PART 1 – FINANCIAL INFORMATION

Item 1 – Financial Statements

A. Unaudited Consolidated Statements of Financial Position as of September 30, 2021 and Audited Consolidated Statements of Financial Position as of December 31, 2020.

B. Unaudited Consolidated Statements of Comprehensive Income for the Nine months ended September 30, 2021 and 2020.

C. Unaudited Consolidated Statements of Changes in Equity for the Nine months ended September 30, 2021 and 2020

D. Unaudited Consolidated Statements of Cash Flow for the Nine months ended September 30, 2021 and 2020

E. Notes to Unaudited Consolidated Financial Statements

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 1 7 5 6

C O M P A N Y   N A M E

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

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

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

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mylene A. Kasiban	Mylene.Kasiban@robinsonsretail.ph	8635-0751 local 214	0998 840 4227

CONTACT PERSON's ADDRESS

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

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

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

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱14,801,248,653**	₱21,338,418,561
Trade and other receivables (Notes 8, 24 and 27)	**2,715,033,325**	3,144,095,464
Merchandise inventories (Note 9)	**23,397,948,754**	22,234,439,282
Other current assets (Note 10)	**2,929,310,035**	2,655,714,261
Total Current Assets	**43,843,540,767**	49,372,667,568
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	**11,557,233,713**	13,931,757,447
Property and equipment (Note 12)	**17,477,991,136**	18,173,764,218
Right-of-use assets (Note 28)	**22,952,063,033**	25,038,299,389
Investment in associates (Note 13)	**8,482,447,391**	8,584,762,373
Intangible assets (Notes 14 and 19)	**22,672,316,156**	22,672,884,904
Deferred tax assets - net (Note 25)	**1,480,202,810**	1,531,779,268
Retirement plan asset (Notes 22 and 23)	**15,071,417**	25,576,541
Other noncurrent assets (Notes 15 and 27)	**2,339,304,062**	2,264,691,275
Total Noncurrent Assets	**86,976,629,718**	92,223,515,415
	₱130,820,170,485	₱141,596,182,983

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱21,181,270,930**	₱23,363,164,229
Short-term loans payable (Notes 17 and 27)	**5,444,000,000**	9,584,000,000
Lease liabilities - current portion (Note 28)	**3,290,189,517**	2,714,936,166
Income tax payable	**230,503,711**	351,704,061
Other current liabilities (Note 27)	**373,586,302**	255,281,634
Total Current Liabilities	**30,519,550,460**	36,269,086,090
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 28)	**22,733,371,864**	24,612,504,568
Deferred tax liabilities - net (Note 25)	**2,050,746,816**	2,549,824,361
Retirement obligation (Notes 22 and 23)	**749,028,253**	574,533,710
Total Noncurrent Liabilities	**25,533,146,933**	27,736,862,639
Total Liabilities	**56,052,697,393**	64,005,948,729
Equity (Note 18)		
Capital stock	**1,576,489,360**	1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Treasury stock	**(3,194,633,731)**	(810,018,635)
Other comprehensive income (Notes 11, 13 and 23)	**82,260,780**	434,295,080
Equity reserve	**(995,284,977)**	(995,284,977)
Retained earnings		
Appropriated	**27,852,852,847**	27,852,852,847
Unappropriated	**4,121,439,708**	4,225,869,025
Total equity attributable to equity holders of the Parent Company	**70,211,326,884**	73,052,405,597
Non-controlling interest in consolidated subsidiaries	**4,556,146,208**	4,537,828,657
Total Equity	**74,767,473,092**	77,590,234,254
	₱130,820,170,485	₱141,596,182,983

See accompanying Notes to Consolidated Financial Statements.

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

	For the Three Months Ended September 30 (Unaudited)		For the Nine months ended September 30 (Unaudited)	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱37,479,345,136**	₱34,613,778,935	**₱ 108,927,055,192**	₱ 109,576,423,344
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**28,919,860,859**	26,674,742,363	**84,048,999,587**	85,978,047,419
GROSS PROFIT (Note 6)	**8,559,484,277**	7,939,036,572	**24,878,055,605**	23,598,375,925
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 24 and 29)	**189,681,634**	384,168,465	**600,171,141**	1,424,204,676
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**8,749,165,911**	8,323,205,037	**25,478,226,746**	25,022,580,601
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(7,260,066,622)**	(6,866,203,859)	**(21,656,872,067)**	(20,755,715,706)
OTHER INCOME (CHARGES)				
Interest income (Notes 6, 7 and 11)	**116,434,730**	147,641,576	**367,143,908**	521,467,815
Equity in net earnings in associates (Notes 6 and 13)	**93,906,642**	17,645,461	**228,907,011**	187,752,802
Dividend income (Notes 6 and 11)	**14,434,066**	14,434,066	**43,302,199**	40,788,659
Interest expense (Notes 6, 17 and 28)	**(491,192,389)**	(525,192,801)	**(1,502,858,793)**	(1,683,635,812)
Foreign currency exchange gain (losses) (Note 6)	**170,890,516**	(87,739,220)	**232,471,821**	(136,015,752)
Others (Notes 6 and 14)	**1,223,529**	(37,888,323)	**21,862,270**	25,535,889
	(94,302,906)	(471,099,241)	**(609,171,584)**	(1,044,106,399)
INCOME BEFORE INCOME TAX (Note 6)	**1,394,796,383**	985,901,937	**3,212,183,095**	3,222,758,496
PROVISION FOR INCOME TAX (Note 25)				
Current	**307,787,987**	383,197,328	**675,785,294**	1,253,535,185
Deferred	**(38,529,092)**	(233,715,887)	**(360,666,807)**	(630,010,293)
	269,258,895	149,481,441	**315,118,487**	623,524,892
NET INCOME	**1,125,537,488**	836,420,496	**2,897,064,608**	2,599,233,604
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of debt and equity financial assets (Note 11)	**(116,798,089)**	97,548,731	**(126,106,125)**	75,289,299
Share in change in fair value of debt and equity financial assets on associates (Note 13)	**(211,290,462)**	8,381,851	**(383,808,420)**	(3,531,322)
Share in change in translation adjustment in associates (Note 13)	**7,945,420**	3,826	**18,690,739**	(809,303)
Cumulative translation adjustment	**26,570,767**	(26,721,736)	**40,926,975**	(44,444,376)
Income tax effect	**50,836,260**	(2,515,703)	**91,279,420**	1,302,188
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Changes in fair value equity securities at FVOCI	**(4,790,000)**	26,345,000	**10,777,500**	18,441,500
Share in actuarial gains (loss) on retirement obligation in associates (Note 13)	**–**	–	**8**	(2,091,444)
Income tax effect	**(8,708,828)**	–	**(6,846,522)**	627,433
	(256,234,932)	103,041,969	**(355,086,425)**	44,783,975
TOTAL COMPREHENSIVE INCOME	**₱869,302,556**	₱939,462,465	**₱2,541,978,183**	₱2,644,017,579

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	**2020 (Unaudited)**	2020 (Unaudited)
Net income attributable to:				
Equity holders of the Parent Company	**₱1,040,043,227**	₱749,843,503	**₱2,709,094,758**	₱2,391,770,563
Non-controlling interest in consolidated subsidiaries	**85,494,261**	86,576,993	**187,969,850**	207,463,041
	1,125,537,488	836,420,496	**2,897,064,608**	2,599,233,604
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**784,839,396**	852,885,472	**2,357,060,458**	2,436,554,538
Non-controlling interest in consolidated subsidiaries	**84,463,160**	86,576,993	**184,917,725**	207,463,041
	₱869,302,556	₱939,462,465	**₱2,541,978,183**	₱2,644,017,579
Basic/Diluted Earnings Per Share (Note 26)	**0.68**	0.48	**1.76**	1.52

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company									
						Retained Earnings				
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13,and 23)	Equity Reserve (Note 18)	Appropriated (Note 18)	Unappropriated (Note 18)	Total	Non-controlling Interest inc Consolidated Subsidiaries (Note 18)	Total
					For the Nine months ended September 30, 2021 (Unaudited)					
Balance at beginning of year	₱1,576,489,360	₱40,768,202,897	(₱810,018,635)	₱434,295,080	(₱995,284,977)	₱27,852,852,847	₱4,225,869,025	₱73,052,405,597	₱4,537,828,657	₱77,590,234,254
Net income	–	–	–	–	–	–	2,709,094,758	2,709,094,758	187,969,850	2,897,064,608
Other comprehensive income	–	–	–	(352,034,300)	–	–	–	(352,034,300)	(3,052,124)	(355,086,425)
Total comprehensive income	–	–	–	(352,034,300)	–	–	2,709,094,758	2,357,060,458	184,917,726	2,541,978,184
Dividends	–	–	–	–	–	–	(2,813,524,076)	(2,813,524,076)	(166,600,174)	(2,980,124,250)
Purchase of treasury shares	–	–	(2,384,615,096)	–	–	–	–	(2,384,615,096)	–	(2,384,615,096)
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱3,194,633,731)	₱82,260,780	(₱995,284,977)	₱27,852,852,847	₱4,121,439,708	₱70,211,326,884	₱4,556,146,208	₱74,767,473,092
					For the Nine months ended September 30, 2020 (Unaudited)					
Balance at beginning of year	₱1,576,489,360	₱40,768,202,897	₱–	₱272,839,305	(₱989,776,800)	₱26,944,852,847	₱3,548,986,390	₱72,121,593,999	₱4,404,802,611	₱76,526,396,610
Net income	–	–	–	–	–	–	2,391,770,563	2,391,770,563	207,463,041	2,599,233,604
Other comprehensive income	–	–	–	44,783,975	–	–	–	44,783,975	–	44,783,975
Total comprehensive income	–	–	–	44,783,975	–	–	2,391,770,563	2,436,554,538	207,463,041	2,644,017,579
Purchase of treasury shares	–	–	(680,696,842)	–	–	–	–	(680,696,842)	–	(680,696,842)
Dividends	–	–	–	–	–	–	(1,572,931,450)	(1,572,931,450)	(147,000,154)	(1,719,931,604)
Disposal of a subsidiary	–	–	–	–	(5,508,177)	–	–	(5,508,177)	–	(5,508,177)
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱680,696,842)	₱317,623,280	(₱995,284,977)	₱26,944,852,847	₱4,367,825,503	₱72,299,012,068	₱4,465,265,498	₱76,764,277,566

See accompanying Notes to Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30 (Unaudited)	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,212,183,095**	₱3,222,758,496
Adjustments for:		
Depreciation and amortization (Notes 6, 12, 14, 21 and 28)	**5,145,407,838**	5,077,141,888
Interest expense (Notes 6, 17 and 28)	**1,502,858,793**	1,683,635,812
Retirement expense (Notes 22 and 23)	**189,519,953**	120,008,679
Provision for inventory obsolescence (Note 9)	**7,739,473**	–
Provision for (reversal of) expected credit losses (Notes 8 and 11)	**7,978,035**	–
Unrealized foreign currency exchange loss (gain) - net (Note 6)	**(232,471,821)**	136,015,752
Gain on sale of debt instruments at FVOCI (Note 11)	**(21,862,270)**	(17,191,570)
Gain on disposal of a subsidiary	**–**	(58,900,769)
Changes in fair value of debt instruments value through profit or loss (FVTPL) (Note 11)	**–**	547,120
Equity in net earnings in associates (Notes 6 and 13)	**(228,907,011)**	(187,752,802)
Dividend income (Notes 6 and 11)	**(43,302,199)**	(40,788,659)
Interest income (Notes 6, 7 and 11)	**(367,143,908)**	(521,467,815)
Operating income before working capital changes	**9,171,999,978**	9,414,006,132
Decrease (increase) in:		
Trade and other receivables	**276,017,556**	607,510,226
Merchandise inventories	**(1,171,248,945)**	(372,914,462)
Other current assets	**(273,595,774)**	49,161,429
Increase (decrease) in:		
Trade and other payables	**(2,119,997,784)**	(5,849,598,496)
Other current liabilities	**118,304,668**	184,749,127
Net cash flows generated from operations	**6,001,479,699**	4,032,913,956
Interest received	**361,265,720**	507,002,681
Retirement contributions and benefits paid (Note 23)	**(4,520,287)**	(176,780,604)
Income tax paid	**(796,985,644)**	(1,296,151,610)
Net cash flows (used in) provided by operating activities	**5,561,239,488**	3,066,984,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in associates (Note 13)	**(33,895,680)**	(343,814,445)
Debt and equity instrument financial assets (Note 11)	**(2,429,592,715)**	(2,704,038,715)
Property and equipment (Note 12)	**(1,536,378,507)**	(1,303,337,565)
Proceeds from disposals of debt and equity instrument financial assets (Note 11)	**5,011,668,990**	3,470,531,698
Dividends received (Note 11)	**43,302,199**	40,788,659
Disposal of a subsidiary (Note 18)		199,671,350
Decrease (increase) in other noncurrent assets	**(74,612,787)**	308,868,228
Net cash flows provided by (used in) investing activities	**980,491,500**	(331,330,790)

	Nine months ended September 30 (Unaudited)	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments (Notes 17 and 30)	**₱1,150,000,000**	₱845,000,000
Interest paid (Notes 17 and 30)	**(125,191,551)**	(97,854,406)
Dividends paid (Notes 18 and 30)	**(2,980,124,250)**	(1,759,105,485)
Acquisition of own shares (Note 18)	**(2,384,615,096)**	(680,696,842)
Payment of loans (Notes 17 and 30)	**(5,290,000,000)**	(2,400,000,000)
Lease payments (Notes 28 and 30)	**(3,533,260,396)**	(3,345,398,242)
Net cash flows used in financing activities	**(13,163,191,293)**	(7,438,054,975)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**84,290,397**	13,957,865
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,537,169,908)**	(4,688,443,477)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**21,338,418,561**	20,292,913,956
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱14,801,248,653**	₱15,604,470,479

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

As of September 30, 2021, the Parent Company is 31.00% owned by JE Holdings, Inc., 36.19% owned by PCD Nominee Corporation, 20.76% by Dairy Farm International Holdings, Ltd. through its subsidiaries Mulgrave Corporation B.V. (MCBV) and GCH Investments Pte. Ltd., and the rest by the public.

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

2. Basis of Preparation

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

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

Basis of Consolidation
The consolidated financial statements as of September 30, 2021 and 2020 and for each of the three (3) years in the period ended September 30, 2020 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

	Effective Percentages of Ownership					
	2021		2020		2019	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's Supermarket Corporation (RSC)	100.00%	–	100.00%	–	100.00%	–
Consolidated Global Imports, Inc. (CGII)	–	100.00%	–	–	–	–
Robinsons Appliances Corp. (RAC)	–	67.00%	–	67.00%	–	67.00%
Robinsons Ventures Corporation (RVC)	–	65.00%	–	65.00%	–	–
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	60.00%	–	60.00%	–	–
Savers Electronic World, Inc. (SEWI)	–	90.00%	–	90.00%	–	–
Super50 Corporation (Super50)	–	51.00%	–	51.00%	–	–
Jose M. Barretto, Sr. Holdings Corporation (JMBHC)	–	–	–	100.00%	–	–

(Forward)

Investee Companies	Effective Percentages of Ownership **2021** **Direct**	 **Indirect**	 2020 Direct	 Indirect	 2019 Direct	 Indirect
South Star Drug, Inc. (SSDI)	–	90.00%	–	90.00%	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	45.90%	–	45.90%	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	–	–	–
TheGenerics Pharmacy Inc. (TPI)	–	45.90%	–	45.90%	–	45.90%
Rose Pharmacy, Inc. (RPI)	–	90.00%	–	90.00%	–	–
Robinson's Handyman, Inc. (RHMI)	–	80.00%	–	80.00%	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	52.00%	–	52.00%	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	52.00%	–	52.00%	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	53.33%	–	53.33%	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	53.60%	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	40.20%	–	40.20%	–	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	–	80.00%	–	80.00%	–	80.00%
Angeles Supercenter, Inc. (ASI)	–	–	–	–	–	100.00%
Everyday Convenience Stores, Inc. (ECSI)	100.00%	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	100.00%	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	100.00%	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	100.00%	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	100.00%	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	100.00%	–	100.00%	–	100.00%	–
Rustan Supercenters, Inc. (RSCI)	–	–	–	–	100.00%	–
Robinson's, Incorporated (RI)	–	–	–	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	–	–	–	–	65.00%
Robinsons Toys, Inc. (RTI)	–	–	–	–	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	–	–	–	–	60.00%
South Star Drug, Inc. (SSDI)	–	–	–	–	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	–	–	–	–	45.90%
TGP Franchising Corp. (TFC)	–	–	–	–	–	–
TheGenerics Pharmacy Inc. (TPI)	–	–	–	–	–	45.90%
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	–	–	–	–	100.00%
Savers Electronic World, Inc. (SEWI)	–	–	–	–	–	90.00%
Chic Centre Corporation (CCC)	–	–	–	–	–	100.00%
Super50 Corporation (Super50)	–	–	–	–	–	51.00%

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

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at September 30, 2021 and December 31, 2020. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

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

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

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

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

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

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

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

Investments and Acquisitions
In 2021, RSC acquired 100% ownership of CGII for a total consideration of ₱23.68 million.

On November 9, 2020, RSC acquired 100% ownership of JMBHC for a total consideration amounting to ₱411.77 million. JMBHC's only asset is related to land leased out to RSCI (Note 12).

On October 30, 2020, SSDI acquired 100% ownership interest on the shares of stock of RPI for ₱4.33 billion. RPI was incorporated in the Philippines and is primarily engaged in the business of trading medical and pharmaceutical goods, on either wholesale or retail basis (Note 19).

On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of ₱230.00 million (Note 19).

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

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

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

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

On November 16, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI's principal activities include building a digital rewards program and creating a robust data infrastructure and analytics business. Accordingly, the Group accounted the investment in DAVI under investment in associates (Note 13). In 2020 and 2019, RRHI made additional capital infusion to DAVI amounting to ₱192.00 million and ₱239.60 million, respectively (Note 13).

On September 20, 2018, RRHI made an investment in G2M Solutions Philippines Pte. Ltd. (G2M) amounting to ₱160.65 million through convertible note which will provide the RRHI 14.90% ownership interest upon conversion of the note. The terms of the agreement entitled RRHI to one (1) out of three (3) board seats and participation to board key decisions. G2M is providing neighborhood sundry stores enablement platform and software in the Philippines. Accordingly, the Group accounted the investment in G2M under investment in associates (Note 13). In 2020, the Group made additional cash infusion to G2M amounting to ₱219.83 million (Note 13).

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

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

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

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

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

Mergers
On April 12, 2021 the BOD and stockholders of JMBHC and RSC approved the Plan of Merger with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On July 9, 2021, the SEC approved the Plan of Merger.

On March 4, 2019, the BOD and stockholders of RSC, RI, RTI and RGFBI approved the Plan of Merger of the companies with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On September 30, 2019, the SEC approved the Plan of Merger between RSC, RI and RGBFI with RSC as the surviving entity effective January 1, 2020.

On October 21, 2019, the BOD and stockholders of RSC, ASI, RSSI and RSCI approved the plan of merger of the companies with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On September 17, 2020, the SEC approved the Plan of Merger between RSC, ASI, RSSI and RSCI with RSC as the surviving entity effective July 1, 2020.

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, 2020. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments did not have significant impact on the acquisitions of the Group during the year.

- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the Group.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no significant impact on the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020.

  The Group adopted the amendments beginning June 1, 2020.

  The Group has applied the practical expedient to all rent concessions that meet the above conditions. Please refer to Note 28 for the impact of the amendments.

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments are not expected to impact the Consolidated Financial Statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

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

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required.

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

Deferred Effectivity

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

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

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

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

4. Summary of Significant Accounting Policies

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

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

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

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

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

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

Sale of Goods - Wholesale Market

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

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

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

Sale of Loyalty Points and Gift Checks

In 2019 and 2018, the Group operates a loyalty programme where retail customers accumulate points for purchases made at any participating retail outlets and partner establishments that can be redeemed against any future purchases at any participating retail outlets and partner establishments, subject to a minimum number of points obtained. The Group also sells gift checks at face value which can be used to redeem goods.

The Group allocates a portion of the consideration received to loyalty points. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price is estimated based on the equivalent value given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience.

A contract liability is recognized for revenue relating to the loyalty points and gift checks at the time of the initial sales transaction. Revenue from the loyalty points and gift checks are recognized when the points are redeemed by the customer. Revenue for loyalty points and gift checks that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Starting January 1, 2020, the management and operation of the loyalty programme has been transferred to DAVI, a related party. With the new arrangement, the Group concluded that it only acts as an agent of DAVI and recognizes revenue relating to loyalty points on a net basis.

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

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

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

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

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

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

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

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

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

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

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables and refundable security deposits included under 'Other noncurrent assets'.

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

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

As of September 30, 2021 and December 31, 2020, the Group's debt instruments at FVOCI includes investments in quoted debt instruments.

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the Group’s financial assets at FVTPL includes investments in debt instruments which contain loss absorption feature.

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the financial liabilities of the Group are classified as other financial liabilities.

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

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

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

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

Derecognition of Financial Assets and Liabilities
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognized where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in Associates

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

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

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

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

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

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

Business Combination and Goodwill

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

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

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

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

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

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

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

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

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

Combination of Entities under Common Control

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

Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

Trademarks
Trademarks, which were acquired through business combinations in 2012 (SSDI), 2015 (SEWI), 2016 (TGPPI), 2018 (RSCI) and 2020 (RPI) were recognized at fair value at the date of acquisition and assessed to have indefinite useful lives. Following initial recognition, the trademarks are carried at cost and subject to annual impairment testing.

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

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

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

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

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

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

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

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

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

The Group performed its annual impairment test for the years ended December 31, 2020 and 2019. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

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

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

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

Retirement Cost

Defined Benefit Plan

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

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

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

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

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

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

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

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

Value-Added Taxes (VAT)

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

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

Creditable Withholding Taxes (CWT)

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

Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

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

Capital Stock

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

Equity Reserve

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

Retained Earnings

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

Leases Effective January 1, 2019

Leases

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

Group as a Lessee

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

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

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

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

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

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

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

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

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

Leases prior January 1, 2019

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

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

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

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

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

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

<u>Foreign Currency Transactions</u>
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) closing rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

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

<u>Earnings Per Share (EPS)</u>
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 nine months ended September 30, 2021 and 2020 (Note 26).

Provisions

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3
Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Management assessed that the acquisition of RPI constitute a business while the acquisition of JMBHC constitute a purchase of an asset.

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

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

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

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

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

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

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

The following were also considered:

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

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

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.

The Group performed its annual impairment test as at December 31, 2020 and 2019. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2020 and 2019, below are the CGUs from which trademarks with indefinite useful life are allocated and tested for annual impairment:

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

As of December 31, 2020 and 2019, below are the CGUs from which goodwill is allocated and tested for annual impairment:

	Basis	**2020**	2019
RSCI	VIU	**₱9,109,386,061**	₱9,109,386,061
TGPPI	EV/EBITDA	**1,281,428,830**	1,281,428,830
SSDI	EV/EBITDA	**745,887,131**	745,887,131
SEWI	VIU	**715,103,869**	715,103,869
Eurogrocer Corporation	EV/EBITDA	**199,870,222**	199,870,222
RHIB	VIU	**145,655,320**	145,655,320
RTSHPI	EV/EBITDA	**85,161,468**	85,161,468
Jayniths Supermarket	EV/EBITDA	**71,732,435**	71,732,435
HPTDI	VIU	**30,000,000**	30,000,000
GNC Pharma Corp.	EV/EBITDA	**23,250,000**	23,250,000
Beauty Skinnovations Retail, Inc. (BSRI)	VIU	**–**	83,324,691
		₱12,407,475,336	₱12,490,800,027

Value In Use
The recoverable amount of some 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, taking into consideration the impact of the coronavirus pandemic.

The pre-tax discount rate applied to cash flow projections is 8.63% to 10.68% in 2020 (5.70% to 10.00% in 2019) and cash flows beyond the five-year period are extrapolated using a 1.00% to 5.00% in 2020 growth rate (1.00% to 5.00% in 2019) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

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

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

Gross Margins
Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. A 24.0% to 30.0% gross margin per annum was applied. A decreased demand can lead to a decline in gross margin.

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.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 2.25% to 6.00% in 2020 and 2019. 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 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 2020 and 2019, the Group used the EV/EBITDA multiple ranging from 9.28 to 10.20 and 10.69 to 11.20 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

In 2020, the Group impaired goodwill related to acquisition of BSRI amounting to ₱83.32 million (Note 14).

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

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

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

Provision for expected credit losses for the nine months ended September 30, 2021 and 2020 amounted to ₱7.98 million and ₱92.94 million, respectively. As of September 30, 2021 and December 31, 2020, allowance for expected credit losses on trade and other receivables amounted to ₱34.94 million and ₱37.85 million, respectively.

As of September 30, 2021 and December 31, 2020, the carrying value of the Group's trade and other receivables amounted to ₱2.72 billion and ₱3.14 billion, respectively (Note 8).

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

The estimate of the NRV is reviewed regularly.

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

Provision for inventory obsolescence for the nine months ended September 30, 2021 and 2020 amounted to ₱7.74 million amd ₱2.36 million, respectively.

Merchandise inventories amounted to ₱23.40 billion and ₱22.23 billion as of September 30, 2021 and December 31, 2020, respectively (Note 9).

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

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

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

Based on management assessment as of September 30, 2021 and December 31, 2020, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates.

As of September 30, 2021 and December 31, 2020, the carrying value of the Group's property and equipment amounted to ₱17.48 billion and ₱18.17 billion, respectively (Note 12), ROU assets amounted to ₱22.95 billion and ₱25.04 billion, respectively (Note 28), investment in associates amounted to ₱8.48 billion and ₱8.58 billion, respectively (Note 13) and trademarks and franchise with definite useful life amounted to ₱5.31 million and ₱5.88 million, respectively (Note 14).

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

As of September 30, 2021, the carrying value of the retirement plan amounted to ₱15.07 million asset and ₱749.03 million obligation. As of December 31, 2020 the carrying value of the retirement plan amounted to ₱25.58 million asset and ₱574.53 million obligation.

Recoverability of 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 September 30, 2021 and December 31, 2020, the Group has deferred tax assets amounting ₱ 1.48 billion and ₱1.53 billion, respectively. Unrecognized deferred tax assets amounted to ₱145.37 million as of September 30, 2020 and December 31, 2020, respectively (Note 25).

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

Starting January 1, 2020, the management and operation of the loyalty programme has been transferred to DAVI, a related party. Management assessed that they are agent with the new arrangement and that DAVI has the primary responsibility to fulfill the related services attached to the points.

As of September 30, 2021 and December 31, 2020, contract liabilities arising from customer loyalty program and gift checks amounted to ₱171.96 million and ₱164.01 million, respectively (Note 16). Contract liabilities are classified under "Trade and other payables".

Determination of Fair Values of Identifiable Assets and Liabilities
In the process of determining the goodwill in relation to the Group's acquisition of a subsidiary, management uses estimates and assumptions in determining the fair value of identifiable assets and liabilities of the subsidiary. Management is required to use a suitable discount rate and determine the present of value of cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The goodwill and the share in the fair values of identifiable assets and liabilities of RPI are disclosed in Note 19 to the consolidated financial statements.

COVID-19 Pandemic
The impact of COVID-19 to the Group's business operations relates to any potential interruptions or disruptions. The operations in the Philippines remain fully operational with disruptions on non-essential businesses due to travel and mobility restrictions imposed by the government

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Group's consolidated financial statements, the Group has assessed the impact of COVID-19 on its assets and liabilities:

- The forecast used for impairment testing include the Group's best estimates of the potential future impact from COVID-19 pandemic.
- Collectability of accounts with corporate customers and franchisees continues to be closely monitored. A material change in the provision for impairment of trade receivables and due from franchisee has not been identified.
- The Group has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the entities of the Group upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Group continues to monitor the risks and the ongoing impacts from COVID-19 on its business.

6. Operating Segments

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  The supermarket division operates under seven (7) formats with the acquisition of Rustan Supercenters, Inc. in 2018. It has Robinsons Supermarket, Robinsons Easymart, The Marketplace, Shopwise, Wellcome and Jaynith's Supermarket. Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices and 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. For the nine months ended September 30, 2021, the Korean hard discount store No Brand was reclassified to the supermarket division as it offers mostly grocery and food products to consumers.

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

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

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

- *Drug Store Division*
  The Drug Store segment operates three (3) formats namely: South Star Drug, Rose Pharmacy and TGP which primarily offer high quality pharmaceutical drugs, which constitutes to over a thousand reputable branded and affordable options including TGP's house brands for generic medicines. The segment's other major product categories are staged milk and non-pharmaceutical selections, which include a vast array personal care items, food and beverage, and other convenience store grocery items.

- *Specialty Store Division*
  The Specialty Store format is the lifestyle arm of the Group. It is committed to bringing a diverse spectrum of products and services to the Philippine market. The segment operates five (5) formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us; 2) consumer electronics and appliances stores operated under Robinsons Appliances and Savers Appliance, 3) beauty retail, 4) mass merchandise stores under Daiso Japan, Arcova and Super50; and 5) pet retail under Pet Lovers Centre.

September 30, 2021

	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	**₱63,970,321,092**	**₱5,157,053,932**	**₱8,305,268,644**	**₱3,575,629,067**	**₱19,794,466,583**	**₱8,124,315,876**	**₱–**	**₱–**	**₱108,927,055,192**
Intersegment net sales	–	–	–	–	–	–	–	–	–
Total net sales	**63,970,321,092**	**5,157,053,932**	**8,305,268,644**	**3,575,629,067**	**19,794,466,583**	**8,124,315,876**	–	–	**108,927,055,192**
Segment cost of merchandise sold	**50,398,240,999**	**3,585,467,464**	**5,613,027,583**	**2,468,747,685**	**15,902,420,150**	**6,081,095,706**	–	–	**84,048,999,587**
Intersegment cost of merchandise sold	–	–	–	–	–	–	–	–	–
Total cost of merchandise sold	**50,398,240,999**	**3,585,467,464**	**5,613,027,583**	**2,468,747,685**	**15,902,420,150**	**6,081,095,706**	–	–	**84,048,999,587**
Gross profit	**13,572,080,093**	**1,571,586,467**	**2,692,241,060**	**1,106,881,382**	**3,892,046,433**	**2,043,220,170**	–	–	**24,878,055,605**
Segment other income	**326,953,739**	**12,958,870**	–	**152,414,298**	**87,038,857**	**20,805,376**	–	–	**600,171,141**
Intersegment other income	**81,451,342**	–	–	–	–	–	–	**(81,451,342)**	–
Total other income	**408,405,081**	**12,958,870**	–	**152,414,298**	**87,038,857**	**20,805,376**	-	**(81,451,342)**	**600,171,141**
Gross profit including other income	**13,980,485,175**	**1,584,545,338**	**2,692,241,060**	**1,259,295,680**	**3,979,085,290**	**2,064,025,546**	–	**(81,451,342)**	**25,478,226,746**
Segment operating expenses	**8,564,286,713**	**1,564,820,253**	**1,627,331,839**	**1,091,084,752**	**2,246,173,149**	**1,384,028,157**	**33,739,365**	–	**16,511,464,229**
Intersegment operating expenses	–	**5,531,451**	**18,513,605**	–	**42,694,543**	**14,711,743**	–	**(81,451,342)**	–
Total operating expenses	**8,564,286,713**	**1,570,351,704**	**1,645,845,445**	**1,091,084,752**	**2,288,867,692**	**1,398,739,900**	**33,739,365**	**(81,451,342)**	**16,511,464,229**
Earnings before interest, taxes and depreciation and amortization	**5,416,198,462**	**14,193,634**	**1,046,395,615**	**168,210,927**	**1,690,217,598**	**665,285,646**	**(33,739,365)**	–	**8,966,762,517**
Depreciation and amortization	**2,549,415,824**	**509,698,454**	**640,662,438**	**353,474,281**	**424,970,189**	**667,186,653**	–	–	**5,145,407,838**
Earnings (loss) before interest and taxes	**2,866,782,638**	**(495,504,820)**	**405,733,177**	**(185,263,354)**	**1,265,247,409**	**(1,901,007)**	**(33,739,365)**	–	**3,821,354,679**
Interest income	**7,095,316**	**1,835,807**	**5,600,199**	**255,487**	**2,727,804**	**2,702,369**	**346,926,927**	–	**367,143,908**
Equity in net earnings of an associate	–	–	–	–	–	–	**228,907,011**	–	**228,907,011**
Dividend income	–	–	–	–	–	–	**43,302,199**	–	**43,302,199**
Foreign exchange gain (loss) - net	**(3,649,162)**	**2,286,692**	–	–	**247,887**	**19,958**	**233,566,446**	–	**232,471,821**
Interest expense	**(772,806,899)**	**(126,879,528)**	**(180,463,721)**	**(75,903,745)**	**(169,045,013)**	**(177,759,887)**	-	–	**(1,502,858,793)**
Others	–	–	–	–	–	–	**21,862,270**	–	**21,862,270**
Income before income tax	**₱2,097,421,894**	**(₱618,261,849)**	**₱230,869,655**	**(₱260,911,612)**	**₱1,099,178,087**	**(₱176,938,568)**	**₱840,825,488**	**₱–**	**₱3,212,183,095**
Assets and liabilities									
Segment assets	**₱46,193,184,434**	**₱5,899,552,606**	**₱10,286,718,318**	**₱3,335,930,404**	**₱18,596,965,921**	**₱8,784,280,821**	**₱24,678,738,077**	**₱13,044,799,904**	**₱130,820,170,485**
Investment in subsidiaries - at cost	**4,590,607,223**	**3,679,182,333**	–	–	–	–	**24,132,839,151**	**(32,402,628,707)**	–
Total segment assets	**₱50,783,791,657**	**₱9,578,734,939**	**₱10,286,718,318**	**₱3,335,930,404**	**₱18,596,965,921**	**₱8,784,280,821**	**₱48,811,577,228**	**(₱19,357,828,803)**	**₱130,820,170,485**
Total segment liabilities	**₱27,498,136,615**	**₱6,747,747,201**	**₱4,889,331,100**	**₱2,352,238,132**	**₱13,039,351,892**	**₱4,944,732,164**	**₱95,397,751**	**(₱3,514,237,462)**	**₱56,052,697,393**
Other segment information:									
Capital expenditures	**₱884,090,257**	**₱200,998,828**	**₱97,919,989**	**₱49,649,975**	**₱209,561,973**	**₱94,157,486**	**₱–**	**₱–**	**₱1,536,378,507**

September 30, 2020

	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	₱70,494,601,510	₱5,096,583,614	₱7,706,782,637	₱3,411,302,406	₱13,669,302,291	₱9,197,850,885	₱–	₱–	₱109,576,423,344
Intersegment net sales	–	–	–	–	–	–	–	–	
Total net sales	70,494,601,510	5,096,583,614	7,706,782,637	3,411,302,406	13,669,302,291	9,197,850,885	–	–	109,576,423,344
Segment cost of merchandise sold	56,113,918,584	3,513,991,891	5,080,207,663	3,051,515,259	10,946,817,295	7,271,596,726	–	–	85,978,047,419
Intersegment cost of merchandise sold	–	–	–	–	–	–	–	–	–
Total cost of merchandise sold	56,113,918,584	3,513,991,891	5,080,207,663	3,051,515,259	10,946,817,295	7,271,596,726	–	–	85,978,047,419
Gross profit	14,380,682,926	1,582,591,723	2,626,574,974	359,787,147	2,722,484,996	1,926,254,159	–	–	23,598,375,925
Segment other income	329,656,810	13,201,878	–	944,610,205	101,595,528	35,140,257	–	–	1,424,204,676
Intersegment other income	87,086,690	–	–	–	–	–	–	(87,086,690)	–
Total other income	416,743,500	13,201,878	–	944,610,205	101,595,528	35,140,257	–	(87,086,690)	1,424,204,676
Gross profit including other income	14,797,426,426	1,595,793,601	2,626,574,974	1,304,397,352	2,824,080,524	1,961,394,416	–	(87,086,690)	25,022,580,603
Segment operating expenses	8,935,178,871	1,466,421,919	1,372,001,764	1,102,522,361	1,403,084,088	1,357,852,104	41,512,714		15,678,573,821
Intersegment operating expenses	–	25,308,260	14,079,115	–	34,555,064	13,144,251	–	(87,086,690)	–
Total operating expenses	8,935,178,871	1,491,730,179	1,386,080,879	1,102,522,361	1,437,639,152	1,370,996,355	41,512,714	(87,086,690)	15,678,573,821
Earnings before interest, taxes and depreciation and amortization	5,862,247,555	104,063,422	1,240,494,095	201,874,991	1,386,441,372	590,398,061	(41,512,714)	–	9,344,006,782
Depreciation and amortization	2,537,842,279	562,256,634	705,981,324	308,421,365	273,382,602	689,257,682	–	–	5,077,141,886
Earnings before interest and taxes	3,324,405,276	(458,193,212)	534,512,771	(106,546,374)	1,113,058,770	(98,859,621)	(41,512,714)	–	4,266,864,896
Interest income	36,953,184	5,611,728	22,145,064	703,767	11,054,683	12,768,564	432,230,824	–	521,467,815
Equity in net earnings of an associate	–	–	–	–	–	–	187,752,802	–	187,752,802
Dividend income	–	–	–	–	–	–	40,788,659	–	40,788,659
Interest expense	(964,167,004)	(135,212,763)	(208,241,566)	(34,437,138)	(134,523,872)	(206,968,308)	(85,161)	–	(1,683,635,812)
Foreign exchange gain (loss) – net	11,365,724	2,602,055	–	–	–	–	(149,983,531)	–	(136,015,752)
Others	–	58,900,769	-	-	-	(50,009,330)	16,644,450	–	25,535,889
Income (loss) before income tax	2,408,557,181	(526,291,423)	348,416,269	(140,279,745)	989,589,581	(343,068,695)	485,835,329	–	3,222,758,496
Assets and liabilities									
Segment assets	₱49,567,233,803	₱5,680,398,622	₱10,254,443,144	₱3,797,631,229	₱10,480,551,178	₱10,904,476,327	₱25,126,586,334	₱15,425,751,274	₱131,237,071,911
Investment in subsidiaries - at cost	3,340,607,474	3,879,212,333	–	–	–	–	21,632,839,151	(28,852,658,958)	–
Total segment assets	₱52,907,841,277	₱9,559,610,955	₱10,254,443,144	₱3,797,631,229	₱10,480,551,178	₱10,904,476,327	₱46,759,425,485	(₱13,426,907,684)	₱131,237,071,911
Total segment liabilities	₱33,189,538,044	₱5,213,424,332	₱5,109,603,859	₱2,324,716,561	₱5,632,418,914	₱7,215,817,116	(₱5,128,518,847)	₱915,794,384	₱54,472,794,363
Other segment information:									
Capital expenditures	₱786,342,597	₱128,444,393	₱113,079,088	₱119,941,510	₱102,212,378	₱53,317,599	₱–	₱–	₱1,303,337,565

The revenue of the Group consists mainly of sales to external customers through its retail and e-commerce channels.

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

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

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

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱14.80 billion and ₱21.34 billion as of September 30, 2021 and December 31, 2020, respectively.

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one (1) to three (3) months, depending on the immediate cash requirements of the Group, and earn annual interest at the respective short-term investment rates that ranges from 0.11% to 0.51% and 0.13% to 3.50% in 2021 and 2020 respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱29.75 million and ₱151.98 million for the nine months ended September 30, 2021 and 2020, respectively.

8. Trade and Other Receivables

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade (Notes 24 and 27)	**2,297,937,987**	₱2,423,558,010
Nontrade (Notes 24 and 27)	**433,898,205**	719,285,417
Due from franchisees (Notes 27 and 29)	**18,138,291**	39,106,088
	2,749,974,483	3,181,949,515
Less allowance for impairment losses (Notes 27 and 29)	**34,941,158**	37,854,051
	2,715,033,325	₱3,144,095,464

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

Nontrade receivables include receivable from insurance companies amounting to ₱100.71 million as of September 30, 2020, and December 31, 2020, respectively. The remaining balance consists of operational advances, receivable from lessees and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱37,854,051**	₱79,335,269
Provision for impairment losses (Note 21)	**7,978,036**	92,943,700
Reversals and write-off	**(10,890,929)**	(134,424,918)
Balance at end of year	**₱34,941,158**	₱37,854,051

9. Merchandise Inventories

The rollforward analysis of this account follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱22,234,439,282**	₱19,810,252,511
Acquisition through business combination (Note 19)	**–**	1,386,996,369
Deconsolidation of a subsidiary (Note 19)	**–**	(210,675,616)
Add purchases - net of purchase discounts and allowances	**85,335,600,444**	119,563,958,796
Cost of goods available for sale	**107,570,039,726**	140,550,532,060
Less Cost of merchandise sold	**84,048,999,587**	118,172,338,279
Allowance for inventory obsolescence	**123,091,385**	143,754,499
Balance at end of year	**₱23,397,948,754**	₱22,234,439,282

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱84.05 billion and ₱85.98 billion for the nine months ended September 30, 2021 and 2020, respectively.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱143,754,499**	₱24,954,805
Provisions	**7,739,473**	123,976,912
Write-off	**(28,402,587)**	(5,177,218)
Balance at end of year	**₱123,091,385**	₱143,754,499

There are no merchandise inventories pledged as security for liabilities as of September 30, 2021 and December 31, 2020.

10. Other Current Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Input VAT – net	**₱1,660,399,608**	₱1,790,435,301
Prepayments	**647,441,038**	219,704,456
Others	**621,469,389**	645,574,504
	₱2,929,310,035	₱2,655,714,261

Input VAT will be applied against output VAT in the succeeding periods. In 2020, the Group wrote-off prepayments amounting to ₱33.47 million.

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

Others consist mainly of CWT which will be applied against income tax payable in future periods and excess payments of income taxes.

11. Debt and Equity Instrument Financial Assets

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

		September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Debt securities			
FVOCI with recycling	(a)	**₱8,312,642,326**	₱12,695,937,447
FVTPL	(b)	**–**	–
		8,312,642,326	12,695,937,447
Equity securities at FVOCI without recycling		**3,244,591,387**	1,235,820,000
		₱11,557,233,713	₱13,931,757,447

Debt Securities

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

Rollforward analysis of debt securities at FVOCI with recycling as of December 31, 2020 and 2019 follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Amortized cost:		
At beginning of year	**₱12,504,536,668**	₱13,457,645,945
Additions	**431,598,828**	2,751,866,909
Disposals	**(4,989,806,720)**	(3,518,027,065)
Foreign exchange gain	**148,181,423**	(186,949,121)
At end of year	**8,094,510,199**	12,504,536,668
Amortization of premium on debt securities	**3,419,482**	(147,525,252)
Change in fair value of financial assets:		
At beginning of year	**344,153,803**	175,731,382
Changes in fair value recognized in OCI	**(104,327,222)**	166,416,166
Transfer to profit or loss	**(19,886,164)**	2,006,255
At end of year	**219,940,417**	344,153,803
Allowance for expected credit losses	**(5,227,772)**	(5,227,772)
	214,712,645	338,926,031
	₱8,312,642,326	₱12,695,937,447

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

On January 7, 2020, BDO Unibank, Inc. (BDO) exercised its right to redeem its notes on March 10, 2020. The note is redeemed for cash at redemption price.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At beginning of year	**₱–**	₱100,547,120
Disposals	–	(100,000,000)
Changes in fair value recognized in profit or loss	–	(547,120)
	₱–	₱–

In 2021, the Group recognized gain on disposal of debt instrument financial assets amounting to ₱21.86 million.

Interest income arising from debt instrument financial assets amounted to ₱337.40 million, and ₱369.48 million for the nine months ended September 30, 2021 and 2020, respectively.

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

Equity Securities

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

Rollforward analysis of equity securities at FVOCI without recycling as of September 30, 2021 and December 31, 2020 follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost		
At beginning of year	**₱1,197,500,000**	₱1,197,500,000
Additions	**1,997,993,887**	–
Disposals	**–**	–
	3,195,493,887	1,197,500,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**38,320,000**	17,483,500
Disposals	**–**	–
Changes in fair value	**10,777,500**	20,836,500
At end of year	**49,097,500**	38,320,000
	₱3,244,591,387	₱1,235,820,000

Dividend income earned by the Group amounted to ₱43.30 million and ₱40.79 million for the nine months ended September 30, 2021 and 2020, respectively.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at the beginning of year	**₱383,178,928**	₱193,920,007
Change in fair value during the year - OCI	**(93,549,722)**	187,252,666
Transfers to profit or loss	**(19,886,164)**	2,006,255
Balances at the end of year	**₱269,743,042**	₱383,178,928

12. Property and Equipment

2021

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	**₱1,056,774,298**	**₱2,795,679,695**	**₱17,841,698,056**	**₱11,355,963,198**	**₱3,382,416,501**	**₱220,323,998**	**₱3,825,430,248**	**₱40,478,285,994**
Additions	**–**	**57,420,268**	**663,368,552**	**165,465,477**	**331,551,032**	**–**	**318,573,178**	**1,536,378,507**
Disposals and reclassifications	**–**	**4,978,434**	**(754,477,374)**	**(1,659,882,956)**	**1,396,749,798**	**18,533,764**	**159,440,463**	**(834,657,871)**
At end of year	**1,056,774,298**	**2,858,078,397**	**17,750,589,234**	**9,861,545,719**	**5,110,717,331**	**238,857,762**	**4,303,443,889**	**41,180,006,630**
Accumulated depreciation and amortization								
At beginning of year	**–**	**984,398,333**	**10,220,178,910**	**6,783,376,525**	**1,613,428,602**	**163,767,271**	**2,324,335,055**	**22,089,484,696**
Depreciation and amortization (Note 21)	**–**	**96,489,866**	**1,024,784,520**	**523,563,845**	**287,349,830**	**10,615,338**	**264,206,977**	**2,207,010,376**
Disposals and reclassifications	**–**	**93,340,076**	**(776,776,898)**	**(1,088,710,792)**	**929,937,670**	**2,255,977**	**30,437,309**	**(809,516,658)**
At end of year	**–**	**1,174,228,275**	**10,468,186,532**	**6,218,229,578**	**2,830,716,102**	**176,638,586**	**2,618,979,341**	**23,486,978,414**
Allowance for impairment losses								
At beginning and end of year	**–**	**20,608,826**	**97,266,540**	**80,584,720**	**2,296,986**	**61,458**	**14,218,550**	**215,037,080**
	₱1,056,774,298	**₱1,663,241,296**	**₱7,185,136,162**	**₱3,562,731,421**	**₱2,277,704,243**	**₱62,157,718**	**₱1,670,245,998**	**₱17,477,991,136**

2020

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	₱609,382,477	₱2,824,802,243	₱17,447,361,600	₱11,154,763,381	₱3,149,458,471	₱225,023,573	₱3,464,917,442	₱38,875,709,187
Additions	404,831,821	14,093,138	618,705,325	202,391,992	251,208,657	2,882,768	373,707,469	1,867,821,170
Additions from business combination (Note 19)	–	–	111,994,455	83,301,487	22,663,434	685,868	25,252,631	243,897,875
Deconsolidation of a subsidiary (Note 19)	–	(81,841,649)	(2,384,079)	(22,145,276)	(3,510,444)	(5,516,223)	(4,393,993)	(119,791,664)
Disposals and reclassifications	42,560,000	38,625,963	(333,979,245)	(62,348,386)	(37,403,617)	(2,751,988)	(34,053,301)	(389,350,574)
At end of year	1,056,774,298	2,795,679,695	17,841,698,056	11,355,963,198	3,382,416,501	220,323,998	3,825,430,248	40,478,285,994
Accumulated depreciation and amortization								
At beginning of year	–	892,682,843	9,020,506,194	6,264,851,638	1,181,512,097	152,602,792	1,998,225,491	19,510,381,055
Depreciation and amortization (Note 21)	–	127,011,907	1,415,088,632	667,552,116	464,909,002	15,757,701	344,056,088	3,034,375,446
Deconsolidation of a subsidiary (Note 19)	–	(47,193,262)	(1,145,160)	(17,709,505)	(3,009,721)	(3,883,532)	(3,037,506)	(75,978,686)
Disposals and reclassifications	–	11,896,845	(214,270,756)	(131,317,724)	(29,982,776)	(709,690)	(14,909,018)	(379,293,119)
At end of year	–	984,398,333	10,220,178,910	6,783,376,525	1,613,428,602	163,767,271	2,324,335,055	22,089,484,696
Allowance for impairment losses								
At beginning of the year	–	–	49,567,673	25,882,986	–	–	349,273	75,799,932
Provision for impairment losses		20,608,826	47,698,867	54,701,734	2,296,986	61,458	13,869,277	139,237,148
At end of year	–	20,608,826	97,266,540	80,584,720	2,296,986	61,458	14,218,550	215,037,080
	₱1,056,774,298	₱1,790,672,536	₱7,524,252,606	₱4,492,001,953	₱1,766,690,913	₱56,495,269	₱1,486,876,643	₱18,173,764,218

On November 9, 2020, RSC acquired 100% ownership of JMBHC for a total consideration amounting to ₱411.77 million. JMBHC's only asset is related to land leased out to RSCI. The transaction is treated as an acquisition of assets.

In 2020, the Group disposed property and equipment with net book value of ₱10.06 million.

Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱10.40 billion as of September 30, 2021 and December 31, 2020, respectively.

There are no property and equipment pledged as security for liabilities as of September 30, 2021 and December 31, 2020.

13. Investment in Associates

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
RBC	**₱7,623,231,923**	₱7,624,214,187
TCCI	**271,694,976**	298,919,850
DAVI	**179,447,068**	283,959,037
G2M	**408,073,424**	377,669,299
GrowSari	**–**	–
	₱8,482,447,391	₱8,584,762,373

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Shares of stock - at equity:		
At beginning and end of year	**₱5,950,238,902**	₱5,950,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**1,606,623,011**	1,232,788,244
Equity in net earnings	**364,135,409**	373,834,767
Balance at end of year	**1,970,758,420**	1,606,623,011
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	**89,472,302**	(5,677,976)
Share in fair value changes of financial assets at FVOCI	**(383,808,420)**	95,150,278
Balance at end of year	**(294,336,118)**	89,472,302
Share in translation loss adjustments:		
Balance at beginning of year	**(9,383,496)**	(44,350,609)
Share in translation adjustments	**18,690,739**	34,967,113
Balance at end of year	**9,307,243**	(9,383,496)

(Forward)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	**(12,736,532)**	(13,577,160)
Share in remeasurement loss on retirement obligation	**8**	840,628
Balance at end of year	**(12,736,524)**	(12,736,532)
	₱7,623,231,923	₱7,624,214,187

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

Summarized financial information of RBC follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total assets	**168,107,190,958**	₱151,215,387,210
Total liabilities	**149,784,032,261**	132,889,772,851
Net income	**910,338,522**	934,586,917
Other comprehensive income	**(959,521,050)**	237,875,695

The consolidated statements of comprehensive income follow:

	2021	2020	2019
Total operating income	**7,017,872,549**	₱8,790,116,183	₱4,992,311,801
Total operating expenses and tax	**6,107,534,027**	7,855,529,266	4,311,293,599
Net income	**910,338,522**	934,586,917	681,018,202
Other comprehensive income (loss)	**(959,521,050)**	237,875,695	1,028,362,670
Total comprehensive income	**(₱49,182,528)**	₱1,172,462,612	₱1,709,380,872
Group's share of profit for the year	**₱364,135,409**	₱373,834,767	₱272,407,281

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Net assets of RBC	**₱18,336,005,243**	₱18,338,460,903
Proportionate ownership in the associate	**40%**	40%
Total share in net assets	**7,334,402,097**	7,335,384,361
Carrying amount of the investment	**7,623,231,923**	7,624,214,187
Difference	**₱288,829,826**	₱288,829,826

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

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱45,596,592)**	(₱101,711,653)
Change in fair value during the year	**(275,730,997)**	56,115,061
Balances at end of year	**(321,327,589)**	(45,596,592)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(15,649,364)**	(16,489,992)
Remeasurement loss during the year	**6**	840,628
Balances at end of year	**(15,649,358)**	(15,649,364)
	(₱336,976,947)	(₱61,245,956)

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. On March 28, 2019, the Parent Company acquired additional 875,011 common shares representing 10% ownership interest for a total consideration amounting to ₱280.00 million. Ownership interest of the Parent Company in TCCI as of September 30, 2020 and December 31, 2020 is 30%. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of September 30, 2020 and December 31, 2020 amounted to ₱271.69 million and ₱298.92 million, respectively. Details follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	**₱405,000,000**	₱405,000,000
Additional investment (Note 2)	**–**	–
Balance at end of year	**405,000,000**	405,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(106,080,150)**	(78,310,153)
Equity in net loss	**(27,224,874)**	(27,769,997)
Balance at end of year	**(133,305,024)**	(106,080,150)
	₱271,694,976	₱298,919,850

DAVI
On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which ₱0.40 million was paid in 2018. DAVI's principal activities include processing, managing and analyzing data. DAVI is incorporated in the Philippines. On September 5, 2020, RRHI made additional capital infusion to DAVI amounting to ₱192.00 million.

Carrying value of DAVI's investment as of September 30, 2021 and December 31, 2020 amounted to ₱179.45 million and ₱283.96 million, respectively. Details follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	**₱432,000,000**	₱240,000,000
Additional investment (Note 2)	**–**	192,000,000
Balance at end of year	**432,000,000**	432,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(148,040,963)**	(48,649,384)
Equity in net loss	**(104,511,969)**	(99,391,579)
Balance at end of year	**(252,552,932)**	(148,040,963)
	₱179,447,068	₱283,959,037

G2M
On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Parent Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Parent Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines. G2M is incorporated in Singapore. On September 16, 2020, the Parent Company assigned its investment in G2M to NDV.

In 2021 and 2020, the Group made additional cash infusion to G2M amounting to ₱33.90 million and ₱219.83 million, respectively.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	**₱380,482,581**	₱160,650,429
Additional investment (Note 2)	**33,895,680**	219,832,152
Balance at end of year	**414,378,261**	380,482,581
Accumulated equity in net earnings:		
Balance at beginning of year	**(2,813,282)**	–
Equity in net loss	**(3,491,555)**	(2,813,282)
Balance at end of year	**(6,304,837)**	(2,813,282)
	₱408,073,424	₱377,669,299

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

Carrying value of Growsari's investment as of September 30, 2021 and December 31, 2020 amounted to nil. Details follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Shares of stock - at equity:		
At beginning and end of year	**₱105,000,000**	₱105,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(105,000,000)**	(57,654,117)
Equity in net loss	**−**	(47,345,883)
Balance at end of year	**(105,000,000)**	(105,000,000)
	₱–	₱–

14. Intangible Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Goodwill (Note 19)	**₱14,751,090,162**	₱14,751,090,162
Trademarks (Note 19)	**7,915,917,598**	7,915,917,598
Franchise	**5,308,396**	5,877,144
₱	**₱22,672,316,156**	₱22,672,884,904

Goodwill
The Group's goodwill as of September 30, 2021 and December 31, 2020 pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries which also represents separate CGUs. Details follow (Note 19):

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
RSCI (Note 19)	**₱9,109,386,061**	₱9,109,386,061
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
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	12,407,475,336	12,407,475,336
Provisional goodwill RPI (Note 19)	**2,343,614,826**	2,343,614,826
	₱14,751,090,162	₱14,751,090,162

In 2020, the goodwill related to the acquisition of BSRI amounting to ₱83.32 million was impaired.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
RSCI (Note 19)	**₱3,205,411,607**	₱3,205,411,607
RPI (Note 19)	**1,514,575,531**	1,514,575,531
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
	₱7,915,917,598	₱7,915,917,598

Included in the trademarks acquired through acquisition of RSCI in 2018 is the right to use a brand and trademark for a period of almost five (5) years. Amortization related to trademarks acquired through acquisition of RSCI amounted to nil and ₱94.16 million for the nine months ended September 30, 2021 and 2020, respectively. In 2020, the Group impaired the remaining value of trademarks amounting to ₱115.59 million.

As of September 30, 2021 and December 31, 2020, the carrying value of the trademarks with definite useful life amounted to nil.

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

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

In 2019, the Group wrote off the remaining value of its franchise amounting to ₱15.05 million due to permanent store closure.

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

The rollforward analysis of the franchise follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	**₱5,877,144**	₱6,635,499
Amortization (Note 21)	**(568,748)**	(758,355)
Write-off	**–**	–
	₱5,308,396	₱5,877,144

15. **Other Noncurrent Assets**

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Security and other deposits	**₱2,253,366,870**	₱2,199,111,643
Construction bonds	**85,937,192**	65,579,632
	₱2,339,304,062	₱2,264,691,275

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:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	**₱12,333,373,579**	₱14,704,322,104
Nontrade (Note 24)	**7,335,742,280**	7,608,841,130
Others	**1,512,155,071**	1,050,000,995
	₱21,181,270,930	₱23,363,164,229

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

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

Others mainly consist of taxes and licenses payable.

Contract Liabilities

The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under nontrade payables, as contract liabilities as of September 30, 2021 and December 31, 2020. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers. Substantially, all of the contract liabilities at year-end will be recognized as revenue in the following year.

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Gift check outstanding	**₱171,962,975**	₱164,006,567
Accrued customer loyalty reward	**–**	–
Deferred revenue	**13,450,713**	13,450,713
	₱185,413,688	₱177,457,280

Below is the rollforward of contract liabilities as September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At beginning of year	**₱177,457,280**	₱287,054,130
Deferred during the year	**272,817,421**	405,660,600
Transferred to DAVI	**–**	(118,434,504)
Recognized as revenue during the year	**(264,861,013)**	(396,822,946)
	₱185,413,688	₱177,457,280

17. Short-term Loans Payable

Details of short-term loans follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱9,584,000,000**	₱4,634,000,000
Availments	**1,150,000,000**	9,450,000,000
Payments	**(5,290,000,000)**	(4,500,000,000)
	₱5,444,000,000	₱9,584,000,000

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
RSC	**₱–**	₱4,200,000,000
SSDI	**3,704,000,000**	4,109,000,000
RCSI	**970,000,000**	770,000,000
RHDDS	**400,000,000**	400,000,000
RDDC	**200,000,000**	–
RPI	**100,000,000**	–
RHIB	**40,000,000**	55,000,000
HPTD	**30,000,000**	50,000,000
	₱5,444,000,000	₱9,584,000,000

a.) RSC's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 2.90% per annum in 2020. In 2020, RSC availed short-term loans amounting to ₱4.20 billion. In 2021 and 2020, RSC paid ₱4.20 billion and ₱300 million, respectively. The short-term loans payable of RSC as of September 30, 2021 and December 31, 2020 amounted to nil and ₱4.20 billion, respectively.

b.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 2.50%-3.45% per annum in 2021 and 2.95%-5.00% per annum in 2020. In 2020, SSDI availed short-term loans amounting to ₱3.65 billion. In addition, SSDI paid ₱405 million and ₱ 1.47 billion in 2021 and 2020, respectively. The short-term loans payable of SSDI as of September 30, 2021 and December 31, 2020 amounted to ₱3.70 billion and ₱4.11 billion, respectively.

c.) RCSI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 2.55%-3.00% per annum in 2021 and 3.10%-4.50% per annum in 2020. In 2021 and 2020, RCSI availed short-term loan amounting to ₱850.0 million and ₱770.0 million, respectively. In 2021, RCSI paid ₱650.0 million of its short-term loans. The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱970.0 million and ₱ 770.0 million, respectively.

d.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 2.60%-3.30% per annum in 2021 and 3.10%-5.50% per annum in 2020. The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱400.0 million and ₱400 million, respectively.

e.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 2.60%-3.00% per annum in 2021 and 3.10%-5.50% per annum in 2020. In 2021, RHIB paid ₱15.0 million of its short-term loans. The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱40.0 million and ₱55.0 million, respectively.

f.) HPTD's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.50%-3.00% per annum in 2021 and 3.10%-5.50% per annum in 2020. In 2021, HPTD paid ₱20.0 million of its short-term loans The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱30.0 million and ₱50.0 million, respectively.

g.) RPI's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.50%-2.90% per annum in 2021. The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱100.0 million and nil, respectively.

h.) In 2021, RDDC availed short-term loan amounting to ₱200.0 million from local commercial banks at an interest rates of 2.50% per annum. The short-term loans payable as of September 30, 2021 and December 31, 2020 amounted to ₱200.0 million and nil, respectively.

Total interest expense charged to operations for the nine months ended September 30, 2021 and 2020 amounted to ₱125.19 million and ₱97.85 million, respectively.

The above loans are not subject to any loan covenants. In addition, there are no loan modification or deferral during the year.

18. **Equity**

Capital Stock
The details of this account follow:

	September 30, 2021 (Unaudited)		December 31, 2020 (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	1,576,489,360	1,576,489,360	1,576,489,360	1,576,489,360
Outstading shares	1,518,907,790	1,518,907,790	1,563,460,430	1,563,460,430
Treasury shares	3,194,633,731	57,581,570	810,018,635	13,028,930

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

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

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

Treasury stock
On February 26, 2021, the BOD of RRHI agreed to extend the buy-back program for an additional amount of ₱2.0 billion to improve shareholder value. This will be on top of the ₱2.0 billion share buy-back approved on March 9, 2020.

This program will be implemented in the open market through trading facilities of the PSE and ill be supervised by the President and Chief Executive Officer and Chief Financial Officer, as authorized by the BOD.

On March 9, 2020, the Parent Company's BOD authorized the buy-back of RRHI's common shares of up to ₱2.0 billion. The repurchased shares are presented under 'Treasury stock' account in the statement of changes in equity.

As of September 30, 2021 and December 31, 2020, RRHI has repurchased 57.58 million shares and 13.03 million shares for ₱3.19 billion and ₱810.0 million, respectively, under the buyback program. Under the Revised Corporation Code, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

Equity Reserve

Details of equity reserve follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition of additional shares from non-controlling interest		
Beginning	**(₱995,284,977)**	(₱995,284,977)
Additions/Deductions	**−**	−
	(995,284,977)	(995,284,977)
Acquisition of subsidiary under common control		
Beginning	**−**	5,508,177
Additions/Deductions	**−**	(5,508,177)
	₱−	₱−
	(₱995,284,977)	(₱995,284,977)

Acquisition of a Subsidiary under Common Control

On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of ₱27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to ₱33.34 million. As a result of the combination of the entities, the difference between the consideration paid for the acquisition and the net assets acquired amounting to ₱5.51 million is accounted for as “Equity reserve”. On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of ₱230.00 million.

Acquisition of Additional Shares from a Non-Controlling Shareholder

On November 4, 2019, RI acquired additional 18,947,368 common shares, representing 0.95% of RCSI from a non-controlling shareholder for ₱18.95 million. As a result of the acquisition, RI then holds 60.00% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to ₱1.36 million included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

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

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

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

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

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

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱24.55 billion and ₱22.69 billion as of September 30, 2021 and December 31, 2020, respectively, while the accumulated equity in net income of the associates amounted to ₱1,473.60 million and ₱1,244.69 million as of September 30, 2021 and December 31, 2020, respectively (Note 13).

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

	2021	2020	2019
Date of declaration	**April 27, 2021**	May 13, 2020	May 30, 2019
Dividend per share	**₱1.83**	₱1.00	₱0.72
Total dividends	**₱2,813,524,075**	₱1,572,931,450	₱1,135,072,339
Date of record	**May 20, 2021**	June 03, 2020	June 20, 2019
Date of payment	**June 10, 2021**	June 30, 2020	July 12, 2019

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

	2020	2019	2018
Balance at beginning of year	**₱26,944,852,847**	₱24,151,852,847	₱15,212,852,847
Appropriation	**948,000,000**	3,186,000,000	9,222,000,000
Reversal of appropriation	**(40,000,000)**	(393,000,000)	(283,000,000)
Balance at end of year	**₱27,852,852,847**	₱26,944,852,847	₱24,151,852,847

On December 11, 2020, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

Entity	Amount
RHIMI	₱306,000,000
WHMI	36,000,000
HEMI	4,000,000
TV	22,000,000
SSD	525,000,000
SEWI	55,000,000
	₱948,000,000

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

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

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

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

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

In 2020, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RAC amounting to ₱40.00 million due to completion of certain store expansions and renovations.

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

Entity	Date of reversal	Amount
RHMI	September 14	₱191,000,000
WHMI	September 14	77,000,000
RSSI	November 8	75,000,000

RDDC	November 8	33,000,000
HEMI	September 14	17,000,000
Total		₱393,000,000

In 2018, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Date of reversal	Amount
RTSHPI	December 12	₱3,000,000
RTI	July 6	150,000,000
RHMI	September 16	100,000,000
SEWI	March 22	30,000,000
Total		₱283,000,000

Declaration of Dividends of the Subsidiaries

On June 1, 2021, the BOD of TGP approved the declaration of cash dividends amounting to ₱340.00 million, which was paid on June 10, 2021.

On May 15, 2020 and December 1, 2020, the BOD of TGP approved the declaration of cash dividends amounting to ₱300.00 million and ₱330.00 million, respectively, which was paid on September 19, 2020 and December 6, 2020, respectively.

In 2019, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI TMI	November 8	₱600,000,000
TGP	September 10	560,007,000
RHMI	September 14	200,000,000
HEMI	September 14	20,000,000
WHMI	September 14	80,000,000
CCC	September 30	2,585,332
Total		₱1,462,592,332

In 2018, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
SEWI	May 30	₱30,000,000
ASI	September 4	15,000,000
TGP	May 3	200,000,000
	December 14	220,000,000
RHMI	September 14	100,000,000
RTI	July 6	150,000,000
RRHI TMI	December 2	700,000,000
RTSHPI	December 12	35,000,000
Total		₱1,450,000,000

NCI

Acquisition of NCI

In November 2019, the Group acquired NCI in RCSI increasing the Group's ownership stake from 59.05% to 60.00%.

In April 2019, the Group acquired NCI in ASI increasing the Group's ownership stake from 67% to 100%.

Investment from NCI
In September 2020, an NCI made an investment in SSDI amounting to ₱200.0 million.

On February 27, 2018, an NCI made an investment which represents 49% ownership in Super50 amounting to ₱14.70 million.

Dividends to NCI
In 2020, 2019 and 2018, dividends declared attributable to NCI amounted to ₱308.70 million, ₱349.41 million and ₱266.84 million, respectively.

Material Partly-Owned Subsidiary
In 2020 and 2019, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱1,169.39 million, ₱942.16 million and ₱580.69 million in 2020, 2019 and 2018, respectively. Profit allocated to material non-controlling interest amounted to ₱284.45 million, ₱322.28 million and ₱238.68 million in 2020, 2019 and 2018, respectively. Total assets of TGPPI as of December 31, 2020 and 2019 amounted to ₱2,074.23 million and ₱2,127.47 million, respectively, while total liabilities as of December 31, 2020 and 2019 amounted to ₱873.47 million and ₱881.32 million, respectively. Total sales in 2020, 2019 and 2018 amounted to ₱4,825.95 million, ₱4,783.81 million and ₱4,335.08 million, respectively. Net income in 2020, 2019 and 2018 amounted to ₱580.50 million, ₱631.93 million and ₱464.73 million, respectively.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Capital stock	**₱1,576,489,360**	₱1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Treasury stock	**(3,194,633,731)**	(810,018,635)
Other comprehensive income	**82,260,780**	434,295,080
Equity reserve	**(995,284,977)**	(995,284,977)
Retained earnings		
Appropriated	**27,852,852,847**	27,852,852,847
Unappropriated	**4,121,439,708**	4,225,869,025
Total equity attributable to equity holders of the Parent Company	**70,211,326,884**	73,052,405,597
Non-controlling interest in consolidated subsidiaries	**4,556,146,208**	4,537,828,657
Total Equity	**₱74,767,473,092**	₱77,590,234,254

19. Business Combinations and Disposal of a Subsidiary

Business Combination and Goodwill
On October 30, 2020, SSDI acquired 100% of RPI for a total consideration of ₱4.33 billion. RPI was incorporated in the Philippines and is primarily engaged in the business of trading medical and pharmaceutical goods, on either wholesale or retail basis

As of December 31, 2020, the Group is still yet to finalize its purchase price allocation. The provisional purchase price allocation resulted in goodwill of ₱2.34 billion.

The purchase price consideration has been allocated to the assets and liabilities on the basis of provisional values at the date of acquisition as follows:

	Provisional fair values recognized on acquisition
Assets	
Cash	₱251,725,265
Trade and other receivables	7,195,614
Merchandise inventories (Note 9)	1,386,996,369
Other current assets	99,567,541
Property and equipment (Note 12)	243,897,875
ROU assets (Note 28)	685,580,674
Deferred tax assets	125,891,598
Trademarks arising from acquisition (Note 14)	1,514,575,531
Other noncurrent assets	74,404,229
	4,389,834,696
Liabilities	
Trade and other payables	912,464,473
Income tax payable	1,835,968
Lease liability (Note 28)	780,263,614
Retirement obligation (Note 23)	251,473,028
Deferred tax liability	454,372,659
	2,400,409,742
Net assets acquired	1,989,424,954
Provisional goodwill from the acquisition (Note 14)	2,343,614,826
Purchase consideration transferred	₱4,333,039,780

The net assets recognized at the date of acquisition were based on provisional fair values of the assets owned by RPI. The result of the valuation had not been finalized as at March 29, 2021.

Total consolidated revenue would have increased by ₱8.14 billion, while consolidated net income would have decreased by ₱208.23 million for the year ended December 31, 2020 had the acquisition of RPI took place at the beginning of the year. Total revenues and net loss of RPI from October 30, 2020 to December 31, 2020 included in the consolidated statement of comprehensive income amounted to ₱1.29 billion and ₱10.63 million, respectively.

As a result of the transaction, provisional goodwill amounting to ₱2.34 billion was recognized, representing the difference between the total consideration of ₱4.33 billion and the provisional value of net assets acquired of ₱1.99 billion (Note 14). The provisional goodwill of ₱2.34 billion is attributable to the expected synergies arising from acquisition. The provisional goodwill and trademarks were not tested for impairment since the acquisition occurred in the fourth quarter of 2020 and there was no material change in RPI's business.

Net cash arising from the acquisition follows:

Cash consideration	₱4,333,039,780
Less cash acquired	251,725,265
	₱4,081,314,515

Acquisition of RSCI
On March 23, 2018, the BOD of RRHI and MCBV approved the acquisition by RRHI of MCBV's 100% stake in RSCI through a share for share swap involving shares of RSCI in exchange for primary common shares of RRHI equivalent to 12.15% stake. RSCI was incorporated in the Philippines and operates food retail brands "Marketplace by Rustan's", "Rustan's Supermarket", "Shopwise Hypermarket", "Shopwise Express" and "Wellcome".

RRHI agreed to pay MCBV at an agreed price which was settled by the issuance of 191.49 million new RRHI common shares as consideration for the value of the net assets of RSCI. RRHI engaged an independent financial advisor to review the transaction and render a fairness opinion on the transaction and the consideration payable by RRHI. The independent financial advisor completed its review and concluded that the acquisition of the net assets is fair and reasonable and in the interest of RRHI shareholders as a whole.

The completion of the acquisition was subjected to the procurement of certain regulatory and other approvals including:

i. Approval by the shareholders of RRHI of the issuance of primary shares;
ii. Approval of the transaction by the Philippine Competition Commission; and
iii. Confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI.

The acquisition was completed on November 23, 2018 as agreed in the Shareholders Agreement which is seven days after the confirmation by the SEC of the valuation of the entire issued share capital of RSCI to be exchanged for the primary shares of RRHI on November 16, 2018.

Approvals (i) and (ii) were obtained on May 28, 2018 and August 16, 2018, respectively. On November 23, 2018, the market value of RRHI shares amounted to ₱72.05 per share. Transaction costs related to the issuance of new shares amounted to ₱64.50 million was charged to 'Additional paid-in capital'.

In 2019, the Group finalized the purchase price allocation and the fair value computation of goodwill. There were no adjustments to the provisional amounts that were made during the measurement period. The final purchase price allocation resulted in goodwill of ₱9.11 billion. The goodwill of ₱9.11 billion comprises the fair value of expected synergies arising from acquisition.

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

	Fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	12,454,975,787

(Forward)

Liabilities	
Trade and other payables	₱4,633,625,787
Loans payable	1,500,000,000
Income tax payable	39,346,173
Other current liabilities	60,595,212
Retirement obligation	283,655,342
Deferred tax liability	961,623,483
Other noncurrent liabilities	288,707,463
	7,767,553,460
Net assets acquired	4,687,422,327
Goodwill from the acquisition (Note 14)	9,109,386,061
Purchase consideration transferred	₱13,796,808,388

Disposal of a Subsidiary
In February 2020, RSC entered into a Deed of Absolute Sale to sell its 100% equity interest in CCC for a total consideration amounting to ₱230.0 million.

Impact of the disposal of the subsidiary in the consolidated financial statement follows:

Assets	
Cash	₱18,388,383
Trade and other receivables	60,387,728
Merchandise inventories (Note 9)	210,675,616
Property and equipment (Note 12)	43,812,978
ROU assets (Note 28)	39,954,612
Deferred tax assets	12,236,857
Other assets	8,366,577
	393,822,751
Liabilities	
Trade and other payables	177,379,432
Lease liabilities (Note 28)	42,260,296
Income tax payable	11,542,593
Retirement obligation (Note 23)	21,869,849
	253,052,170

Net assets of deconsolidated subsidiary	140,770,581
Consideration, net of transaction costs	199,671,350
Gain on deconsolidation of a subsidiary	₱58,900,769

The deconsolidation of CCC did not have significant impact on the Group's consolidated statements of comprehensive income and consolidated statements of cash flows.

20. Sales Revenue

Sales are recognized from customers at the point of sale in the stores and upon delivery.

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱3.86 billion and ₱2.78 billion for the nine months ended September 30, 2021 and 2020, respectively.

Disaggregated revenue information
Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the nine months ended September 30, 2021						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods - retail	**₱63,970,321,090**	**₱5,157,053,932**	**₱8,305,268,644**	**₱2,890,029,853**	**₱19,794,466,583**	**₱8,124,315,876**	**₱108,241,455,978**
Sale of merchandise to franchisees	**–**	**–**	**–**	**685,599,214**	**–**	**–**	**685,599,214**
Franchise revenue	**–**	**–**	**–**	**3,375,030**	**16,327,680**	**–**	**19,702,710**
Royalty fee	**–**	**–**	**–**	**102,800,727**	**60,587,380**	**–**	**163,388,107**
	₱63,970,321,090	**₱5,157,053,932**	**₱8,305,268,644**	**₱3,681,804,824**	**₱19,871,381,643**	**₱8,124,315,876**	**₱109,110,146,009**
Timing of revenue recognition							
Goods transferred at point in time	**₱63,970,321,090**	**₱5,157,053,932**	**₱8,305,268,644**	**₱3,575,629,067**	**₱19,794,466,583**	**₱8,124,315,876**	**₱108,927,055,192**
Services transferred over time	**–**	**–**	**–**	**106,175,757**	**76,915,060**	**–**	**183,090,817**
	₱63,970,321,090	**₱5,157,053,932**	**₱8,305,268,644**	**₱3,681,804,824**	**₱19,871,381,643**	**₱8,124,315,876**	**₱109,110,146,009**

Segments	Supermarket	Department Store	DIY	Convenience Store	Drug Store	Specialty Store	Total
	For the nine months ended September 30, 2020						
Type of goods or service							
Sale of goods – retail	₱70,494,601,511	₱5,096,583,614	₱7,706,782,637	₱–	₱13,669,302,291	₱9,197,850,885	₱106,165,120,938
Sale of merchandise to franchisees	–	–	–	3,411,302,406	–	–	3,411,302,406
Franchise revenue	–	–	–	4,572,351	15,140,358	–	19,712,709
Royalty fee	–	–	–	940,037,854	44,030,524	–	984,068,378
	₱70,494,601,511	₱5,096,583,614	₱7,706,782,637	₱4,355,912,611	₱13,728,473,173	₱9,197,850,885	₱110,580,204,431
Timing of revenue recognition							
Goods transferred at point in time	₱70,494,601,511	₱5,096,583,614	₱7,706,782,637	₱3,411,302,406	₱13,669,302,291	₱9,197,850,885	₱109,576,423,344
Services transferred over time	–	–	–	944,610,205	59,170,882	–	1,003,781,087
	₱70,494,601,511	₱5,096,583,614	₱7,706,782,637	₱4,355,912,611	₱13,728,473,173	₱9,197,850,885	₱110,580,204,431

21. Operating Expenses

This account consists of:

	Nine months ended September 31 (Unaudited)	
	2021	2020
Rental and utilities (Notes 24 and 28)	**₱4,989,449,610**	₱4,772,647,847
Personnel costs and contracted services (Notes 22 and 23)	**7,174,923,718**	6,534,721,172
Depreciation and amortization (Notes 12, 14 and 28)	**5,145,407,838**	5,077,141,888
Transportation and travel	**1,072,941,094**	1,305,095,066
Supplies	**727,980,828**	617,597,689
Repairs and maintenance	**580,104,047**	392,899,209
Advertising	**393,022,397**	388,201,594
Bank and credit charges	**505,081,755**	497,065,637
Royalty expense (Note 29)	**68,535,217**	78,081,272
Others	**999,425,563**	1,092,264,332
	₱21,656,872,067	₱20,755,715,706

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

Depreciation and amortization pertains to:

	Nine months ended September 30 (Unaudited)	
	2021	2020
Property and equipment (Note 12)	**₱2,207,010,376**	₱2,194,324,277
Trademarks, franchise and license fees (Note 14)	**568,758**	94,731,749
Amortization of ROU assets (Note 28)	**2,937,828,704**	2,788,085,862
	₱5,145,407,838	₱5,077,141,888

22. Personnel Costs and Contracted Services

This account consists of:

	Nine months ended September 30 (Unaudited)	
	2021	2020
Salaries, allowances and benefits (Note 21)	**₱4,503,656,897**	₱3,949,288,450
Contracted services (Note 21)	**2,671,266,821**	2,585,432,722
	₱7,174,923,718	₱6,534,721,172

Details of salaries, allowances and benefits:

	Nine months ended September 30 (Unaudited)	
	2021	2020
Salaries, wages and allowances	**₱4,314,136,944**	₱3,829,279,771
Retirement expense (Note 23)	**189,519,953**	120,008,679
	₱4,503,656,897	₱3,949,288,450

23. Employee Benefits

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

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary.

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

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

The Plan was amended effective April 1, 2019. The effect of the change in retirement plan is reflected as past service cost and recognized immediatey in the 2019 retirement expense. In 2019, certain number of employees of RSCI were involuntarily separated. The settlement gain, as a result of the event, is also reflected in the retirement expense.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense under "Operating expenses" account in the consolidated statements of comprehensive income are as follow:

	Nine months ended September 31 (Unaudited)	
	2021	2020
Current service cost	**₱189,652,100**	₱119,915,741
Net interest cost	**(132,147)**	(1,249,605)
Past service cost	–	1,342,543
Retirement expense	**₱189,519,953**	₱120,008,679

Net retirement obligation as of September 30, 2021 and December 31, 2020 recognized in the consolidated statements of financial position follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Present value of defined benefit obligation	**₱2,097,611,204**	₱1,923,209,146
Fair value of plan assets	**(1,363,654,365)**	(1,374,251,973)
Net retirement obligation	**₱733,956,839**	₱548,957,173

The movements in net retirement obligation recognized in the consolidated statements of financial position follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱548,957,173**	₱347,737,290
Remeasurement loss	–	181,971,717
Retirement expense	**189,519,953**	184,997,443
Additions arising from business combination (Note 19)	–	251,473,028
Derecognition of remeasurement loss (gain)	–	–
Deconsolidation of a subsidiary (Note 19)	–	(21,869,849)
Actual contribution	**(1,000)**	(166,679,081)
Benefits paid from direct payments	**(4,519,287)**	(228,673,375)
Balance at end of year	**₱733,956,839**	₱548,957,173

Remeasurement effects recognized in OCI:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Remeasurement gains (losses) on:		
Retirement obligation	**₱–**	(₱190,707,671)
Retirement plan assets	–	8,735,954
Derecognition of cumulative loss (gain)	–	–
	₱–	(₱181,971,717)

In 2020, cumulative loss amounting to ₱58.82 million were derecognized from RSCI and in 2019, cumulative gain amounting to ₱4.15 million were derecognized from RGFBI. Cumulative gains are not to be reclassified in profit or loss in the consolidated financial statements of comprehensive income.

Movements of cumulative remeasurement effect recognized in OCI:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**(₱315,283,340)**	(₱327,255,317)
Actuarial loss	**–**	(190,707,671)
Derecognition of cumulative loss (gain)	**–**	58,822,263
Return on assets excluding amount included in net interest cost	**–**	8,735,954
Total remeasurement	**(₱315,283,340)**	(450,404,771)
Income tax effect	**–**	135,121,431
	(₱315,283,340)	(₱315,283,340)

Changes in the present value of defined benefit obligation follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱1,923,209,146**	₱1,410,838,083
Additions arising from business combination (Note 19)	**–**	369,117,970
Current service cost	**189,652,100**	194,010,535
Remeasurement (gain) loss arising from:		
Changes in financial assumptions	**–**	252,702,366
Changes in demographic assumptions	**–**	12,835,944
Experience adjustments	**–**	(74,830,639)
Interest cost	**(132,147)**	66,706,387
Transfers	**(14,983,080)**	4,542,041
Effect of curtailment	**–**	–
Settlement	**–**	–
Past service cost (income)	**–**	(19,354,338)
Deconsolidation of a subsidiary (Note 19)	**–**	(31,058,314)
Benefits paid	**(134,815)**	(262,300,889)
Balance at end of year	**₱2,097,611,204**	₱1,923,209,146

Movements in the fair value of plan assets follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of year	**₱1,374,251,973**	₱1,063,100,793
Actual contribution	**1,000**	166,679,081
Additions arising from business combination (Note 19)	**–**	117,644,942
Interest income included in net interest cost	**–**	56,365,141
Remeasurement gain (loss)	**–**	8,735,954
Transfers	**(9,283,079)**	4,542,041
Deconsolidation of a subsidiary (Note 19)	**–**	(9,188,465)
Benefits paid	**(1,315,529)**	(33,627,514)
Balance at end of year	**₱1,363,654,365**	₱1,374,251,973

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents		
Savings deposit	**₱9,246,244**	₱9,246,244
Time deposit	**634,960**	634,960
Investments in government securities		
Fixed rate treasury notes	**74,524,458**	85,153,207
Retail treasury bonds	**7,078,070**	7,078,070
Investments in UITF	**1,244,624,666**	1,244,593,525
Other receivables	**27,637,258**	27,637,258
Accrued trust fee payable	**(91,291)**	(91,291)
	₱1,363,654,365	₱1,374,251,973

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

	December 31, 2020 (Audited)
Discount rates	3.84% - 5.01%
Salary increase rates	5.70% - 6.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return (loss) on plan assets amounted to ₱55.96 million, ₱70.94 million and (₱30.60 million) in 2020, 2019 and 2018, respectively.

The Group expects to contribute ₱247.53 million to the defined benefit plan in 2021.

Remeasurement effects attributable to the equity holders of the Parent Company follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balances at the beginning of year	**₱78,916,050**	₱201,372,594
Remeasurement losses during the year	**–**	(122,456,544)
Balances at end of year	**₱78,916,050**	₱78,916,050

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
2020	Salary increase	+1.00%	₱73,344,201
		-1.00%	(195,342,415)
	Discount rates	+1.00%	(194,181,315)
		-1.00%	74,795,934

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:

	December 31, 2020 (Audited)
Less than 1 year	₱50,588,379
More than 1 year but less than 5 years	228,571,400
More than 5 years but less than 10 years	420,350,802
More than 10 years but less than 15 years	685,807,954
More than 15 years but less than 20 years	1,082,084,579
More than 20 years	4,473,713,582

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)	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	December 31, 2019 (Audited)	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱34,141,951**	₱2,105,106,040	₱4,158,993,927	**₱8,471,440**	₱9,161,738
Royalty income	**–**	740,475,141	1,681,857,691	**–**	–
b. Trade and other payable					
Purchases - net	**(2,662,217,882)**	(3,276,056,450)	(2,925,027,729)	**–**	–
Rent and utilities	**(2,532,456,874)**	(3,328,644,890)	(4,694,100,343)	**(388,428,881)**	(559,221,088)

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

a. As of September 30, 2021 and December 31, 2020, the Group has outstanding balances from its other affiliates arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

b. As of September 30, 2021 and December 31, 2020, the Group has outstanding payable to its other affiliates arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year.

c. The Group maintains savings and current accounts and money market placements with RBC. Cash and cash equivalents earns interest at the prevailing bank deposit rates.

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

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

The details of compensation and benefits of key management personnel for 2020 follows:

	December 31, 2020 (Audited)
Short-term employee benefits	₱182,790,525
Post-employment benefits	38,966,507
	₱221,757,032

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the nine months ended September 30, 2021 and 2020. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

25. **Income Tax**

a. Provision for income tax for the nine months ended September 30 follows:

	2021	2020)
Current	**₱675,785,294**	₱1,253,535,185
Deferred	**(360,666,807)**	(630,010,293)
	₱315,118,487	₱623,524,892

b. The components of the net deferred tax assets of the Group as of September 30, 2021 and December 31, 2020 pertain to the deferred tax effects of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Tax effects of:		
Items recognized in profit or loss:		
Lease liabilities	**₱835,168,062**	₱683,031,942
MCIT	**96,828,794**	243,771,864
NOLCO	**141,760,284**	169,669,840
Unamortized past service cost	**105,991,781**	122,912,830
Allowance for inventory write-obsolescence	**52,713,682**	72,523,249
Allowance for expected credit losses	**61,183,936**	68,750,365
Deferred revenue	**9,427,402**	10,707,744
Accrued expenses	**3,570,138**	1,379,388
Unrealized foreign exchange - net	**(3,112,733)**	(3,736,010)
Retirement obligation	**(15,299,128)**	(37,393,921)
	1,288,232,218	1,331,617,291
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	**191,970,592**	200,161,977
	₱1,480,202,810	₱1,531,779,268

In 2020, the Group recognized previously unrecognized deferred tax assets on MCIT amounting to ₱103.60 million. In addition, deferred tax assets acquired in a business combination affecting profit or loss amounted to ₱56.42 million. Deferred tax assets on deconsolidation of CCC amounted to ₱12.24 million. In 2019, the Group derecognized deferred tax assets amounting to ₱1.25 million related to the retirement obligation of RGBFI.

c. The components of the net deferred tax liabilities of the Group as of September 30, 2021 and December 31, 2020 represent deferred tax effects of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱1,979,723,401**	₱2,375,668,081
Asset revaluation	**16,435,969**	28,289,414
	1,996,159,370	2,403,957,495
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**54,587,446**	145,866,866
	₱2,050,746,816	₱2,549,824,361

d. The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Tax effects of:		
MCIT	**₱60,996,225**	₱60,996,225
NOLCO	**54,021,691**	54,021,691
Allowance for impairment losses	**22,739,980**	22,739,980
Lease liabilities	**9,968,058**	9,968,058
Retirement asset	**(2,351,616)**	(2,351,616)
	₱145,374,338	₱145,374,338

e. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, RRHI, RDDC, RI, RCSI, RGFBI, RHIB, HPTD, RSSI, RLSI and Super50 has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Inception Year	Amount	Applied	Expired	Reversals	Balance	Expiry Year
2019	₱213,280,729	₱31,508,157	₱–	₱–	₱181,772,572	2022
2018	3,960,517	–	–	3,544,685	415,832	2021
2017	20,783,849	–	20,783,849	–	–	2020
Total	₱238,025,095	₱31,508,157	₱20,783,849	₱3,544,685	₱182,188,404	

In 2019, RLSI recognized deferred tax assets pertaining to NOLCO amounting to ₱0.42 million which was unrecognized in prior year.

As of December 31, 2020, RRHI, RDSI, RAC, RVC, RCSI, RHIB, HPTD and RPI has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2020	₱563,450,033	₱–	₱–	₱563,450,033	2025

f. Details of the Group’s MCIT related to RRHI, RSC, RPI, RVC, RCSI, RHIB, RSSI, RDDC and RPI follow:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2020	₱140,798,803	₱–	₱–	₱140,798,803	2023
2019	67,040,246	–	–	67,040,246	2022
2018	96,929,041	–	–	96,929,041	2021
2017	16,911,569	–	16,911,569	–	2020
Total	₱321,679,659	₱–	₱16,911,569	₱304,768,090	

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

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	**3.31**	4.92	–
Nondeductible expense	**1.91**	–	0.17
Effect of PFRS 9 and 15 adoption		–	(0.24)
Effect of OSD	**–**	(0.69)	(0.50)
Nontaxable income subject to final tax	**–**	(0.70)	(0.82)
Derecognized DTA for NOLCO	**(0.02)**	(1.70)	(0.82)
Dividend income	**(0.19)**	(0.49)	(0.44)
Change in unrecognized deferred tax assets	**(0.20)**	(0.14)	(0.15)
Expired MCIT and NOLCO	**(0.47)**	(0.40)	–
Franchise income	**(0.76)**	(0.22)	–
Interest income subject to final tax	**(5.74)**	(4.99)	(3.88)
Nontaxable income not subject to final tax	**(6.72)**	(0.07)	–
Effective income tax rate	**21.12%**	25.52%	23.32%

On November 26, 2008, the BIR issued Revenue Regulation No. 16-2008 which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD). This regulation allowed both individual and corporate taxpayers to use OSD in computing their taxable income. For corporations, they may elect standard deduction in an amount equivalent to 40% of the gross income, as provided by law, in lieu of the itemized allowable deductions. In 2020, 2019 and 2018 certain subsidiaries elected OSD in the computation of its taxable income.

Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Group's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. The impact of the lower corporate income tax rate amounting to ₱ 162.88 million was recognized for the nine months ended September 30, 2021.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended but will only be recognized for financial reporting purposes in its 2021 financial statements. The impact of the lower corporate income tax rate resulted in lower deferred tax assets and liabities by ₱229.55 million and ₱395.87 million, respectively, as of September 30, 2021, and lower provision for deferred tax by ₱166.32 million for the nine months then ended September 30, 2021.

26. Earnings Per Share

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

	Nine months ended September 30 (Unaudited)	
	2021	2020
Net income attributable to equity holders of the Parent Company	**₱2,709,094,758**	2,391,770,561
Weighted average number of common shares	**1,542,245,275**	1,572,562,188
Basic and Diluted EPS	**₱1.76**	₱1.52

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
No. of shares at the beginning of year	**1,570,606,945**	1,576,489,360
Weighted average number of shares issued during the year	**–**	–
Weighted average number of treasury shares	**(28,361,670)**	(5,882,415)
Weighted average number of common shares	**1,542,245,275**	1,570,606,945

The Parent Company has no dilutive potential common shares in 2021, 2020 and 2019.

27. Risk Management and Financial Instruments

Governance Framework

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

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

Financial Risk

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

Market Risk
Market risk is the risk of loss to future earnings, to fair value of cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates equity prices and other market factors.

Interest Rate Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has minimal interest rate risk because the interest-bearing loans are short-term in nature and bear fixed interest rates.

Price Interest Rate Risk
The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVTPL and FVOCI.

The table below shows the impact on income before tax of the estimated future yield of the related market indices of the Group's financial assets at FVTPL and FVOCI using a sensitivity approach.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
+100 basis points (bps)	**₱4,295,245**	₱6,232,559
-100 bps	**(4,295,245)**	(6,232,559)

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried out in Philippine Peso (₱) but maintain a minimal balance of foreign currency. The Group's currency risk arises mainly from foreign currency-denominated cash and cash equivalents, interest receivable, and financial assets at FVOCI which are denominated in currency other than the Group's functional currency.

The following tables demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
USD	**+1.17%**	+1.25%	**₱61,272,623**	₱60,663,525
	-1.17%	-1.25%	**(61,272,623)**	(60,663,525)

The Group used foreign exchange rate of ₱51.0:USD1 and ₱48.02:USD1 as of September 30, 2021, and December 31, 2020, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.17% and 1.25% in 2021 and

2020, respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$8,638,402**	**₱440,558,502**	$2,150,150	₱103,256,653
Receivables	**1,350,367**	**68,868,717**	1,229,498	59,044,182
FVOCI with recycling	**93,048,818**	**4,745,489,718**	97,371,363	4,676,064,965
Total	**$103,037,587**	**₱5,254,916,937**	$100,751,011	₱4,838,365,800

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at September 30, 2021 and December 31, 2020. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2021 and 2020.

Quoted equity securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of September 30, 2021 and December 31, 2020.

The analyses below are performed for reasonably possible movements in the PSE Index with all other variables held constant, showing the impact on equity:

	Change in variable	**Effect on equity-Other comprehensive income**
2021	**9.42%**	**₱31,450,265**
	-9.42%	**(31,450,265)**
2020	+33.54%	₱151,915,119
	-33.54%	(151,915,119)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 9.42% and 33.54% in 2021 and 2020, respectively.

For quoted securities, the Group, used as basis of these assumptions, the annual percentage change in PSE composite index.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

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

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

The table below shows the maturity profile of the financial instruments of the Group as of September 30, 2021 and December 31, 2020 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

September 30, 2021 (Unaudited)

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	**₱14,801,248,653**	**₱–**	**₱–**	**₱14,801,248,653**
Trade receivables	**34,941,158**	**2,262,996,829**	**–**	**2,297,937,987**
Nontrade receivables	**–**	**433,898,205**	**–**	**433,898,205**
Due from franchisees	**–**	**18,138,291**	**–**	**18,138,291**
Other noncurrent assets:				
Security and other deposits	**–**	**–**	**2,253,366,870**	**2,253,366,870**
Construction bonds	**–**	**–**	**85,937,192**	**85,937,192**
FVOCI	**–**	**–**	**11,557,233,713**	**11,557,233,713**
	₱14,836,189,811	**₱2,715,033,325**	**₱13,896,537,775**	**31,447,760,911**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱20,836,432,339**	**₱–**	**₱20,836,432,339**
Short-term loans payable	**–**	**5,444,000,000**	**–**	**5,444,000,000**
Lease liabilities	**–**	**3,290,189,517**	**22,733,371,864**	**26,023,561,381**
Other current liabilities	**–**	**373,586,302**	**–**	**373,586,302**
	₱–	**₱29,944,208,158**	**₱22,733,371,864**	**₱52,677,580,022**

**Excluding statutory liabilities amounting ₱344,838,591.*

December 31, 2020 (Audited)

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱21,338,418,561	₱–	₱–	₱21,338,418,561
Trade receivables	29,088,209	2,394,469,801	–	2,423,558,010
Nontrade receivables	–	710,519,575	–	710,519,575
Due from franchisees	–	39,106,088	–	39,106,088
Other noncurrent assets:				
Security and other deposits	–	–	2,199,111,643	2,199,111,643
Construction bonds	–	–	65,579,632	65,579,632
FVOCI	–	–	13,931,757,447	13,931,757,447
	₱21,367,506,770	₱3,144,095,464	₱16,196,448,722	₱40,708,050,956
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱22,794,728,769	₱–	₱22,794,728,769
Short-term loans payable	–	9,584,000,000	–	9,584,000,000
Lease liabilities	–	2,714,936,166	24,612,504,568	27,327,440,734
Other current liabilities	–	255,281,634	–	255,281,634
	₱–	₱35,348,946,569	₱24,612,504,568	₱59,961,451,137

**Excluding statutory liabilities amounting ₱568,435,460.*

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

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

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

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

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱2.57 billion and ₱1.31 billion in as of September 30, 2021 and December 31, 2020, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality
The Group maintains internal credit rating system. Neither past due nor impaired financial assets are graded as either "A" or "B" based on the following criteria:

- Grade A are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.
- Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to the Group's collection efforts and update their payments accordingly.

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

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

Security and other deposits and construction bond are Grade A since these were paid to creditworthy third parties.

Financial assets at FVOCI and FVTPL are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱28.84 billion and ₱39.37 billion as of September 30, 2021 and December 31, 2020, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost and FVOCI as of September 30, 2021 and December 31, 2020.

September 30, 2021 (Unaudited)

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	**₱12,230,283,750**	**₱–**	**₱–**	**₱12,230,283,750**
Trade receivables	**2,262,996,829**	**–**	**34,941,158**	**2,297,937,987**
Nontrade receivables	**433,898,205**	**–**	**–**	**433,898,205**
Due from franchisees	**18,138,291**	**–**	**–**	**18,138,291**
Other noncurrent assets:				
Security and other deposits	**2,253,366,870**	**–**	**–**	**2,253,366,870**
Construction bond	**85,937,192**	**–**	**–**	**85,937,192**
FVOCI	**11,557,233,713**	**–**	**–**	**11,557,233,713**
	₱28,841,854,850	**₱–**	**₱34,941,158**	**₱28,876,796,008**

December 31, 2020 (Audited)

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	₱20,028,069,048	₱–	₱–	₱20,028,069,048
Trade receivables	2,394,469,801	–	29,088,209	2,423,558,010
Nontrade receivables	710,519,575	–	–	710,519,575
Due from franchisees	39,106,088	–	–	39,106,088
Other noncurrent assets:				
Security and other deposits	2,199,111,643	–	–	2,199,111,643
Construction bond	65,579,632	–	–	65,579,632
FVOCI	13,931,757,447	–	–	13,931,757,447
	₱39,368,613,234	₱–	₱29,088,209	₱39,397,701,443

Impairment of Financial Assets. The Company has the following financial assets that are subject to the expected credit loss model under PFRS 9:

- Cash and cash equivalents;
- Trade receivables;
- Debt securities at FVOCI; and
- Other debt instruments carried at amortized cost

Other debt instruments carried at amortized cost include accrued interest receivables, refundable security and other deposits, advances to employees and officers and receivable from insurance. These are also subject to impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized recoveries of (provision for) expected credit losses on its debt instruments at FVOCI amounting to nil and ₱6.96 million for the nine months ended September 30, 2021 and 2020, respectively (Note 11).

Trade Receivables. The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables (Note 8).

A summary of Group exposure to credit risk under general and general approach as of September 30, 2021 and December 31, 2020 follows:

September 30, 2021 (Unaudited)

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	**₱12,230,283,750**	**₱–**	**₱–**	**₱–**
Trade receivables	**–**	**–**	**–**	**2,297,937,987**
Due from franchisees	**–**	**–**	**–**	**18,138,291**
Nontrade receivables	**433,898,205**	**–**	**–**	**–**
Security and other deposits	**2,339,304,062**	**–**	**–**	**–**
FVOCI	**11,557,233,713**	**–**	**–**	**–**
Total gross carrying amounts	**26,560,719,730**	**–**	**–**	**2,316,076,278**
Less allowance	**5,227,772**	**–**	**–**	**34,941,158**
	₱26,555,491,958	**₱–**	**₱–**	**₱2,281,135,120**

December 31, 2020 (Audited)

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱20,028,069,048	₱–	₱–	₱–
Trade receivables	–	–	–	2,423,558,010
Due from franchisees	–	–	–	39,106,088
Nontrade receivables	710,519,575	–	–	–
Security and other deposits	2,264,691,275	–	–	–
FVOCI	13,931,757,447	–	–	–
Total gross carrying amounts	36,935,037,345	–	–	2,462,664,098
Less allowance	5,227,772	–	–	29,088,209
	₱36,929,809,573	₱–	₱–	₱2,433,575,889

As of September 30, 2021 and December 31, 2020, there were no movements between stage 1, 2 and 3.

Fair Values of Financial Assets and Liabilities

The methods and assumptions used by the Group in estimating the fair value of financial asset and other financial liabilities are:

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.

- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

- Debt and equity instrument financial assets amounting to ₱11.56 billion and ₱13.93 billion as of September 30, 2021 and December 31, 2020, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.

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

- Due to the long-term nature of lease contracts, lease payments are discounted using an incremental borrowing rate to approximate the fair value of lease liablities.

As of September 30, 2021 and December 31, 2020, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. Lease Commitments

Group as Lessee (Effective Beginning January 1, 2019)
The Group has lease contracts for various land and building wherein the offices, stores and warehouses are located and built. Lease terms are generally between one (1) year up to thirty (30) years. Most lease are renewable at certain agreed terms and conditions. The monthly fees are based on fixed rate subject to 2%-5% escalation rate or percentage of sales, whichever is higher.

Set out below are the carrying amounts of right-of-use assets recognized and the movements as of September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	**₱25,038,299,389**	₱26,317,960,761
Net additions during the year	**851,592,348**	1,961,959,381
Additions from business combination (Note 19)	**–**	685,580,674
Amortization of ROU assets (Note 21)	**(2,937,828,704)**	(3,927,201,427)
	₱22,952,063,033	₱25,038,299,389

Set out below are the carrying amounts of lease liabilities and the movements as of September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance (Note 30)	**₱27,327,440,734**	₱28,052,771,073
Accretion of interest expense	**1,377,667,242**	2,179,822,833
Net additions during the year (Note 30)	**851,713,801**	1,077,519,013
Additions from business combination (Note 19)	**–**	780,263,614
Deconsolidation of a subsidiary (Note 19)	**–**	(42,260,296)
COVID-19 rent concessions	**–**	(786,074,188)
Lease payments	**(3,533,260,396)**	(3,934,601,315)
	26,023,561,381	27,327,440,734
Less current portion of lease liabilities	**3,290,189,517**	2,714,936,166
Noncurrent portion of lease liabilities	**₱22,733,371,864**	₱24,612,504,568

In 2020, the Group derecognized ROU assets and lease liabilities amounting to ₱6.41 billion and ₱7.34 billion, respectively.

The following are the amounts recognized in profit or loss for the nine months ended September 30, 2021 and 2020 as follows:

	2021	2020
Amortization of ROU assets (Note 21)	**₱2,937,828,704**	₱2,788,085,862
Interest expense on lease liabilities	**1,377,667,242**	1,585,781,406
Expenses relating to short-term leases and variable lease payments, net of negative variable lease (Note 21)	**775,604,380**	879,640,547
	₱5,091,100,326	₱5,253,507,815

Shown below is the maturity analysis of the undiscounted lease payments as of September 30, 2021 and December 31, 2020:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Within one (1) year	**₱4,658,257,042**	₱4,362,004,444
After one (1) year but not more than five (5) years	**15,876,516,169**	16,814,827,322
More than five (5) years	**14,226,773,348**	15,464,062,934
	₱34,761,546,559	₱36,640,894,700

The Company’s additions to ROU assets and lease liabilities as of January 1, 2019 are considered non-cash activities.

Group as a Lessor
The Group has entered into operating leases on its building. Income from these leases is included in the “Royalty, Rent and Other Revenue” account in the consolidated statements of comprehensive income (Note 29).

There are no contingent rental income and expense under these operating leases both as lessee and lessor.

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 ₱33.65 million and ₱43.00 million for the nine months ended September 30, 2021 and 2020, respectively (Note 21). Royalty payable to Ministop included under “Other current liabilities” as of September 30, 2021 and December 31, 2020 amounted to ₱ 51.88 million and ₱40.75 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 ₱102.80 million and ₱940.04 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021 and December 31, 2020, amounts due from franchisees amounted to ₱ 18.14 million and ₱39.11 million, respectively.

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

Royalty expenses amounted to ₱5.66 million and ₱5.56 million for the nine months ended September 30, 2021 and 2020, respectively.

d.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱21.74 million and ₱28.95 million for the nine months ended September 30, 2021 and 2020, respectively.

e.) On April 25, 2019, Emart Inc., granted the Group, an exclusive and non-transferrable right to carry on the “NO BRAND” business in the Philippines. The Group pays royalty fee amounting to ₱343,572 and ₱319,812 for the nine months ended September 30, 2021 and 2020, respectively, representing 0.5% of the net revenue arising from sale of “NO BRAND” products and EMART sourced products in the Philippines.

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

30. Changes in Liabilities Arising from Financing Activities

2021

	January 1, 2021	Net Cash Flows	Dividend Declaration	Others	September 30, 2021
Lease liabilities	₱27,327,440,734	(₱3,533,260,396)	₱–	₱2,229,381,044	₱26,023,561,382
Short-term loans payable	9,584,000,000	(4,140,000,000)	–	–	5,444,000,000
Dividends payable	–	(2,980,124,250)	2,980,124,250	–	–
Total liabilities from financing activities	₱36,911,440,734	(₱10,653,384,646)	₱2,980,124,250	₱2,229,381,044	₱31,467,561,382

2020

	January 1, 2020	Net Cash Flows	Dividend Declaration	Others	December 31, 2020
Lease liabilities	₱28,052,771,073	(₱3,934,601,315)	₱–	₱3,209,270,976	₱27,327,440,734
Short-term loans payable	4,634,000,000	4,950,000,000	–	–	9,584,000,000
Dividends payable	39,173,881	(1,920,805,654)	1,881,631,773	–	–
Total liabilities from financing activities	₱32,725,944,954	(₱905,406,969)	₱1,881,631,773	₱3,209,270,976	₱36,911,440,734

As of September 30, 2021, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱851.71 million and ₱1,377.67 million, respectively.

As of December 31, 2020, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱1.08 billion and ₱2.18 billion, respectively.

Interest paid for the nine months ended September 30, 2021 and 2020 amounted to ₱125.19 million and ₱97.85 million, respectively.

31. Contingencies

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

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

32. Other Matters

COVID-19 Impact
On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine (ECQ) throughout the island of Luzon until May 15, 2020. Subsequently, as a measure to limit the spread of COVID-19 in the Philippines, lockdowns officially characterized as "community quarantines" by the government, of varying strictness were imposed in numerous parts of the country. The whole Metro Manila will be under general community quarantine until April 4, 2021.

The government reinstated the ECQ in Metro Manila, Cavite, Laguna and Bulacan for the 1st two weeks of April 2021 and August 2021.

These measures created significant volatility across the business of the Group. The sales from supermarket segment rose with customers shopping less frequently but with bigger baskets given COVID-19 related movement restrictions and customer behavioral changes. Sales from drugstore segment also rose because of the demand for health and sanitation products. Other business segments show decline in sales in 2020 and 2021 because of different quarantine and mobility restrictions resulting to lower foot traffic in malls where significant number of the stores are located. Also, there are additional costs incurred due to additional team hours to support the safety of team members and customers, additional costs associated with cleaning, security and personal protective equipment and incremental supply chain costs to meet increased demand.

The scale and duration of these developments remain uncertain as of the report date. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.
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ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2021

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Debt and Equity Securities				
Various bonds	₱7,946,328,775	₱8,312,642,326	₱8,312,642,326	₱337,401,038
Notes	–	–	–	–
Investment in preferred shares	2,395,000	3,244,591,387	3,244,591,387	43,302,199
	₱7,948,723,775	₱11,557,233,713	₱11,557,233,713	₱380,703,237

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

SEPTEMBER 30, 2021

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

SEPTEMBER 30, 2021

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱316,537,046	₱2,239,986,032	₱	₱2,556,523,078	₱	₱2,556,523,078
Robinsons Toys, Inc.	−	−	−	−	−	−
Robinsons Convenience Stores, Inc.	39,106,088	−	−	39,106,088	−	39,106,088
Robinson’s Supermarket Corporation	3,642,100,546	(3,475,372,111)	–	166,728,435	–	166,728,435
Robinson’s Incorporated	572,275,952	(280,230,845)	−	292,045,107	−	292,045,107
Robinsons Handyman, Inc.	53,530,248	(17,981,673)	−	35,548,574	−	35,548,574
RHD Daiso - Saizen, Inc.	517,164,345	−	−	517,164,345	−	517,164,345
	₱5,140,714,225	(₱1,533,598,599)	₱−	₱3,607,115,627	₱−	₱3,607,115,627

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

SEPTEMBER 30, 2021

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

SEPTEMBER 30, 2021

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱373,437,198	₱145,073,053
Universal Robina Corporation	185,783,890	241,545,985
JG Summit Holdings, Inc.	–	1,809,843
	₱559,221,088	₱388,428,881

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2021

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

SEPTEMBER 30, 2021

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,518,907,790	–	491,299,997	215,835,320	811,772,473
	2,000,000,000	1,518,907,790	–	491,299,997	215,835,320	811,772,473

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF SEPTEMBER 30, 2021 and DECEMBER 31, 2020

Financial Soundness Indicator	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
i. Liquidity ratio:		
Current ratio	**1.44**	1.36
ii. Profitability ratio:		
Gross profit margin	**0.23**	0.22
Return on assets	**0.02**	0.02
Return on equity	**0.04**	0.05
iii. Stability ratio:		
Solvency ratio	**0.14**	0.16
Debt to equity ratio	**0.75**	0.82
Asset to equity ratio	**1.75**	1.82
Interest rate coverage ratio	**2.54**	2.48

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

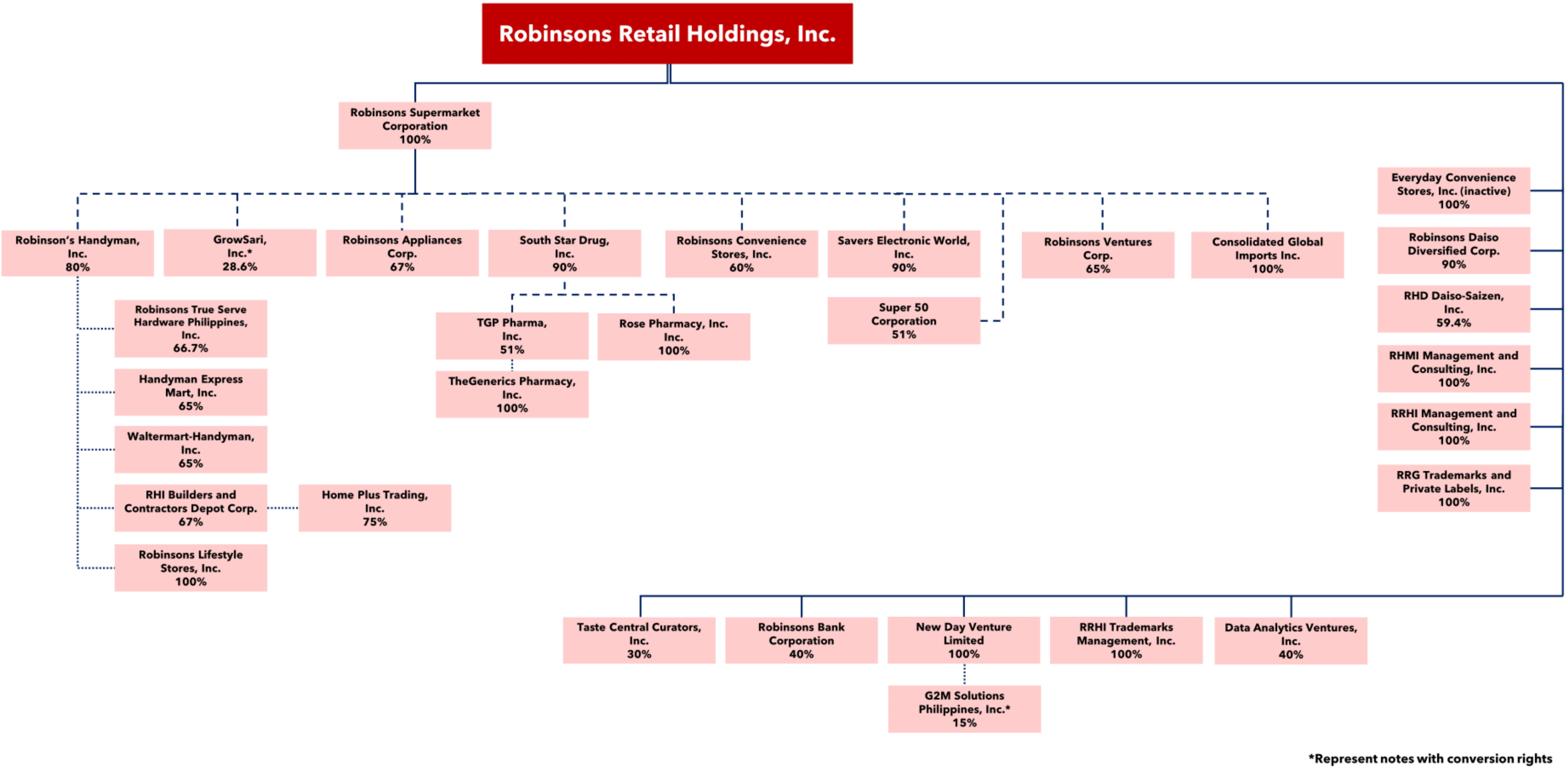
AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current assets	**43,843,540,767**	49,372,667,568
Current liabilities	**30,519,550,460**	36,269,086,090
Current ratio	**1.44**	1.36
Gross profit	**24,878,055,605**	32,897,922,511
Net sales	**108,927,055,192**	151,070,260,790
Gross profit margin	**0.23**	0.22
After tax net profit	**2,897,064,608**	3,485,614,397
Depreciation and amortization	**5,145,407,838**	6,987,147,534
	8,042,472,446	10,472,761,931
Total liabilities	**56,052,697,393**	64,005,948,729
Solvency ratio	**0.14**	0.16
Total liabilities	**56,052,697,393**	64,005,948,729
Total equity	**74,767,473,092**	77,590,234,254
Debt to equity ratio	**0.75**	0.82
Total assets	**130,820,170,485**	141,596,182,983
Total equity	**74,767,473,092**	77,590,234,254
Asset to equity ratio	**1.75**	1.82
Earnings before interest and taxes	**3,821,354,679**	5,779,397,334
Interest expense	**1,502,858,793**	2,326,256,810
Interest rate coverage ratio	**2.54**	2.48
Net income	**2,897,064,608**	3,485,614,397
Average total assets	**136,208,176,734**	139,731,126,648
Return on assets	**0.02**	0.02
Net income	**2,897,064,608**	3,485,614,397
Average total equity	**76,178,853,673**	77,058,315,432
Return on equity	**0.04**	0.05

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
SEPTEMBER 30, 2021

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of September 30, 2021:



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

Period Ended September 30			
Financial Summary *(Amount in million Pesos except EPS)*	**2021**	**2020**	**% Change**
Consolidated Statement of Comprehensive Income Data			
Sales- net of sales discounts and returns	108,927.1	109,576.4	-0.6%
Cost of merchandise sold	84,049.0	85,978.0	-2.2%
Operating expenses	21,656.9	20,755.7	4.3%
Interest expense	1,502.9	1,683.6	-10.7%
Income before income tax	3,212.2	3,222.8	-0.3%
Provision for income tax	315.1	623.5	-49.5%
Net income	2,897.1	2,599.2	11.5%
Net income attributable to Parent Company	2,709.1	2,391.8	13.3%
EPS	1.76	1.52	15.5%
Consolidated Statement of Cash Flow Data			
Net cash provided by (used in) operating activities	5,561.2	3,067.0	81.3%
Net cash provided by (used in) investing activities	980.5	(331.3)	-395.9%
Net cash used in financing activities	(13,163.2)	(7,438.1)	77.0%
Consolidated Statement of Financial Position Data			
Total assets	130,820.2	131,237.1	-0.3%
Total liabilities	56,052.7	54,472.8	2.9%
Total stockholder's equity	74,767.5	76,764.3	-2.6%

Robinsons Retail Holdings, Inc. recorded net income of ₱2.90 billion for the nine months ended September 30, 2021, an increase of 11.5% vs. same period last year while net income attributable to equity holders of the parent company at ₱2.71 billion grew 13.3% from 2020.

Net sales for the quarter rose 8.3% to ₱37.5 billion versus ₱34.6 billion last year driven by the double-digit Same Store Sales Growth (SSSG) of the drugstore segment and positive SSSG of the department store, convenience store and the appliance business. Consolidated net sales stood at ₱108.93 billion as of September 2021. SSSG was down to -7.4%, with both supermarket and drugstore segments coming off from a high base induced by panic buying for essential goods such as food and medicines in the same period last year. Sales performance of discretionary formats showed marked improvement as it registered positive sales growth for the quarter as they where closed six weeks for the same quarter last year. The government also reinstated the Enhanced Community Quarantine (ECQ) in Metro Manila, Cavite, Laguna and Bulacan, affecting the sales of non-essential formats for the for the 1st two weeks of April 2021 and August 2021. Furthermore, the sales of all formats were affected by the 10pm-5pm curfew imposed by the government. The curfew hours during the ECQ were longer from 6am-5pm.

Total e-commerce sales grew significantly by 4x for the nine months ended September 30, 2021, accounting for 3.5% of total sales, with the most significant growth seen in GoRobinsons, the company's own e-commerce website. GoRobinsons currently houses Robinsons Supermarket, Robinsons Department Store, The Marketplace, Shopwise, Handyman, True Value, Toys 'R' Us, and No Brand, with other banners scheduled for onboarding within the year. Drugstore and appliances segments also have their own e-commerce websites, namely southstardrug.com.ph, rosepharmacy.com, robinsonsappliances.com.ph and saversappliances.com.ph.

The gross profit for the nine months ended September 30, 2021 is at ₱24.88 billion which was 5.4% higher than the same period last year, it expanded by 130 bps to 22.8% of sales from 21.5% driven by higher vendor supports received in the first half of the year.

Net income attributable to equity holders of the parent company increased to ₱2.71 billion with margin up by 30 bps to 2.5% of sales driven by the company's efforts to minimize the impact of the pandemic through the implementation of austerity measures, FOREX gains, increased earnings from associates, lower accretion of interest expense from lease liabilities and the impact of lower income tax from CREATE law.

COVID 19 Impact, Risks and Mitigation

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID 19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until May 16, 2020 when quarantine restrictions were relaxed save for a reimposition of MECQ in Metro Manila and nearby provinces in the 1st two weeks of August. Continuing throughout 2020 and until 2021, as a measure to further limit the spread of COVID-19 in the country, lockdowns officially characterized as "community quarantines" of varying safety protocols and restrictions were imposed by the national and local government units in numerous parts of the country.

The Group has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. In the face of this global crisis, the Group remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of its employees and customers.

Segment Operations

(i) ***Supermarket***. Supermarket posted net sales of ₱21.80 billion for the 3rd quarter of 2021 down by 0.40% due to the 3.7% decline in SSSG. Aside from the high base of 11.5% SSSG last year, sales were challenged by the emergence of both offline and online competitors which include social commerce, community group buying and even suppliers venturing into direct e-commerce with our customers.

Gross margin expanded by 80 bps to 21.2% for the nine months of 2021. Excluding the consolidation of Growsari and No Brand for like for like comparison, gross margin increased by 140 bps to 21.8% driven by driven by improved gondola rentals, higher advertising support generated from digital promotions, and negotiation of higher volume incentives.

EBITDA margin was at 8.5% for the nine months of 2021. On a like-for-like basis, EBITDA margin increased by 30 bps to 8.8 due to the continuous efforts to implement austerity measures, productivity improvements and lower ECQ related cost.

(ii) ***Drug Stores***. The drugstore segment posted net sales growth of 74.5% in the 3rd quarter to ₱7.55 billion, reaching ₱19.79 billion for the period ended September 30, 2021, up by 44.8%. Excluding the impact of Rose Pharmacy, net sales grew by 20.4% to ₱5.21 billion in the 3rd quarter and 1.0% to ₱13.81 billion for the period ended September 30, 2021. Southstar Drug recorded double-digit SSSG for the quarter at 13.8%, driven by the continued demand for cough, cold and flu medications, anti-infectives, prescription meds, and supplements. YTD SSSG was at -2.1%.

YTD combined gross margin was at 19.7%. EBITDA margin increased by 100bps quarter-on-quarter to 9.5% in the 3rd quarter due from the significant improvement in Rose Pharmacy.

(iii) ***DIY Stores.*** The DIY segment generated net sales of ₱2.67 billion in the 3rd quarter, lower by 6.5%. Meanwhile, net sales for the period ended September 30, 2021 increased by 7.8% to ₱8.31 billion, supported by the e-commerce sales contributing to 3.4% of sales. SSSG for the 3rd quarter was at -10.6%, an improvement from -18.6% last year, with SSSG for the nine months at 5.7%. Categories with strong performance as of September include Tools, Cleaning Supplies and Flooring & Tiles.

The gross margins last year were unusually high at 34%-35% level because of lower promotional events/mall selling. This year, gross margins normalized to 32.0% in the 3rd quarter and 32.4% for the period ended September 30, 2021.

The combination of softer sales and higher OPEX squeezed our EBITDA margins to 12.6%.

(iv) ***Department Stores.*** The recovery of the department store continued in the 3rd quarter with net sales up by 9.3% to ₱1.57 billion despite the temporary 2 weeks closure of 18 of our stores in August. Net sales was up by 1.2% to ₱5.16 billion for the first nine months of 2021. SSSG for the 3rd quarter rebounded to positive 7.0% given the strong performance in Home and improvement of other categories such as Apparel. SSSG for the nine months of 2021 was at 0.6%

Gross margin declined by 190bps to 32.1% in the 3rd quarter and 60bps to 30.5% for the nine months of 2021 due to discounts in commission and fees extended to vendors. EBITDA margin remains positive at 14 million or 0.3% of sales.

(v) ***Convenience stores.*** Ministop recorded systemwide sales and net sales at ₱3.98 billion and ₱3.58 billion as of September 2021, respectively. SSSG further increased to 3.3% in the 3rd quarter, from 1.7% in the previous quarter, narrowing the YTD deficit to -13.9. Around 90% of our 458 stores are already operating as of end September 2021, an increase from 87% last year. Of the operating stores, 59% are open 24 hours compared to 40% LY.

3rd quarter gross profit and royalty income margin declined to 35.0% due to lower share of franchisee profits. Aside from the sales recovery, OPEX remains manageable in the 3rd quarter even if we have more operating stores this year vs last year. This enabled Ministop to achieve positive EBITDA margin in the 3rd quarter at 4.9%, with EBITDA margin at 4.7% for the nine months of 2021.

(vi) ***Specialty Stores Segment***. The specialty segment posted net sales of ₱2.75 billion in the 3rd quarter and ₱8.12 billion as of September 2021. If we exclude No Brand and Growsari in the 2020 financials to be comparative, segment sales registered flattish growth for the period ended September 30, 2021. SSSG for the 3rd quarter rebounded to 1.8%, supported by the resilient performance of the Appliance segment. YTD SSSG was at 2.2%.

Blended gross margins increased by 30bps quarter-on-quarter to 24.3% in the 3rd quarter. YTD gross margins was at 25.1%, up by 180bps on a like-for-like basis, driven by the Appliances and Toys segment.

Specialty segment ended the quarter with an EBITDA of 9.1% driven by higher margin and better cost control.

Financial Position

As of September 30, 2021, the Company's balance sheet showed consolidated assets of ₱130.82 billion.

Cash and cash equivalents as of September 30, 2021 was at ₱14.80 billion. Net cash provided by operating activities totaled ₱5.56 billion. Net cash generated from investing activities amounted to ₱980 million, ₱2.58 billion of which came from the net disposal of debt and equity instrument financial assets while ₱1.54 billion was used to acquire properties and equipment. Net cash spent from financing activities amounted to ₱13.16 billion, of which ₱5.29 billion was spent to pay short-term loans and ₱2.38 billion for the Group's share buyback program. Payment of lease liabilities amounted to ₱3.53 billion.

Trade and other receivables decreased by 13.6% from ₱3.14 billion to ₱2.72 billion as of September 30, 2021 while inventories slightly increased by 5.2%. Other current assets increased by P274 million due to prepaid expenses which are amortized throughout 2021.

Investment in debt and equity instrument financial assets declined by ₱2.37 billion for the nine months of 2021 due to redemptions during the period. Deferred tax assets declined 3.4% with the reduction in corporate income tax from 30% to 25% due to CREATE law.

Trade and other payables decreased from ₱23.36 billion to ₱21.18 billion as of September 30, 2021 with the payment of Q4 2020 purchases which are seasonally higher towards yearend. Short-term loans were settled which reduced current loans payable by ₱4.14 billion from ₱9.58 billion to ₱5.44 billion.
Deferred tax liability also declined 19.6% with the reduction in corporate income tax from 30% to 25% due to CREATE law.

Stockholder's equity stood at ₱74.77 billion as of September 30, 2021 with additional treasury shares purchased at a cost of ₱2.38 billion bringing total Treasury Shares to ₱3.20 billion.