1,987,889,900

Movement in the allowance for impairment losses is as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱86,710,377**	₱30,042,101
Additional provision for impairment losses	**–**	49,668,277
Balance at end of year	**₱86,710,377**	₱79,710,378

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

Nontrade receivables include receivable from insurance companies amounting to as of December 31, 2016. Receivable from insurance companies represents amounts recoverable within one year from the reporting period for insured properties that were damaged due to fire and typhoon (Notes 9 and 12). The remaining balance consists of operational advances and interest receivable arising from short-term investments.

As of June 30, 2017, and December 31, 2016, allowance for impairment losses on trade receivables and due from franchisees amounted to ₱86.71 million and ₱79.71 million, respectively (Note 29).

9. Merchandise Inventories

The rollforward analysis of this account follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱13,341,684,985**	₱10,575,687,802
Add: purchases - net of purchase discounts and allowances	**42,390,053,064**	85,033,040,989
Cost of goods available for sale	**55,731,738,049**	95,608,728,791
Cost of merchandise sold	**41,540,812,725**	82,267,043,806
Balance at end of year	**₱14,190,925,324**	₱13,341,684,985

There are no merchandise inventories pledged as security for liabilities as of June 30, 2017 and December 31, 2016.

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱41.5 billion and ₱37.94 billion for the six months ended June 30, 2017 and 2016, respectively.

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

10. Other Current Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Input VAT – net	**₱1,892,650,120**	₱1,797,941,781
Creditable withholding taxes (CWT)	**273,314,398**	240,105,308
Prepayments	**203,606,098**	136,491,387
Others	**4,430,807**	10,173,631
	₱2,374,001,423	₱2,184,712,107

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

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

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

Others consist mainly of deferred input VAT on capital goods.

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

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Debt securities	**₱18,356,836,554**	₱18,310,029,363
Equity securities	**2,088,000,000**	2,120,000,000
	₱20,444,836,554	₱20,430,029,363

Debt Securities

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

Roll-forward analysis of debt securities for the six months ended June 30, 2017 and for the year ended December 31, 2016.

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost:		
At beginning of year	**₱17,594,426,076**	₱17,063,599,821
Additions	**136,765,655**	530,826,255
Redemptions	**(100,008,975)**	-
At end of year	**17,631,182,756**	17,594,426,076
Amortization of premium on debt securities	**(39,574,299)**	(35,548,578)
Change in fair value of AFS financial assets:		
At beginning of year	**332,803,656**	188,092,377
Changes in fair value during the year	**(37,688,548)**	144,711,279
Redemptions	**286,137**	-
At end of year	**295,401,245**	332,803,656
Foreign exchange gains	**469,826,852**	418,348,209
	₱18,356,836,554	₱18,310,029,363

As of June 30, 2017, and December 31, 2016, investments in AFS financial assets (debt) amounted to ₱18.36 billion and ₱18.31 billion, respectively.

Interest income arising from AFS financial assets amounted to ₱418.65 million and ₱369.46 million for the six months ended June 30, 2017 and 2016, respectively.

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

Equity Securities

Quoted equity securities pertain to investment in stock listed in the Philippine Stock Exchange (PSE).

Roll-forward analysis of equity securities for the six months ended June 30, 2017 and for the year ended December 31, 2016 follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost	**₱2,000,000,000**	₱2,000,000,000
Change in fair value of AFS financial assets:		
At beginning of year	**120,000,000**	82,000,000
Changes in fair value during the year	**(32,000,000)**	38,000,000
At end of year	**88,000,000**	120,000,000
	₱2,088,000,000	₱2,120,000,000

As of June 30, 2017 and December 31, 2016, investments in AFS financial assets (equity) amounted to ₱2.09 billion and ₱2.12 billion, respectively.

Dividend income earned by the Group amounted to ₱55.75 million and ₱55.75 million for the six months ended June 30, 2017 and 2016, respectively.

12. Property and Equipment

June 30, 2017

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱11,920,754,884	₱8,420,080,407	₱1,608,399,579	₱187,203,438	₱1,702,152,553	₱2,246,842,007	₱2,681,895	₱26,088,114,763
Additions through business combination (Note 19)	–	–	–	–	–	–	–	–
Additions	763,832,922	281,299,041	192,923,891	9,147,610	18,430,525	86,057,597	–	1,351,691,586
Transfers	(9,113,688)	9,107,116	(74,982)	–	697,499	2,065,951	(2,681,895)	–
Disposals and derecognition	(46,856,966)	(15,779,019)	(23,829)	(3,090,787)	–	(714,894)	–	(66,465,496)
At end of year	12,628,617,152	8,694,707,545	1,801,224,659	193,260,262	1,721,280,577	2,334,250,661	–	27,373,340,853
Accumulated Depreciation and Amortization								
At beginning of year	6,012,335,160	4,886,039,083	386,206,802	112,085,066	703,482,472	1,350,004,881	–	13,450,153,464
Depreciation and amortization (Note 21)	467,132,297	216,714,575	155,358,048	8,712,283	29,138,405	104,434,842	–	981,490,450
Transfers	–	–	(1,512,662)	1,512,662	–	–	–	–
Disposals and derecognition	(46,782,166)	(15,779,019)	(639,812)	(1,620,644)	–	(714,894)	–	(65,536,536)
At end of year	6,432,685,291	5,086,974,639	539,412,376	120,689,367	732,620,877	1,453,724,829	–	14,366,107,378
Allowance for impairment losses								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱6,146,364,188	₱3,581,849,920	₱1,261,812,283	₱72,570,894	₱988,659,700	₱880,176,559	₱–	₱12,931,433,543

December 31, 2016

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱10,443,772,361	₱7,635,219,254	₱1,166,650,417	₱148,608,875	₱1,592,152,864	₱1,889,939,378	₱1,737,563	₱22,878,080,712
Additions through business combination (Note 19)	85,238,315	21,221,511	1,104,079	34,681,109	41,487,800	8,793,280	–	192,526,094
Additions	1,587,528,804	791,004,515	440,930,797	3,913,454	68,511,889	351,060,219	944,332	3,243,894,010
Disposals and derecognition	(195,784,596)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,053)
At end of year	11,920,754,884	8,420,080,407	1,608,399,579	187,203,438	1,702,152,553	2,246,842,007	2,681,895	26,088,114,763
Accumulated Depreciation and Amortization								
At beginning of year	5,200,301,916	4,314,599,834	238,834,811	84,511,884	657,431,659	1,157,226,375	–	11,652,906,479
Depreciation and amortization (Note 21)	1,007,817,842	598,804,122	147,657,705	27,573,182	46,050,813	195,729,376	–	2,023,633,040
Disposals and derecognition	(195,784,598)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,055)
At end of year	6,012,335,160	4,886,039,083	386,206,802	112,085,066	703,482,472	1,350,004,881	–	13,450,153,464
Allowance for impairment losses								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱5,858,852,051	₱3,508,158,338	₱1,222,192,777	₱75,118,372	₱998,670,081	₱896,487,853	₱2,681,895	₱12,562,161,367

There are no items of property and equipment as of June 30, 2017 and December 31, 2016 that are pledged as security for liabilities.

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

Cost of fully depreciated property and equipment still in use amounted to ₱6.06 billion and ₱6.06 billion as at June 30, 2017 and December 31, 2016, respectively.

13. **Investments in an Associate**

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Investment in preferred stock	**₱1,654,364,339**	₱1,654,364,339
Investment in common stock	**3,556,363,209**	3,423,547,645
	₱5,210,727,548	₱5,077,911,984

The preferred stock has the following features:

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

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

c. In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the 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 rollforward of the investment in preferred stock of RBC follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
At beginning of year	**₱1,654,364,339**	₱1,654,364,339
Additional investment	**–**	–
At end of year	**₱1,654,364,339**	₱1,654,364,339

The details of the investment in an associate follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Shares of stock - at equity:		
Acquisition cost	**₱3,095,874,563**	₱3,095,874,563
Additional investment	**–**	–
Balance at end of year	**3,095,874,563**	3,095,874,563
Accumulated equity in net earnings:		
Balance at beginning of year	**711,046,110**	608,386,399
Equity in net earnings	**64,531,742**	102,659,711
Balance at end of year	**775,577,852**	711,046,110
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	**(327,854,087)**	(224,679,587)
Share in fair value changes of AFS investments	**62,865,348**	(103,174,500)
Balance at end of year	**(264,988,739)**	(327,854,087)
Share in translation loss adjustments:		
Balance at beginning of year	**(44,734,653)**	(41,314,642)
Share in translation adjustments	**(1,096,810)**	(3,420,011)
Balance at end of year	**(45,831,463)**	(44,734,653)
Share in remeasurement loss on pension liability:		
Balance at beginning of year	**(10,784,288)**	(13,328,418)
Share in remeasurement gain (loss) on pension liability	**6,515,284**	2,544,130
Balance at end of year	**(4,269,004)**	(10,784,288)
	₱3,556,363,209	₱3,423,547,645

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

On December 2, 2015, the BOD of the Parent Company approved and authorized the Parent Company to subscribe to additional 297,094,118 shares of RBC for a total consideration of ₱2.97 billion in order for the Parent Company to maintain its ownership interest of 40.00%.

No dividends have been declared and paid by RBC in 2017 and 2016.

Summarized financial information of RBC follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Total assets	**₱87,526,813,959**	₱78,038,589,262
Total liabilities	**75,250,024,964**	66,059,186,457
Net income	**161,329,354**	256,649,278
Other comprehensive loss	**(673,144,359)**	(260,125,953)

The consolidated statements of comprehensive income follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Total operating income	**₱2,159,572,182**	₱2,900,613,609
Total operating expenses and tax	**1,998,242,828**	2,643,964,331
Net income	**161,329,354**	256,649,278
Other comprehensive income/(loss)	**157,163,370**	(260,125,953)
Total comprehensive income	**₱318,492,724**	(₱3,476,675)

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Net assets of RBC	**₱8,168,833,458**	₱7,836,794,548
Proportionate ownership in the associate	**40%**	40%
Carrying amount of the investment	**3,267,533,383**	3,134,717,819
Total share in net assets	**3,556,363,209**	3,423,547,645
Difference	**₱288,829,826**	₱288,829,826

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

14. Intangible Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Goodwill (Note 19)	**₱3,381,413,966**	₱3,381,413,966
Trademarks (Note 19)	**3,195,930,460**	3,195,930,460
Licenses	**66,666,663**	72,727,274
Franchise	**20,553,059**	21,826,729
	₱6,664,564,148	₱6,671,898,429

Trademarks
The trademarks were acquired through business combinations in 2016, 2015 and 2012 and were recognized at fair value at the date of acquisition (Note 19) as follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
SSDI	**₱1,566,917,532**	₱1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	₱3,195,930,460	₱3,195,930,460

Goodwill
The Group’s goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of TGPPI, SEWI, SSDI, EC, RHIB, HPTDI, RTSHPI, BSRI, JRMC and GPC as follows (Note 19):

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
TGPPI	**₱1,281,428,830**	₱1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	₱3,381,413,966	₱3,381,413,966

The dates of acquisition and the Parent Company’s percentage of ownership in the shares of stock of subsidiaries follows:

Date of Acquisition	Acquirer	Entity Acquired	% of Ownership
August 1, 2016	RHIB	HPTDI	75%
May 17, 2016	SSDI	TGPPI	51%
September 1, 2015	RI	SEWI	90%
July 3, 2014	RHMI	RHIB	67%
June 2, 2014	SSDI	GPC	100%
January 29, 2014	RSC	JRMC	100%
September 14, 2013	RSC	EC	100%
July 4, 2012	RSC and RI	SSDI	90%
February 19, 2007	RHMI	RTSHPI	66.67%

Licenses
Acquisition of Trademark by RSSI to Secure a Franchise/License
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱6.06 million and ₱12.12 million for the six months ended June 30, 2017 and for the year ended December 31, 2016, respectively (Note 21).

The rollforward analysis of this account follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	**₱72,727,274**	₱84,848,486
Less: Amortization (Note 21)	**6,060,611**	12,121,212
	₱66,666,663	₱72,727,274

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and service fee equal to a certain percentage of sales.

As of June 30, 2017, and December 31, 2016, the Group has franchise amounting to ₱20.55 million and ₱21.83 million, respectively.

The rollforward analysis of the franchise follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning Balance	**₱21,826,730**	₱22,512,422
Additions	**-**	1,790,188
Amortization (Note 21)	**(1,273,671)**	(2,475,881)
	₱20,553,059	₱21,826,729

In 2015, the Group started recording amortization relating to franchise, following the commencement of the Group's Costa operations. Amortization amounted to ₱1.27 million and ₱2.48 million for the six months ended June 30, 2017 and for the year ended December 31, 2016, respectively (Note 21).

15. Other Noncurrent Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Security and other deposits	**₱1,491,847,246**	₱1,396,875,108
Construction bond	**31,061,235**	33,845,521
	₱1,522,908,481	₱1,430,720,629

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

16. Trade and Other Payables

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade	**₱8,874,208,359**	₱12,609,547,221
Nontrade (Note 24)	**5,316,671,005**	3,864,064,225
Others	**407,897,528**	322,986,036
	₱14,598,776,892	₱16,796,597,482

Trade payables are noninterest-bearing and are normally settled on forty five (45) to sixty (60) in days' term arising mainly from purchases of merchandise inventories for resale. Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties.

Others consist of taxes and licenses payable.

17. Short-term Loans Payable

Details of short-term loans follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱6,575,698,733**	₱2,844,872,558
Availments	**249,976,027**	4,398,000,000
Payments	**(3,085,035,383)**	(667,173,825)
Current portion	**₱3,740,639,377**	₱6,575,698,733

The balances of loans of the subsidiaries follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
SSDI	**₱2,320,000,000**	₱2,319,698,733
RI	**890,663,350**	1,856,000,000
RSC	–	1,030,000,000
RCSI	–	660,000,000
RHDDS	**230,000,000**	300,000,000
RAC	**150,000,000**	290,000,000
RSSI	–	120,000,000
RHIB	**60,000,000**	–
HPTD	**40,000,000**	–
RGGBI	**49,976,027**	–
	₱3,740,639,377	₱6,575,698,733

a.) SSDI obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.

b.) RI loans payable consists of loans from local banks which will mature within three (3) months and with interest rate at 2.75% per annum. The proceeds of loans were used in the acquisition of SEWI (Note 19).

c.) RSC settled portion of 2015 promissory notes amounting to ₱586.00 million during 2016 and obtained additional short-term loan notes amounting to ₱593.00 million from a local bank with interest rate of 2.50% per annum which is renewable every three (3) months at the option of RSC. The short-term notes were obtained to support working capital requirements of RSC. Total loans as of June 30, 2017 and December 31, 2016 amounted to Nil and ₱1.03 billion, respectively.

d.) RCSI loans payable pertains to short-term loans from a local bank amounting to ₱660.00 million. Interest on the loans is computed at prevailing market interest rates. The Parent Company acts as the guarantor of RCSI.

e.) RHDDS obtained a short-term loan from a local commercial bank which will mature within three (3) months and with interest rate at 2.75% per annum. The Parent Company acts as the guarantor of RHDDS.

f.) RAC obtained a short-term loan from a local commercial bank with interest rate at 2.80% per annum.

g.) RSSI obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.

h.) RHIB and HPTD obtained a short-term loan from a local commercial bank with interest rate at 3.0% per annum.

Total interest expense charged to operations amounted to ₱72.05 million and ₱25.73 million for the six months ended June 30, 2017 and 2016, respectively.

The above loans are not subject to any loan covenants.

18. Equity

Capital Stock

The details of this account follow:

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Amount	**No. of shares**	Amount	No. of shares
Common stock - ₱1 par value				
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000
Issued shares	**1,385,000,000**	**1,385,000,000**	1,385,000,000	1,385,000,000

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

Equity Reserve
Acquisition of a Subsidiary under Common Control
On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million while the net assets amounted to ₱33.34 million.

As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "equity reserve".

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

The Group recognized equity reserve from the acquisition amounting to ₱1.11 billion included in "Equity reserve" in the 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.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received and settled in 2014. As a result, outstanding balance from ₱136.44 million increased to ₱171.91 million. This was fully settled in cash in 2015.

Treasury Shares

On September 7, 2013, the BOD of the Parent Company approved the buyback of its common shares sold during the IPO. Of the total shares sold to the public, 18,971,950 common shares were reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1.10 billion.

On December 9, 2014, the Parent Company sold all its treasury shares consisting of 18,971,950 common shares at ₱69.00 per share or ₱1.31 billion, incurring transaction costs amounting to ₱8.22 million.

Retained Earnings

The income of the subsidiaries and accumulated equity in net income of the associate 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 included in retained earnings amounted to ₱20.96 billion and ₱15.5 billion as at June 30, 2017 and December 31, 2016, respectively, while the accumulated equity in net income of the associate amounted to ₱775.58 million and ₱711.05 million as at June 30, 2017 and December 31, 2016, respectively (Note 13).

On June 27, 2017, the BOD approved the declaration of cash dividend of ₱0.70 per share or an aggregate amount of ₱969.5 million to all stockholders of record as of July 17, 2017 which was paid on August 10, 2017.

On June 9, 2016, the BOD approved the declaration of cash dividend of ₱0.63 per share or an aggregate amount of ₱872.55 million to all stockholders of record as of June 29, 2016 which was paid on July 25, 2016.

Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱15,262,852,847**	₱12,997,451,453
Appropriation	−	3,709,000,000
Reversal of appropriation	−	(1,443,598,606
Balance at end of year	**₱15,262,852,847**	₱15,262,852,847

On December 12, 2016, the Group's BOD approved the appropriation of ₱3.71 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

Entity	Amount
RSC	₱1,390,000,000
RHMI	735,000,000
RI	600,000,000
SSDI	300,000,000
RRHI	230,000,000
RAC	145,000,000
RTSHPI	108,000,000
WHMI	92,000,000
RHDDS	50,000,000
RSSI	40,000,000
ASI	14,000,000
HEMI	5,000,000
	₱3,709,000,000

On March 14, 2016, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RRHI-TMI amounting to ₱440.20 million.

On December 12, 2016, the BOD approved the reversal of appropriated retained earnings amounting to ₱1.00 billion. Details are as follows:

Entity	Amount
WHMI	₱359,459,585
RTI	228,000,000
RHMI	200,000,000
RTSHPI	100,000,000
RVC	68,939,021
HEMI	27,000,000
ASI	20,000,000
	₱1,003,398,606

On May 22, 2015, the BOD approved the appropriation of ASI amounting to ₱11.00 million to be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

On December 7, 2015, the Group's BOD approved the appropriation of ₱2.55 billion. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion within two (2) years in line with the Group's nationwide expansion.

Entity	Amount
RSC	₱1,195,000,000
RHMI	460,000,000
RI	375,000,000
SSDI	300,000,000
RTI	110,000,000
RTSHPI	70,000,000
RSSI	30,000,000
EC	13,000,000
	₱2,553,000,000

On December 7, 2015, the BOD approved the reversal of appropriated retained earnings amounting to ₱127.00 million. Details are as follow:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
HEMI	7,000,000
	₱127,000,000

On December 8, 2015, the Group's BOD approved the appropriation of ₱249.00 million. The appropriated retained earnings shall be used to augment new stores with the Group's nationwide expansion.

Entity	Amount
RAC	₱140,000,000
WHMI	78,000,000
ASI	13,000,000
RVC	9,000,000
HEMI	9,000,000
	₱249,000,000

Declaration of Dividends of the Subsidiaries

On March 12, 2017, the BOD of the subsidiaries of the Group approved the declaration of cash dividend of WHMI amounting to ₱40.0 million.

On February 1, 2017, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
TGP	₱300,000,000
RTI	130,000,000
WHMI	40,000,000
Total	₱470,000,000

On March 14, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends by RRHI-TMI amounting to ₱1.35 billion. The dividends are to be paid in 2017.

On December 12, 2016, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱360,000,000
RHMI	200,000,000
RTI	270,000,000
RTSHPI	100,000,000
RVC	85,000,000
HEMI	27,000,000
ASI	20,000,000
SSDI	20,000,000
Total	₱1,082,000,000

The dividends are to be paid in 2017.

On December 7, 2015, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
RTI	30,000,000
RTSHPI	30,000,000
SSDI	20,000,000
HEMI	7,000,000
Total	₱207,000,000

The cash dividends above were paid in 2016.

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

Entity	Amount
RSC	₱200,000,000
RI	100,000,000
RTSHPI	35,000,000
Total	₱335,000,000

The cash dividends were paid early 2015.

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

NCI

Acquisitions of NCI from Business Combinations

In May 2016, the Group has acquired NCI through business combination on the acquisition of TGPPI amounting to ₱942.17 million.

In August 2016, the Group has acquired NCI through business combination on the acquisition of HPTDI amounting to ₱9.5 million.

In 2015 and 2014, the Group has acquired NCI through business combinations on the acquisition of SEWI and RHIB amounting ₱30.54 million and ₱27.26 million, respectively.

Dividends to NCI

In 2016 and 2015, dividends declared attributable to NCI amounted to ₱310.84 million and ₱62.96 million, respectively.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the six months ended June 30, 2017 and for the year ended December 31, 2016.

The Group considers the following as its main source of its capital:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Capital stock	**₱ 1,385,000,000**	₱1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income	**338,760,166**	352,393,412
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**15,262,852,847**	15,262,852,847
Unappropriated	**5,694,078,738**	4,381,691,262
Total equity attributable to equity holders of the Parent Company	**48,886,182,172**	47,587,427,942
Non-controlling interest in consolidated subsidiaries	**3,546,254,211**	2,978,117,087
Total Equity	**₱52,432,436,383**	₱50,565,545,029

19. **Business Combinations**

Combination of Entities under Common Control

On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Chic Center Corporation is an entity under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

The carrying amounts of total assets and liabilities of Chic Centre Corporation at the date of acquisition were:

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment (Note 12)	55,957,840
Deferred tax assets	2,748,968
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

The assets, liabilities and equity of Chic Centre Corporation are included in the consolidated financial statements at their carrying amounts. The profit and loss of the acquirees are consolidated from the date of acquisition. The difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as "Equity reserve". Comparative periods are not restated.

On January 1, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

Business Combination and Goodwill

In 2016 and 2015, the Group acquired various entities through business combinations from which the Group has recognized goodwill. The goodwill is concluded to be attributable to each entity acquired and comprises the fair value of the expected synergies from each acquisition.

Acquisition of TGPPI

On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion.

In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.

	Fair values recognized on acquisition
Current assets	₱1,231,511,879
Trademarks (Note 14)	1,264,098,435
Property and equipment (Note 12)	102,639,683
Other non-current assets	15,682,708
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 14)	1,281,428,830
Acquisition cost	₱2,262,050,000

From the date of acquisition, TGPPI contributed ₱2.6 billion revenue and ₱284.42 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax would have been higher by ₱1.34 billion and ₱165.47 million, respectively. TGPPI is incorporated on September 15, 2010.

The goodwill of ₱1.28 billion comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Acquisition of HPTDI
On August 1, 2016, RHIB acquired 75% ownership of HPTDI for a total consideration of ₱58.50 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.0 million.

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 12)	₱33,928,571
Input VAT	4,071,429
Net assets before non-controlling interest	38,000,000
Non-controlling interest measured at share of net assets (25%)	9,500,000
Net assets (75%)	28,500,000
Goodwill arising on acquisition (Note 14)	30,000,000
Acquisition cost	₱58,500,000

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue and income before tax would have been the same. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016.

The goodwill of ₱30.00 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

Acquisition of SEWI
On September 1, 2015, RI a wholly-owned subsidiary of RRHI, acquired 90% ownership of SEWI for a total consideration of ₱990.00 million.

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱715.10 million.

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

	Fair values recognized on acquisition
Assets	
Cash	₱1,650,000
Other current assets	5,393,352
Property and equipment (Note 12)	44,858,715
Trademarks arising on acquisition (Note 14)	364,914,493
	416,816,560
Liabilities	
Advances from stockholders*	1,902,066
Deferred tax liability	109,474,348
Net assets before non-controlling interest	305,440,146
Non-controlling interest measured at share of net assets (10%)	30,544,015
Net assets (90%)	274,896,131
Goodwill arising on acquisition (Note 14)	715,103,869
Acquisition cost	₱990,000,000

**Presented under trade and other payables account*

SEWI is incorporated on March 4, 2015 and started its commercial operation on September 1, 2015.

The goodwill of ₱715.10 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

20. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱1.46 billion and ₱1.24 billion for the six months ended June 30, 2017 and 2016, respectively.

21. Operating Expenses

This account consists of:

	Six Months Ended June 30	
	2017 (Unaudited)	2016 (Unaudited)
Rental and utilities (Notes 24, 28 and 29)	**₱4,315,416,663**	₱3,992,554,423
Personnel costs and contracted services (Notes 22 and 23)	**2,983,082,755**	2,635,203,573
Depreciation and amortization (Notes 12 and 14)	**988,824,729**	944,309,014
Transportation and travel	**479,794,646**	444,235,920
Supplies	**324,512,448**	259,355,703
Bank and credit charges	**259,684,676**	225,859,976
Advertising	**339,465,243**	195,200,173
Repairs and maintenance	**184,063,742**	135,884,520
Royalty expense (Note 29)	**73,975,533**	71,000,188
Others	**394,206,188**	242,217,415
	₱10,343,026,623	₱9,145,820,905

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment and amortization of franchise fees and license fees which amounted to ₱981.5 million and ₱7.33 million, respectively, in 2017, ₱937.02 million and ₱7.30 million, respectively, in 2016.

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

22. Personnel Costs and Contracted Services

This account consists of:

	Six Months Ended June 30	
	2017 (Unaudited)	2016 (Unaudited)
Salaries, allowances and benefits (Note 21)	**₱1,600,639,946**	₱1,280,380,949
Contracted services (Note 21)	**1,382,442,809**	1,354,822,624
	₱2,983,082,755	₱2,635,203,573

Details of salaries, allowances and benefits:

	Six Months Ended June 30	
	2017 (Unaudited)	2016 (Unaudited)
Salaries, wages and allowances	**₱1,538,727,074**	₱1,222,149,778
Pension expense (Note 23)	**61,912,872**	58,231,171
	₱1,600,639,946	₱1,280,380,949

23. **Employee Benefits**

The Group has a funded, non-contributory, defined benefit pension plan covering all regular permanent employees. Benefits are dependent on years of service and the respective employee's final compensation. The benefits are paid in a lump-sum upon retirement or separation in accordance with the terms of the Robinsons Retail Multi-Employer Retirement Plan (the Plan).

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary. The latest actuarial valuation report for the retirement plan was issued on March 8, 2017.

The Group is a member of the Plan which is administered separately by the Trustee, Robinsons Bank Corporation, so named under the Trust Agreement. The Trustee is under the supervision of the Retirement Working Committee (the Committee) of the Plan. The Committee shall have all the powers necessary or useful in the discharge of its duties, including but not limited, to implement and administer the plan, propose changes and determine the rights of the members of the plan. However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

The Committee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Plan.

Under the existing regulatory framework, Republic Act 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:

	Six Months Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
Current service cost	**₱58,805,933**	₱56,962,277
Net interest cost	**3,106,939**	1,268,894
Pension expense	**₱61,912,872**	₱58,231,171

Net pension liability:

	June 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Present value of defined benefit obligation	**₱883,702,443**	₱821,789,571
Fair value of plan assets	**(212,260,323)**	(212,260,323)
Net pension liability	**₱671,442,120**	₱609,529,248

Remeasurement effects recognized in OCI:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Remeasurement gains (losses) in pension liability	**₱–**	₱41,268,668
Remeasurement losses in pension assets	**–**	(13,960,930)
	₱–	₱27,307,738

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱609,529,248**	₱473,346,631
Pension expense	**61,912,872**	116,638,933
Remeasurement (gains) losses	**–**	27,307,738
Transfer-in	**–**	1,178,882
Actual contribution	**–**	–
Benefits paid from direct payments	**–**	(8,942,936)
Balance at end of year	**₱671,442,120**	₱609,529,248

Movements in the fair value of plan assets follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱212,260,323**	₱188,389,781
Actual contribution	–	–
Addition arising from business combination	–	1,197,654
Interest income included in net interest cost	–	8,711,958
Remeasurement gains (losses)	–	13,960,930
Balance at end of year	**₱212,260,323**	₱212,260,323

Changes in the present value of defined benefit obligation follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**₱821,789,571**	₱661,736,412
Current service cost	**58,805,938**	93,186,487
Interest cost	**3,106,939**	32,164,404
Transfer-in	–	2,376,536
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	–	78,361,831
Experience adjustments	–	12,140,567
Changes in demographic assumptions	–	(49,233,730)
Benefits paid	–	(8,942,936)
Balance at end of year	**₱883,702,448**	₱821,789,571

The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash and cash equivalents		
Savings deposit	₱11,650,536	₱11,650,536
Time deposit	51,206,449	51,206,449
	62,856,985	62,856,985
Investments in government securities		
Fixed rate treasury notes	15,417,367	15,417,367
Retail treasury bonds	904,565	904,565
	16,321,932	16,321,932
Investments in UITF	130,798,659	130,798,659
Other receivables	2,259,538	2,259,538
Accrued trust fee payable	(26,983)	(26,983)
Others	50,192	50,192
	₱212,260,323	₱212,260,323

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

	December 31, 2016 (Audited)
Discount rates	4.90%-5.60%
Salary increase rates	5.70%-7.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to ₱22.67 million and ₱0.19 million in 2016 and 2015, respectively.

The Group expects to contribute ₱230.22 million to the defined benefit pension plan in 2017.

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

		Increase (Decrease)	Effect in Defined Benefit Obligation
2016	**Salary increase**	**+1.00%**	**₱457,814,920**
		-1.00%	**(225,527,731)**
	Discount rates	**+1.00%**	**(227,933,624)**
		-1.00%	**457,252,429**

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2016
Less than 1 year	₱33,797,916
More than 1 year but less than 5 years	134,068,111
More than 5 years but less than 10 years	449,279,913
More than 10 years but less than 15 years	700,112,262
More than 15 years but less than 20 years	1,003,630,395
More than 20 years	7,570,703,049

24. Related Party Disclosures

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

Significant Related Party Transactions

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

1. The following are the Group's transactions with its related parties:

	Amount		Due from (Due to)		
Category	**June 30, 2017**	December 31, 2016	**June 30, 2017**	December 31, 2016	**Terms and Conditions**
Other affiliates under common control					
a. Trade and other receivables	**₱–**	₱–	**₱148,943,952**	₱185,552,190	Noninterest
Sales	**1,389,623,344**	3,002,659,968	–	–	bearing and due in 30 days, not
Royalty income	**619,602,890**	1,250,377,301	–	–	impaired
b. Trade and other payable			**(386,765,433)**	(536,842,332)	Noninterest
Purchases – net	**(1,312,712,824)**	(2,731,155,634)	–	–	bearing and payable in 30 days,
Rent and utilities	**(1,913,700,100)**	(3,571,891,299)	–	–	unsecured

Below are the Group's transactions with its related parties:

a. As of June 30, 2017, and December 31, 2016, the Group has outstanding balances from its other affiliates amounting to ₱148.9 million and ₱185.6 million arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

   As of June 30, 2017 and year ended 2016, sales of merchandise inventories to related parties amounted to ₱1.39 billion and ₱3.00 billion, respectively, and royalty income amounted to ₱619.6 million and ₱1.25 billion, respectively (Note 29).

b. As of June 30, 2017, and December 31, 2016, the Group has outstanding payable to its other affiliates amounting to ₱386.8 million and ₱536.8 million arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year and renewable every year.

For the first half of 2017 and for the year ended December 31, 2016, purchases of merchandise inventories for resale to customers amounted to ₱1.31 billion and ₱2.73 billion, respectively while payment for rent and utilities amounted to ₱1.91 billion and ₱3.57 billion, respectively.

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

2. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

   The details of compensation and benefits of key management personnel for 2016 and 2015 are as follows:

	2016	2015
Short-term employee benefits	**₱135,091,073**	₱111,913,098
Post-employment benefits	**30,916,815**	43,264,776
	₱166,007,888	₱155,177,874

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. **Income Tax**

Provision for income tax for the six months ended June 30 follows:

	2017 (Unaudited)	2016 (Unaudited)
Current	**₱788,295,909**	₱670,943,319
Deferred	**(50,548,955)**	(67,089,317)
	₱737,746,954	₱603,854,002

The components of the net deferred tax assets of the Group as of June 30, 2017 and December 31, 2016 pertain to the deferred income tax effects of the following:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Discount rates	**4.90%-5.60%**	4.90%-5.60%
Salary increase rates	**5.70%-7.00%**	5.70%-7.00%

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Tax effect of:		
Pension liability	**₱201,432,636**	₱182,858,774
NOLCO	**97,101,028**	75,791,881
MCIT	**17,222,397**	11,103,027
Allowance for impairment losses	**8,549,703**	10,528,096
Allowance for inventory write-down	**7,989,891**	5,111,498
Accrued rent	**4,652,566**	4,652,569
Unrealized forex gains	**-**	(3,207)
	₱336,948,221	₱290,042,638

The components of the net deferred tax liabilities of the Group as of June 30, 2017 and December 31, 2016 represent deferred income tax effects of the following:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Tax effect of:		
Business combination (Note 19)	**₱959,671,938**	₱959,671,939
Asset revaluation	**62,261,031**	74,500,379
Fair value adjustments on investment in an Associate	**31,134,421**	10,649,273
Depreciation on revaluation	**-**	(7,450,038)
Unrealized forex gains	**4,734,168**	4,734,168
	₱1,057,801,558	₱1,042,105,721

26. Earnings Per Share

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

	2017	2016
Net income attributable to equity holders of the Parent Company	**₱2,281,887,476**	₱2,022,847,440
Weighted average number of common shares	**1,385,000,000**	1,385,000,000
Adjusted weighted average number EPS	**1,385,000,000**	1,385,000,000
Basic and Diluted EPS	**₱1.65**	₱1.46

The Parent Company has no dilutive potential common shares in 2017 and 2016.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

27. **Risk Management and Financial Instruments**

Governance Framework

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

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

Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to their short-term maturities except for the AFS financial assets as of June 30, 2017 and December 31, 2016.

As of June 30, 2017 and December 31, 2016, the carrying values and fair values of AFS financial assets amounted to ₱20.44 billion and ₱20.44 billion and ₱20.43 billion and ₱20.43 billion, respectively (Note 11).

The following methods and assumptions were used to estimate the fair value of each class of financial instruments 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 and trade and other receivables approximates the carrying values at year-end. The fair value of the AFS financial assets has been determined based on prevailing market quotes. Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

Financial Liabilities

Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

Fair Value Hierarchy

As of June 30, 2017 and December 31, 2016, the Group has AFS financial assets valued under Level 1 amounting ₱20.44 billion and ₱20.43 billion, respectively (Note 11). These financial assets are measured at fair value.

There were no financial instruments valued at levels 2 and 3 as of June 30, 2017 and December 31, 2016.

There were also no transfers among levels 1, 2 and 3 in 2017 and 2016.

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

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

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

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

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

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

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

The table below shows the maturity profile of the financial instruments of the Group as of June 30, 2017 and December 31, 2016 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

June 30, 2017

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱7,964,404,516	₱–	₱–	₱7,964,404,516
Trade receivables		1,107,434,263		1,107,434,263
Nontrade receivables	–	431,824,021	–	431,824,021
Due from franchisees	–	210,437,700	–	210,437,700
Other noncurrent assets:				
Security and other deposits	–	–	1,491,847,246	1,491,847,246
Construction bond	–	–	31,061,235	31,061,235
AFS financial assets	–	–	20,444,836,554	20,444,836,554
	₱7,964,404,516	₱1,749,695,984	₱21,967,745,035	₱31,681,845,535
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱14,406,841,045	₱–	₱14,406,841,045
Loans payable	–	3,740,639,377	–	3,740,639,377
Other current liabilities	–	221,918,700	–	221,918,700
	₱–	₱18,369,399,122	₱–	₱18,369,399,122

**excluding statutory liabilities amounting ₱191,935,847.*

December 31, 2016

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱12,718,000,227	₱–	₱–	₱12,718,000,227
Trade receivables	147,755,850	1,230,199,192	–	1,377,955,042
Nontrade receivables	38,258,328	393,838,397	–	432,096,725
Due from franchisees	–	257,548,511	–	257,548,511
Other noncurrent assets:				
Security and other deposits	–	–	1,396,875,108	1,396,875,108
Construction bond	–	–	33,845,521	33,845,521
AFS financial assets	–	–	20,430,029,363	20,430,029,363
	₱12,904,014,405	₱1,881,586,100	₱21,860,749,992	₱36,646,350,497
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱439,568,412	₱16,143,971,312	₱10,910,000	₱16,594,449,724
Loans payable	–	6,575,698,733	–	6,575,698,733
Other current liabilities	–	269,927,089	–	269,927,089
	₱439,568,412	₱22,989,597,134	₱10,910,000	₱23,440,075,546

**excluding statutory liabilities amounting ₱202,147,758.*

Credit Risk

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

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

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

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

The tables below show the aging analysis of loans and receivables and AFS financial assets as at June 30, 2017 and December 31, 2016.

June 30, 2017

	Neither past due nor impaired	**Past due but not impaired**	**Impaired Financial Assets**	**Total**
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	**7,964,404,516**	–	–	**7,964,404,516**
Trade receivables	**1,079,562,875**	–	**27,871,388**	**1,107,434,263**
Nontrade receivables	**431,824,021**	–	–	**431,824,021**
Due from franchisees	**151,598,711**	–	**58,838,989**	**210,437,700**
Other noncurrent assets:				
Security and other deposits	**1,491,847,246**	–	–	**1,491,847,246**
Construction bond	**31,061,235**	–	–	**31,061,235**
AFS financial assets	**20,444,836,554**	–	–	**20,444,836,554**
	31,595,135,158	–	**86,710,377**	**31,681,845,535**

December 31, 2016

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱12,026,536,651	₱–	₱–	₱12,026,536,651
Trade receivables	1,229,619,835	123,463,818	24,871,389	1,377,955,042
Nontrade receivables	416,279,219	15,817,506	–	432,096,725
Due from franchisees	202,709,522	–	54,838,989	257,548,511
Other noncurrent assets:				
Security and other deposits	1,396,875,108	–	–	1,396,875,108
Construction bond	33,845,521	–	–	33,845,521
AFS financial assets	20,430,029,363	–	–	20,430,029,363
	₱35,735,895,219	₱139,281,324	₱79,710,378	₱35,954,886,921

The Group’s maximum exposure in financial assets are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group’s experience.

Credit Quality
Neither past due nor impaired financial assets are graded as either “A” or “B” based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

  Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group’s collection efforts and update their payments accordingly.

a. Cash in banks and short-term investments are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties’ low probability of insolvency.

b. Receivables and due from franchisees are Grade A because they are from related parties, employees and accredited customers who are highly reputable, progressive and consistently pay their accounts.

c. Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties. AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group’s financial assets considered as neither past due nor impaired amounting to ₱31.60 billion and ₱35.74 billion as of June 30 , 2017, and December 31, 2016, respectively are all graded “A” based on the Group’s assessment.

28. Lease Commitments

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense for the period ended June 30, 2017 and 2016 amounted to ₱2.53 billion and ₱2.37 billion, respectively (Notes 21 and 24).

29. Agreements

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

   Royalty expense amounted to ₱36.37 million and ₱36.89 million for the six months ended June 30, 2017 and 2016, respectively (Note 21). Royalty payable to Ministop included under "Nontrade payable" as of June 30, 2017 and December 31, 2016 amounted to ₱5.91 million and ₱6.65 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱844.74 million and ₱861.4 million for the six months ended June 30, 2017 and 2016, respectively.

   As of June 30, 2017 and December 31, 2016, amounts due from franchisees amounted to ₱112.49 million and ₱202.72 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱58.54 million and ₱54.83 million as of June 30, 2017 and December 31, 2016, respectively (Note 8).

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 expenses amounted to nil and ₱1.23 million for the six months ended June 30, 2017 and 2016, respectively.

d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 14).

   Royalty expense amounted to nil and ₱0.60 million for the six months ended June 30, 2017 and 2016, respectively.

e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to

₱31.64 million and ₱28.47 million for the six months ended June 30, 2017 and 2016, respectively.

f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 14).

The Group started Costa operations in June 2015. Royalty expenses amounted to ₱2.47 million and ₱1.93 million for the six months ended June 30, 2017 and 2016, respectively.

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

30. **Contingencies**

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by courts or are currently being contested by the Group, the outcome of which are not presently determinable.

In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have material adverse effect in the Group's financial position and results of operations.

SUPPLEMENTARY SCHEDULES

I. Supplementary schedules required by Annex 68-E

   A. Financial Assets (Other Short-Term Cash Investments)

   B. Amounts Receivable from Directors, Officers, Employees,
      Related Parties and Principal Stockholders (Other than Related Parties)

   C. Amounts Receivable/Payable From/To 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 Soundness Indicators

III. Map of the relationships of the companies within the group (Part 1, 4H)

IV. Schedule of all of the effective standards and interpretations (Part 1, 4J)

V. Use of Proceeds from Initial Public Offering

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)

JUNE 30, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Various bonds	₱15,947,482,756	₱16,673,136,554	₱16,673,136,554	₱373,489,573
Notes	1,683,700,000	1,683,700,000	1,683,700,000	45,155,688
Investment in preferred shares	2,000,000,000	2,088,000,000	2,088,000,000	55,750,000
	₱19,631,182,756	₱20,444,836,554	₱20,444,836,554	₱474,395,261

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

JUNE 30, 2017

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

JUNE 30, 2017

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings Inc.	₱32,677,203	₱2,517,416,514	₱–	₱2,550,093,717	₱–	₱2,550,093,717
Robinsons Convenience Stores Inc.	–	39,106,088	–	39,106,088	–	39,106,088
Robinsons Supermarket Corporation	20,934,401	(14,736,608)	–	6,197,793	–	6,197,793
Robinson's Incorporated	17,689,258	(8,722,991)	–	8,966,267	–	8,966,267
Robinson's Handyman Inc.	–	14,767,958	–	14,767,958	–	14,767,958
RHD Daiso- Saizen Inc.	47,229,730	–	–	47,229,730	–	47,229,730
	₱118,530,592	₱2,547,830,961	₱–	₱2,666,361,553	₱–	₱2,666,361,553

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

JUNE 30, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱3,381,413,966	₱–	₱–	₱–	₱–	₱3,381,413,966
Trademarks	3,195,930,460	–	–	–	–	3,195,930,460
License	72,727,274	–	(6,060,611)	–	–	66,666,663
Franchise	21,826,728	–	(1,273,669)	–	–	20,553,059
	₱6,671,898,428	₱–	(₱7,334,280)	₱	₱–	₱6,664,564,148

See Note 14 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

JUNE 30, 2017

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱3,740,639,377	3.0%	₱3,740,639,377	₱–
	₱3,740,639,377		₱3,740,639,377	₱–

See Note 17 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

JUNE 30, 2017

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱319,287,068	₱232,079,548
Universal Robina Corporation	210,197,263	139,315,459
JG Summit Holdings, Inc.	7,358,001	15,370,426
	₱536,842,332	₱386,765,433

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2017

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

JUNE 30, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	1,385,000,000	1,385,000,000	–	484,749,997	380,184,503	520,065,500
	1,385,000,000	1,385,000,000	–	484,749,997	380,184,503	520,065,500

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

For the six months ended June 30, 2017 and for the year ended December 31, 2016

Financial Soundness Indicator	**June 30, 2017**	December 31, 2016
i. Liquidity ratio:		
Current ratio	**1.37**	1.24
ii. Profitability ratio:		
Gross profit margin	**0.22**	0.22
Return on assets	**0.03**	0.07
Return on equity	**0.05**	0.11
iii. Stability ratio:		
Solvency ratio	**0.17**	0.28
Debt to equity ratio	**0.40**	0.52
Asset to equity ratio	**1.40**	1.52
Interest rate coverage ratio	**37.69**	63.48

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND FOR THE YEAR ENDED DECEMBER 31, 2016

	June 30, 2017	December 31, 2016
Current assets	**₱26,192,316,870**	₱30,232,287,219
Current liabilities	**19,142,055,304**	24,477,871,631
Current ratio	**1.37**	1.24
Gross profit	**11,944,927,420**	23,026,280,226
Net sales	**53,485,740,145**	105,293,324,032
Gross profit margin	**0.22**	0.22
After tax net profit	**2,541,524,600**	5,195,728,303
Depreciation and amortization	**988,824,729**	2,038,230,133
	3,530,349,333	7,233,958,436
Total liabilities	**20,871,298,982**	26,129,506,600
Solvency ratio	**0.17**	0.28
Total liabilities	**20,871,298,982**	26,129,506,600
Total equity	**52,432,436,383**	50,565,545,029
Debt to equity ratio	**0.41**	0.52
Total assets	**73,303,735,365**	76,695,051,629
Total equity	**52,432,436,383**	50,565,545,029
Asset to equity ratio	**1.40**	1.52
Earnings before interest and taxes	**2,715,476,911**	5,492,885,079
Interest expense	**72,047,693**	86,533,530
Interest rate coverage ratio	**37.69**	63.48
Net income	**2,541,524,600**	5,195,728,303
Average total assets	**74,999,393,496**	70,927,338,551
Return on assets	**0.03**	0.07
Net income	**2,541,524,600**	5,195,728,303
Average total equity	**51,498,990,705**	48,035,410,440
Return on equity	**0.05**	0.11

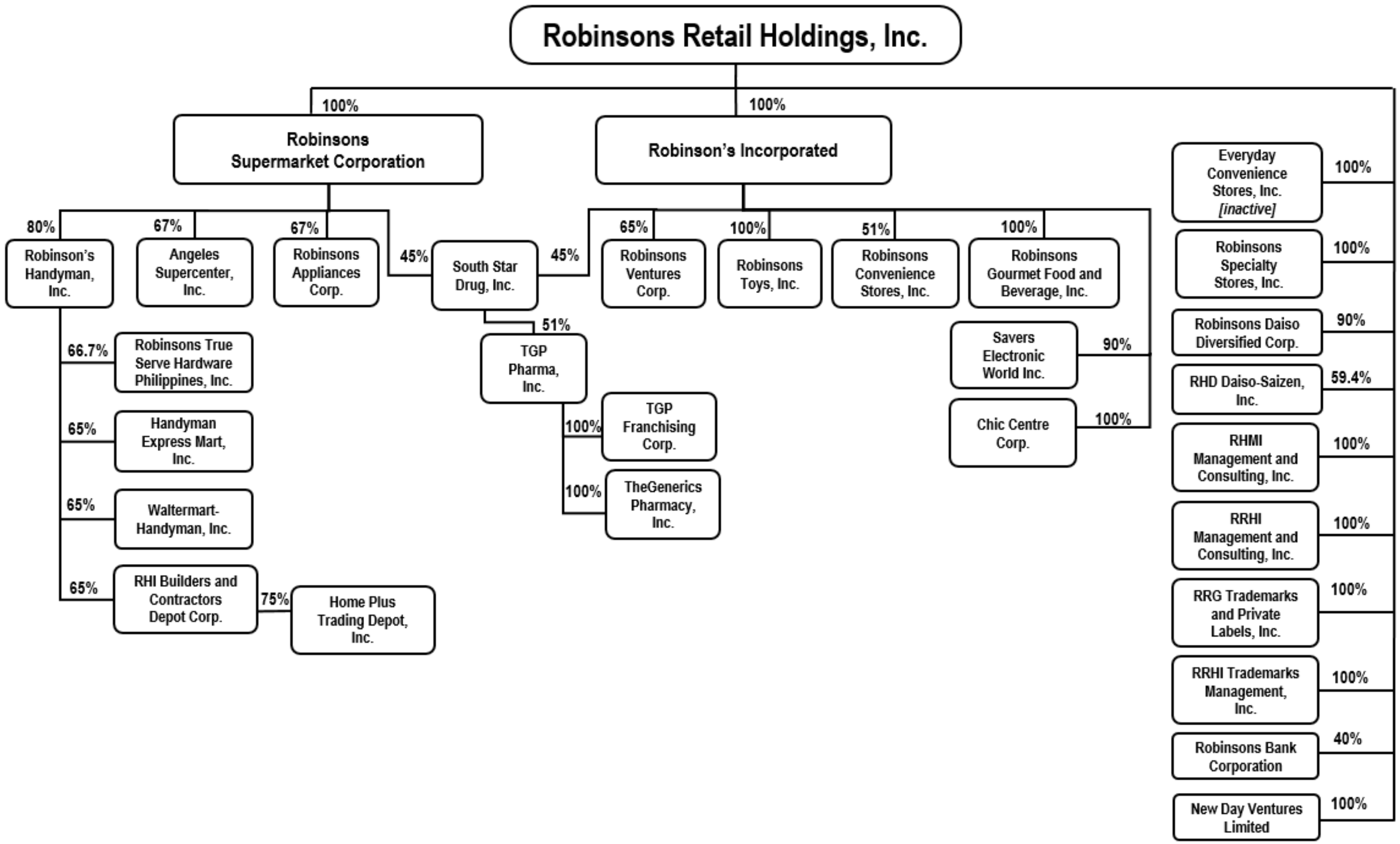
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

JUNE 30, 2017

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of JUNE 30, 2017:



ROBINSONS RETAIL HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at June 30, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of June 30, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendment to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
	Amendment to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5 (Amended)	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7 (Amended)	Financial Instruments: Disclosures	✓		
	Amendment to PFRS 7: Disclosures, Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendment to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	of PFRS 9 and Transition Disclosures			
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓	
	Classification and Measurement (2010 version)		✓	
	PFRS 9, Financial Instruments (2014 or final version)		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	✓		
	PFRS 10 and PAS 28, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
PFRS 12 (Amended)	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Clarification of Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Financial Statements Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7 (Amended)	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12 (Amended)	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 14	Regulatory Deferral Accounts		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Benefits, Discount Rate: Regional Market Issue			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Amendments to PFRSs 2014 – 2016 Cycle)		✓	
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34 (Amended)	Interim Financial Reporting	✓		
	Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PAS 40 (Amended)	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants		✓	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of June 30, 2017**		**Adopted**	**Not Adopted**	**Not Applicable**
	Economies			
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of June 30, 2017		Adopted	Not Adopted	Not Applicable
	Entity or its Shareholders			
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the period ended June 30, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as of June 30, 2017. The Group will adopt the Standards and Interpretations when these become effective.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

June 30, 2017

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 has not been fully disbursed as of June 30, 2017. For the period covering January 1, 2017 to June 30, 2017, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱724, 423, 296
Renovation of existing stores	382, 023, 163
Other corporate purposes	112, 825, 007
Repayment of bank loans	92, 505, 122
Total	₱1, 311, 776, 588

Item 2. Management's Discussion and Analysis or Plan of Operation

Consolidated Results of Operations
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income of ₱2,542 million for the six months ended June 30, 2017, an increase of 17.4% as compared to ₱2,165 million for the six months ended June 30, 2016. The increase was largely due to sales growth and margin expansion. Net income attributable to parent amounted to ₱2,282 million for the six months ended June 30, 2017, an increase of 12.8% as compared to ₱2,023 million for the six months ended June 30, 2016.

Consolidated revenues increased by 10.7% from ₱48,334 million to ₱53,486 million for the six months ended June 30, 2017. The robust revenue growth was largely due to organic store openings, same store sales growth and consolidation of acquisitions last year- TGP, De Oro and Chic Centre. Royalty, rent and other income also increased from ₱1,053 million to ₱1,114 million or a 5.7% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the six months ended June 30, 2017 amounted to ₱11,945 million, 14.9% higher than ₱10,392 million for the six months ended June 30, 2016. The increase was due to scale and consolidation of The Generics Pharmacy (TGP).

Operating expenses grew by 13.1% from ₱9,146 million to ₱10,343 million for the first half of 2017 due to store expansion.

Earnings before interests and taxes (EBIT) grew by 18.1% from ₱2,300 million to ₱2,715 million for the six months ended June 30, 2017. As a percentage of sales, EBIT is at 5.1% this year compared to 4.8% last year.

Earnings before interests, taxes, depreciation, amortization and other non-cash items (EBITDA) expanded by 14.2% from ₱3,244 million to ₱3,704 million for the six months ended June 30, 2017.

Other income and charges increased by 20.1% from ₱469.5 million to ₱563.8 million for the six months ended June 30, 2017.

Supermarket
Robinsons Supermarket, the biggest segment, posted net sales of ₱24,286 million for the first half of the year, an increase by 7.3% versus same period last year. The growth was driven mostly by the sales contribution of the 15 new stores rolled out after end of June 2016.

The cost of merchandise sold for the first quarter of the year grew by 7.0% from ₱18,360 million to ₱19,640 million for the same period last year which was slightly lower than the increase in sales. As a result, gross profit improved by 20 bps to 19.1% despite intensifying competition in pricing due to better economies of scale, sustained vendor discounts and supports.

EBITDA went up by 6.8% to ₱1,648 million this year against ₱1,332 million last year.

Department Store

Robinsons Department Store (RDS) sales for the first six months of 2017 grew 1.5% from last year's ₱7,135.4 million to this year's ₱7,244.1 million. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new stores.

RDS' cost of sales amounted to ₱5,429 million for the six months ended June 30, 2017, an increase of 1.2% from ₱5,367 million for the same period last year. This resulted to a gross margin of ₱1,815 million for the six months ended June 30, 2017 against ₱1,772 million for the same period last year. The increase in sales and additional discounts resulted to improved margins.

As a result of the foregoing, RDS generated EBITDA of ₱348 million for the six months ended June 30, 2017, a decrease of 17% against ₱419 million in the same period last year.

DIY Division

The DIY segment ended the first half of 2017 with net sales growth of 12.0% from ₱ 5,200.0 million to ₱5,825.0 million for the six months ending June 30, 2016 and June 30, 2017, respectively.

The growth was driven primarily by the strong same store sales growth, new stores and acquisition of Homeplus Trading Depot, Inc.

DIY's cost of sales grew by 11.1% from ₱3,538.8 million in the first half of 2016 to ₱3,932.9 million for the first half of 2017. The gross profit grew to high teens or 13.9% to ₱1,892.4 million for the first half of the year from ₱1,661.2 million last year. As a percentage to sales, gross profit was at 32.5% for the first half of this year versus 31.9% in the first half last year. Operating expenses as a percentage to sales increased by 10bps from 24.4% to 24.5% due to new store openings.

As a result, EBIT was up by 18.6% at ₱464.2 million for the first half of 2017 versus ₱391.4 million in same period last year while EBITDA grew 18.2% to ₱560.7 million for the period ended June 30, 2017 against ₱474.5 million for the same period in 2016.

Convenience Store

The convenience stores segment registered a system wide sales and merchandise sales of ₱4,268 million and ₱2,757 million, respectively for the first half of 2017, albeit flat from ₱4,266 million and ₱2,800 million of the same period last year. This is due to the lower number of operating stores this year.

Cost of Sales declined by ₱48 million or 1.9%, to ₱2,489 million for the first half of 2017 from ₱2,538 million in 2016. Gross Margin and Other Income is 10bps higher from 40.4% last year to 40.5% this year. Operating expenses on the other hand grew by 80bps from 39.7% to 40.5%. Convenience stores recorded an EBIT of ₱0.6 million this year versus last year's ₱19.4 million.

EBITDA generated for the first half of 2017 was ₱119.4 million versus ₱191.4 million of the same period last year.

Drug Store

The drug store segment registered net sales of ₱6,965.0 Million as of June 30, 2017, representing a growth of 55.9% from last year's net sales of ₱4,469.0 Million. The growth was mainly driven by the sales contribution of TGP Pharma Inc. in the amount of ₱2,042.7 Million, as well as South Star Drug's strong same store sales performance at 3.4%. South Star Drug acquired 51% share in TGP Pharma, Inc. in May 2016.

The segment's cost of sales as of June 30, 2017 grew at a slower clip than net sales at 50.1% from ₱3,765.6 Million to ₱5,652.9 Million. As a result, gross profit expanded by 86.5% from ₱703.4 Million in Q2 of 2016 to ₱1,312.1 Million this year. In terms of margins, gross profit expanded by 310bps to 18.8% in 2016 against 15.7% last year.

EBITDA grew substantially from ₱200.7 Million in 2016 to ₱507.6 Million this year.

Specialty Segment

The net sales of the Specialty Stores segment increased by 15.9% from ₱5,962 million to ₱6,912 million for the six months ended June 30, 2016 and June 30, 2017, respectively. The higher net sales were attributed to sales contribution from the new stores and the healthy same store sales growth for the period of 8.3%. The Specialty segment added 22 net new stores after end of June 2016 bringing the store network to 314 by the end of the first half of 2017.

The cost of merchandise sold of Specialty Stores segment grew at a slower clip than net sales at 11.9% from ₱4,478 million to ₱5,012 million for the six months ended June 30, 2016 and June 30, 2017, respectively. This resulted in the increase of gross profit at higher than net sales at 28.0% from ₱1,484 million to ₱1,900 million.

For the six months ended June 30, 2017, the Specialty Stores segment generated an EBITDA of ₱490 million, an increase of 77.5% from last year's first half EBITDA of ₱276 million.

Financial Position

June 30,2017 versus December 31, 2016

As of June 30, 2017, the Company's balance sheet showed consolidated assets of ₱73,303 million, which is 4.4% lower than the total consolidated assets of ₱76,695 million as of December 31, 2016.

Cash and cash equivalents significantly decreased from ₱12,718 million as of December 31, 2016, to ₱7,964 million as of June 30, 2017, Net cash used for operating activities totaled ₱911.3 million. Net cash used in investing activities amounted to ₱1,425 million, ₱1,352 million of which were used to acquire properties and equipment and ₱137 million were used to acquire available-for-sale investments. Net cash paid from financing activities amounted to ₱2,417 million.

Trade and other receivables decreased by 16.3% from ₱1,987 million to ₱1,663 as of June 30, 2017.

Other noncurrent assets also increased from ₱1,430 million to ₱1,523 million due to additional security deposit for new stores.

Trade and other payables decreased from ₱16,797 million to ₱14,599 million as of June 30, 2017.

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

Stockholder’s equity grew from ₱50,566 million as of December 31, 2015, to ₱52,432 million as of June 30, 2017, due to net income during the period.