COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 1 7 5 6

Company Name

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES (FORMERLY ROBINSONS HOLDINGS INC. AND SUBSIDIARIES)

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

110 E. RODRIGUEZ, JR. AVENUE, BAGUMBAYAN, QUEZON CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	633-7631	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
23	25-Jun	31-Dec

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
Diosdado Felix A. Zapata III	dong.zapata@robinsonsretail.com.ph	635-0797	09228223548

Contact Person's Address

110 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended ....31 December 2014

2. SEC Identification Number A200201756

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

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

ROBINSONS RETAIL HOLDINGS, INC.

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

6. (SEC Use Only)
Industry Classification Code:

7. **110 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City** **1110**
Address of principal office Postal Code

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

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

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

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

....

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

Yes [/] No [ ]

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

12. Check whether the issuer:

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

Yes [/] No [ ]

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

Yes [/]   No [ ]

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

Shares Held by Non-Affiliates as of December 31, 2014	Market Value per Share as of March 31, 2015	Total Market Value
484,750,000 shares	₱84.00	₱40,719,000,000

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

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

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

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Business Development

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

Robinsons Retail Holdings, Inc. (RRHI) is one of the leading multi-format retail groups in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoys market leading positions across all its business segments. Since the opening of its first Robinsons Department Store in Metro Manila in 1980, RRHI has successfully expanded into five further business segments, entering into the supermarket business in 1985, the Do It Yourself (DIY) business in 1994, the convenience store and specialty store businesses in 2000 and the drug store business in 2012. RRHI operates its supermarkets, department stores and consumer electronics and appliances stores under the Robinsons brand name, and its other store formats are under well-known international and domestic brands such as Handyman Do it Best, True Value, Topshop, Topman, Toys “R” Us and Ministop. RRHI operates one of the broadest ranges of retail formats of any retail group in the Philippines and accordingly, is well-positioned to capture the continuing macroeconomic growth in the Philippines, particularly the increase in disposable income and consumption of the middle-income segment, one of its key target markets.

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

The Company introduced the Robinsons Rewards Card in May 2013. It is believed that the loyalty program, which will eventually allow holders to collect and redeem points across all formats, will enhance the Company’s brand image and also increase customer loyalty. As of end 2014, Robinsons Rewards Cards is already accepted in most of the Company’s formats except for Ministop and South Star Drug with targeted acceptance by end 2015.

Acquisitions by RRHI’s subsidiaries

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

In June 2014, South Star Drug, Inc. acquired 100% ownership of GNC Pharma Corporation, which operates seven drugstore chains in Batangas called Chavez Pharmacy.

In January 2014, Robinsons Supermarket Corporation acquired 100% ownership of JAS 8 Retailing Mngt. Corporation, the operator of a three-store supermarket chain called Jaynith’s Supermarket.

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

In September 2013, Robinsons Supermarket Corporation, a subsidiary, acquired 100% ownership of Eurogrocer Corp., the operator of a six-store supermarket chain in Northern Luzon.

The percentage contribution to the Company's revenues for each of the three years ended December 2012, 2013, and 2014 by each of the Company's business segments after elimination are as follows:

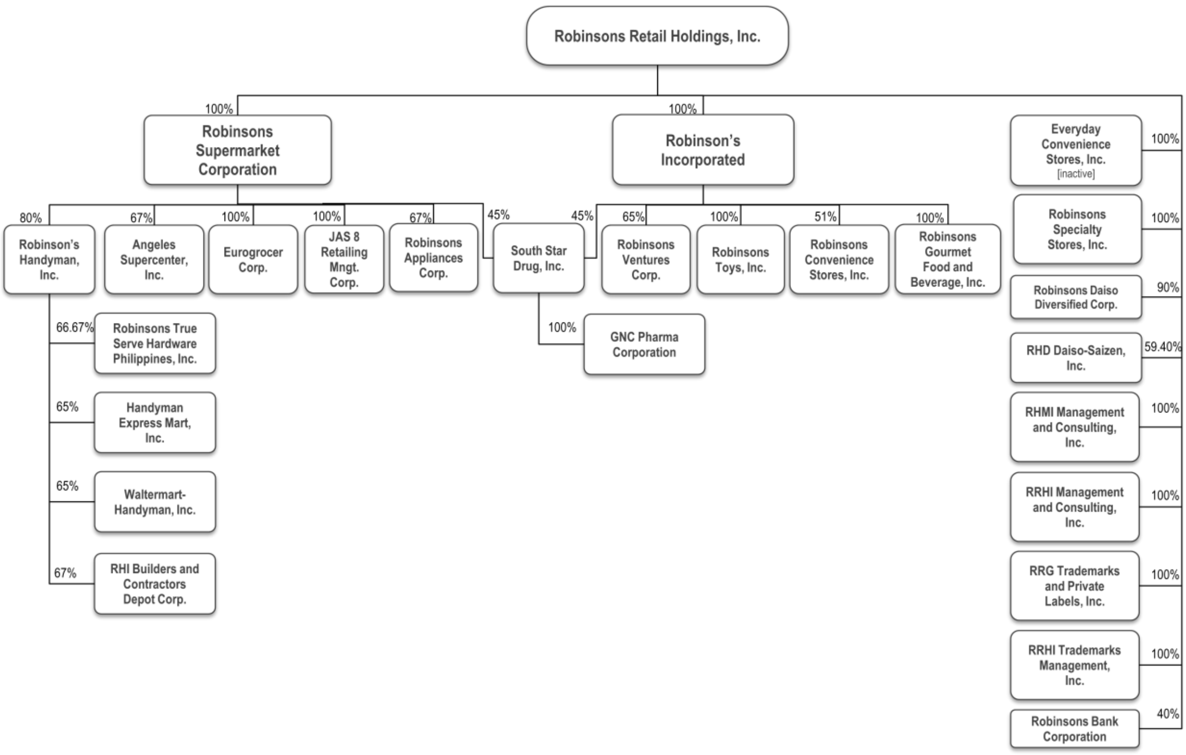
	For the years ended December 31		
	2012	2013	2014
Supermarket	51.0%	48.3%	48.8%
Department store	19.8%	17.7%	17.1%
Hardware	10.8%	10.5%	10.6%
Convenience store	6.7%	6.3%	5.7%
Drug store*	4.3%	9.3%	8.8%
Specialty segment	7.4%	7.9%	9.0%

**Note: South Star Drug was only acquired in July 2012 and consolidated into RRHI beginning August 2012.*

The Company ended 2014 with 1,327 stores with total gross floor area of 888,000 square meters.

(B) Business of Issuer

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



(a) Description of the Registrant

(i) Principal Products and Services. The Company conduct the core retail operations in six business segments — supermarkets, department stores, DIY stores, convenience stores, drug stores and specialty stores:

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

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

  Robinsons Supermarket believes that it is more efficient and competitive to partner with top suppliers in the country with expertise in providing fresh food of high quality on a consistent basis. Accordingly, all fresh food items, such as meat and poultry products, seafood, dairy products, fruit and vegetables in Robinsons Supermarket stores are purchased and sold on consignment basis. Sales from consignment represented 26.0% of supermarket revenues for 2014.

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including Beauty and Personal Care), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others, focused on catering to middle-income customers. Approximately 92.0% of Robinsons Department Stores' sales for 2014 were on consignment basis.

- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines and the recently acquired big box hardware A.M. Builders' Depot. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products, True Value positioned as an up market lifestyle home center, and A.M. Builders' Depot focused on home builders. Around 67% of DIY store segment revenue was derived from sales of consigned merchandise for 2014.

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

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

- *Specialty Stores.* Currently, the Company operates five 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, 3) international fashion retail stores which carry brands such as Topshop, Topman, and Dorothy Perkins; 4) beauty brands Shiseido and Benefit and 5) one-price-point stores under Daiso Japan.

  The Company at the end of 2014 has 1,327 stores; 111 supermarkets, 42 department stores, 161 DIY stores, 450 convenience stores, 320 drug stores and 243 specialty stores. Of the total stores, 44% of these stores are located in Metro Manila, another 43% located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

(ii) **Significant Subsidiaries.** As of December 31, 2014, Robinsons Retail Holdings, Inc. (RRHI) has thirteen wholly-owned subsidiaries and twelve partly-owned subsidiaries in which RRHI's ownership allows it to exercise control, all of which are consolidated with the Company's financial statements.

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

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

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

3. ***Eurogrocer Corp.*** Eurogrocer Corp. (EC) was incorporated on August 15, 2013. EC is 100% owned by RSC. EC's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.

4. ***JAS 8 Retailing Mngt. Corporation.*** JAS 8 Retailing Mngt. Corporation (JRMC) was incorporated on November 25, 2013. JRMC is 100% owned by RSC. JRMC's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.

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

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

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

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

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

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

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

12. ***Robinsons Toys, Inc.*** Robinsons Toys, Inc. (RTI) is a stock corporation organized under the laws of the Philippines primarily to engage in the

business of selling general merchandise of all kinds, either at retail or wholesale. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on August 19, 2002. RTI is 100% owned by RI.

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

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

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

16. ***South Star Drug, Inc.*** South Star Drug, Inc (SSD)is a trading company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2003. Its primary purpose is to carryon, the business of pharmacy, selling all kinds of drugs, medicine, medical equipment, and all other items. SSDI is 45% owned by Robinsons, Inc. and 45% owned by Robinsons Supermarket Corporation.

17. ***GNC Pharma Corporation.*** GNC Pharma Corporation (GPC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 2013 to carry on, the business of pharmacy, selling all kinds of drugs, medicine, medical equipment, and all other items.

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

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

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

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

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

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

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

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

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

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

The Company manages a strong and efficient supply chain that features just-in-time delivery. Many of its distribution centers employ a cross-docking system, whereby all goods received from suppliers are sorted, consolidated and dispatched to the stores in Metro Manila within one to five days and in Visayas and Mindanao within three to ten days of their receipt, depending on the business segment. This reduces stocking requirements and permits faster delivery of products. Some of its business segments, such as the supermarket, DIY and specialty stores (particularly toys and juvenile products), also employ a stock operation system equipped to handle high turnover and bulk items. For example, the supermarket segment implements a stock operation system for all top-tier vendors. An average of two weeks inventory of goods is ordered to be stocked and stored in the warehouse. Distribution planners make daily plans for replenishment and delivery of the goods to stores to ensure that stores do not run out of the key items supplied by the top-tier vendors. With the stock operation system, the distribution centers are able to supply the stores regularly with top-selling SKUs with expediency at low inventory carrying cost. The Company engages third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from the distribution centers to stores across the Philippines. Certain of the Company’s suppliers also deliver products directly to the stores.

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

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

The Company also deploys a POS and Loyalty system from Retalix Ltd., and has a sophisticated supplier portal system that allows them to collaborate with its suppliers, and through which suppliers have access to its database, providing them with the ability to manage their own inventory, helping to ensure consistently high service levels and facilitating more targeted marketing activities.

(v) **New Products and Services.** In May 2013, the Company introduced the Robinsons Rewards Card, a loyalty card that allows holders to redeem accrued points across its retail formats. As of end 2014, the Robinsons Rewards Card is accepted in most retail formats except for Ministop and South Star Drug with targeted acceptance by end 2015. The Company believes the Robinsons Rewards loyalty program will be a powerful means of increasing customer retention and enhancing customer loyalty across all businesses.

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

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

- *Department stores.* The Philippines' department stores industry is dominated by a few operators. RDS competes with major department store operators such as SM Retail and Rustans with the same target market of the middle- and upper middle income consumer segments on the basis of location, brand recognition, store image, presentation, price, understanding of fashion trends and market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and is continuing to open department stores in the same cities, and often in the same neighborhoods, where RDS has opened or intends to open its department stores.

- *DIY stores.* The market for DIY and related products in the Philippines is highly competitive and fragmented. Retailers are largely classified into stand-alone big-box operators, mall-based DIY retailers and traditional hardware retailers. The Company believes that its direct competitor is Ace Hardware, which has a scale of operations that is comparable to theirs. They compete with Ace Hardware primarily on the basis of product selection, price, promotions and customer service. More generally, the Company believes that competition in the DIY market is based broadly on pricing, delivery, brand recognition, quality and availability of products. They also believe that it compete favorably with respect to most of these factors.

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

- *Drug store.* The drug store industry in the Philippines is intensely competitive and highly fragmented. South Star Drug primarily competes with other retail drug store chains, such as Mercury Drug, Watson's and Rose Pharmacy. They do not consider individual drug stores as major competitors of South Star Drug stores, although they compete with them on an aggregate basis. Increasingly, as well, the Company faces competition from discount store, convenience stores and supermarkets as they increase their offerings of non-pharma items, such as food and personal care products.

- *Specialty stores.*

  Toys "R" Us. Toys "R" Us is the second largest toys retailer after Toy Kingdom. Toys "R" Us competes with Toy Kingdom on the basis of its strong brand name. As a differentiation, it continues to develop its private labels.

  Robinsons Appliances. Robinsons Appliances competes with SM Appliances and Abenson Appliances primarily on the basis of price. It provides credit card facilities to support its customers' purchases of the products that it offers conveniently. Through credit card programs, it offers its customers longer payment options at interest free installment terms.

  Daiso Japan. Daiso Japan and Japan Home Center are currently the major players in the one-price discount stores operators in the Philippines. Daiso Japan competes primarily on the basis of its brand as nearly all the merchandise in the store are sourced from and developed by Daiso Industries Co. Ltd of Japan. With support from Daiso Industries Co. Ltd. of Japan, Daiso Japan is able to offer a broad range of merchandise that boasts of product quality and aesthetic appeal while maintaining one-price point.

  International Fashion Specialty Retail. The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. Store Specialist Inc., Suyen (Bench) Group, Vogue Concepts and Primer Group are the major competitors of the Company's high-street fashion retail business.

  Beauty division. The Beauty Market in the Philippines is very competitive and dynamic, with each retailer and distributor racing against each other for exclusivity, variety and a strong commercial presence. Large international beauty companies are setting up spacious stand-alone stores in major malls (for example, MAC, Clinique, Lancome, Dior) while department stores like RDS, SM Store, Rustans and Landmark compete with each other to get new brands, and making it exclusively available in their stores while creating their own private labels to differentiate them from their competitors.

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

Supermarkets. With over 1,800 regular suppliers as of 2014, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and Universal Robina Corporation (URC) and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 26.3%, 27.1% and 24.4% of the net sales in 2012, 2013 and 2014, respectively. For smaller local suppliers, Robinsons Supermarket seeks to partner with the best suppliers in each of the provinces. Robinsons Supermarket believes that its business as a whole is not dependent on any single supplier.

Department stores. For outright sales, RDS sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of beauty and personal care, household merchandise and children's apparel. RDS' outright sales include a private label named Essentials that carries paper products. It has also strengthened sourcing for home and children's departments, thus adding more offerings to customers. As of 2014, L'Oreal, Unilever, Mondelez Phils. (Kraft Foods) Procter & Gamble, Brandlines (Nivea) and Johnson & Johnson were some of RDS' largest outright sales suppliers.

DIY Stores. For outright sales, the Company sources the DIY and other products at favorable terms primarily from large-scale local suppliers and from over 200 foreign vendors accredited by Do it Best Corporation and True Value. The Company does not believe that it rely on any single supplier or group of suppliers for any of its products.

Convenience Stores. To effectively satisfy customer preferences, the Company has established working relationships with over 250 regular suppliers as of 2014. The supplier base is diversified from large local suppliers such as Globe, URC and San Miguel Corp, smaller local suppliers for Ministop's ready-to-eat and private label products, to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop select its suppliers using a number of criteria, including customer preferences, suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with the Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

Drug Stores. The Company sources pharmaceutical products from over 350 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, GSK, Abbot Nutrition, Boehringer, Intermed Marketing and Sanofi. SSD's top five largest pharmaceutical suppliers accounted for 25.4% of the total purchases in 2014 and 28.7% in 2013. The Company only accepts products which are FDA-certified in the Philippines and ensure that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 330 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

Specialty stores.

Toys "R" Us. In order to showcase a wide range of toys, including a substantial range of educational toys, the Company has established strong partnerships with toy distributors that carry a portfolio of brands under concession. The Toys "R" Us private labels and exclusives as well as importations (done through indentors/consolidators which provide a differentiated offering, are directly sourced through the Toys "R" Us regional buying office where orders are consolidated to ensure that products are sourced at the lowest costs and margins are maximized. The Company also partners with local suppliers for locally developed merchandise both on outright or consignment.

Robinsons Appliances. Reliability and strong service network are some of the top requirements of customers in choosing consumer electronics and home appliances. That is why Robinsons Appliances partners with reputable suppliers such as Samsung Electronics, LG Electronics, Sharp Philippines and Techpoint Enterprises, among others in providing the best home entertainment solutions. Modern comfort and living comes with cool suppliers such Concepcion-Carrier Airconditioning, G.E., Electrolux and Whirpool Home Appliances.

(viii) **Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 11.9% of consolidated net sales in 2014, 13.0% in 2013, 13.3% in 2012. The Company is not relying on a single or few customers but to the buying public in general.

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

The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2014.

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

Following are the marks of the subsidiaries of RRHI as of December 31, 2014:

Supermarket Trademarks

Name of Trademark	Symbol of Trademark
1. ROBINSONS SUPERMARKET	Robinsons Supermarket
2. HEALTHY YOU	Healthy You
3. ROBINSONS SUPERMARKET FIT & FUN WELLNESS BUDDY RUN	Fit & Fun
4. NATURE`S PURE	Nature's Pure
5. BREEDER`S CHOICE DOG FOOD	Breeder's Choice Dog Food
6. ROBINSONS SUPERSAVERS	Robinsons SUPERSAVERS
7. ROBINSONS EASYMART	Robinsons Easymart
8. ROBINSONS SELECTIONS	ROBINSONS SELECTIONS
9. JAYNITH’S SUPERMART	JAYNITH'S SUPERMART

Department Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS DEPARTMENT STORE	Robinsons Department Store
2. EXECUTIVE BY ROBINSONS	EXECUTIVE
3. PLAYGROUND	PLAYGROUND PLAYGROUND
4. PORTSIDE	PORTSIDE
5. NITELITES	nitelites
6. BRIDGET`S CLOSET	bridget's closet
7. HOME ESSENTIALS	HOME ESSENTIALS
8. ESSENTIALS	Essentials

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

DIY Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS HANDYMAN	HANDYMAN
2. THUNDER	Thunder
3. HIGH GEAR	high gear
4. WISHY WASHY	Wishy Washy
5. BOW WOW	BOW WOW
6. SUPER CHOW	Super Chow
7. BATH BASICS	BathBasics
8. ROBINSONS BUILDERS	ROBINSONS BUILDERS
9. TRUE HOME	TRUE HOME
10. BIANCA	Bianca
11. BLANCO	BLANCO
12. BON GIORNO	BON GIORNO

Convenience Store Trademarks

Name of Trademark	Symbol of trademark
1. CHILLZ	CHILLZ
2. UNCLE JOHN’S FRIED CHICKEN	Uncle John's FRIED CHICKEN
3. MY SUNDAE	my SUNDAE
4. MY CHOICE	my choice
5. TOPPERS YUMMY RICE TOPPINGS ON THE GO	Toppers

6. KARIMAN	

Drug Store Trademarks

Name of Trademark	Symbol of trademark
1. SOUTH STAR DRUG	
2. SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY	
3. MANSON DRUG TUNAY AT MURA ANG GAMOT	

Specialty Store Trademarks

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

Others

Name of Trademark	Symbol of trademark
1. R	
2. R ROBINSONS RETAIL HOLDINGS, INC	
3. ROBINSONS REWARDS	
4. ROBINSONS SHOP CARD	

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

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

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

(xiii) **Research and Development**

None during the year

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

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

(xv) **Employees.** As of December 31, 2014, the Group had 8,568 employees. The following table sets out certain details of the Company's employees by business segment, as follows:

Supermarket …………………………	**2,535**
Department stores……………………	**802**
DIY stores…………………………….	**1,333**
Convenience stores…………………...	**350**
Drug stores……………………………	**2,342**
Specialty stores……………………….	**1,206**

The Company anticipates that it will have approximately 11,266 employees within the next 12 months for the planned store openings in 2015. The Company's management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

(xvi) Risks

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

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

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

4. The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines. Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration. The Company may face difficulty in hiring sufficient pharmacists to meet the demands of its drug store operations due to shortage of registered pharmacists in the Philippines thereby facing the risk of not being able to operate new drug store or be forced to close existing ones. Product liability claims in respect of defective goods sold in its stores and food safety and food-borne illness concerns could adversely affect its reputation and its financial prospects. Likewise, the sale of counterfeit products may affect its reputation and profitability. On the other hand, its senior citizen discounts for purchases of prescribed medicines and prime commodities may be subject to abuse or unchecked fraudulent practices by unqualified customers.

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

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

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

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

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

Region	Rental Scheme	Lease Rate	Term
Metro Manila	Fixed	P200 to P2,816 per sqm	1-15 years
	% to sales	2.0% to 7.2% of sales	1-10 years
	Fixed or % to sales, whichever is higher	P200 to P1,930 per sqm or 1.75% to 6% of sales	1-10 years
	Fixed plus % to sales	P100 to P3,020 per sqm plus 1.5% to 3% of sales	1-10 years
Luzon (outside Metro Manila)	Fixed	P93 to P2,536 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-15 years
	Fixed or % to sales, whichever is higher	P200 to P550 per sqm or 1.75% to 6% of sales	1-15 years
	Fixed plus % to Sales	P300 to P700 per sqm plus 2% to 6% of sales	1-5 years
Visayas	Fixed	P114 to P1,000 per sqm	1-20 years
	% to sales	2.74% to 7.2% of sales	1-5 years
	Fixed plus % to Sales	P300 to P897 per sqm plus 1.5% to 3% of sales	1-20 years
Mindanao	Fixed	P140 to P800 per sqm	1-15 years
	% to sales	2.74% to 7.2% of sales	1-3 years
	Fixed or % to sales, whichever is higher	P300 to P393 per sqm or 1% to 4% of sales	1-10 years
	Fixed plus % to sales	P500 to P900 per sqm plus 3% to 4% of sales	1-5 years

Supermarket. The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2014.

	No. of stores	Gross Selling Area in sqm
Metro Manila	36	104,116
Luzon	51	138,016
Visayas	14	38,022
Mindanao	10	32,328
Total	**111**	**312,483**

Department stores. The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2014.

	No. of stores	Gross Selling Area in sqm
Metro Manila	13	108,847
Luzon	18	101,148
Visayas	6	40,313
Mindanao	5	33,711
Total	**42**	**284,019**

DIY Stores. The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2014, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	50	45,080
Luzon	64	47,001
Visayas	34	41,240
Mindanao	13	9,455
Total	**161**	**142,776**

Convenience Stores. The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2014, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	281	28,560
Luzon	153	15,717
Visayas	16	1,182
Total	**450**	**45,459**

Drug Stores. The following table sets out the number of South Star Drug stores by region as December 31, 2014, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	68	5,579
Luzon	221	25,122
Visayas	23	1,333
Mindanao	8	248
Total	**320**	**32,282**

Specialty Stores. The following table sets out the number of stores of *Robinsons Appliances* stores, *Toys "R" Us* stores (including the *Toy "R" Us Toybox* sections located in RDS stores), *Daiso Japan* stores, international fashion specialty retail and beauty brand formats as of December 31, 2014, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
Metro Manila	130	42,984
Luzon	64	20,954
Visayas	28	9,562
Mindanao	21	6,516
Total	**243**	**80,016**

Item 3. Legal Proceedings. As of December 31, 2014, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

STOCK PRICES

2015

	High	Low
First Quarter	₱90.10	₱74.50

2014

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

2013

	High	Low
Fourth Quarter		
November	₱60.50	₱53.60
December	58.00	48.00

(B) Holders

The number of shareholders of record as of December 31, 2014 was 23. Common shares outstanding as of December 31, 2014 were 1,385,000,000.

List of Top 20 stockholders as of December 31, 2014

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	484,749,997	35.00%
2. PCD Nominee Corporation (Non-Filipino)	392,636,933	28.35%
3. Lance Y. Gokongwei	126,727,500	9.15%
4. Robina Y. Gokongwei-Pe	105,952,500	7.65%
5. PCD Nominee Corporation (Filipino)	92,107,662	6.65%
6. James L. Go	41,550,000	3.00%
7. Lisa Y. Gokongwei-Cheng	35,317,500	2.55%
7. Faith Y. Gokongwei-Lim	35,317,500	2.55%
7. Marcia Y. Gokongwei	35,317,500	2.55%
8. Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	2.55%
9. Pacifico B. Tacub	2,000	0.00%
10. John T. Lao	1,000	0.00%
10. Vicente Piccio Mercado	1,000	0.00%
11. Maria Lourdes Medroso Mercado	600	0.00%
12. Wilfred T. Co	500	0.00%
13. Felicitas F. Tacub	100	0.00%
13. Hector A. Sanvictores	100	0.00%
13. Julius Victor Emmanuel D. Sanvictores	100	0.00%
14. Owen Nathaniel S. Au ITF: Li Marcus Au	5	0.00%
15. John L. Gokongwei, Jr.	1	0.00%
15. Hope Y. Gokongwei-Tang	1	0.00%
15. Antonio L. Go	1	0.00%
15. Roberto R. Romulo	1	0.00%
Total outstanding	1,385,000,000	100.00%

(C) Dividends

On June 25, 2014, the Company’s Board of Directors (BOD) approved the declaration of cash dividend in the amount of ₱0.41 per share from the unrestricted retained earnings of the Company to all stockholders of record as of July 17, 2014 and payable on August 12, 2014.

(D) Restriction that Limits the Payment of Dividends on Common Shares

None

(E) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.

Please refer to Note 19 of the Notes to the Consolidated Financial Statements.

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

December 31, 2014 vs December 31, 2013

Consolidated Results of Operations
(Amounts in Million Pesos)

Robinsons Retail Holdings, Inc. recorded net income of ₱3,933 million for the twelve months ended December 31, 2014, an increase of 26.2% as compared to ₱3,117 million for the twelve months ended December 31, 2013. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱3,560 million for the twelve months ended December 31, 2014, an increase of 29.7% as compared to ₱2,745 for the twelve months ended December 31, 2013.

Consolidated revenues increased by 19.5% from ₱67,254 million for the twelve months ended December 31, 2013 to ₱80,400 million for the twelve months ended December 31, 2014. The robust revenue growth was largely due to increase in sales volume from the 263 new stores that were added this year, the full year sales contribution of the stores that opened in 2013 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,321 million to ₱1,433 million or an 8.5% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2014 amounted to ₱17,429 million, 21.8% higher than ₱14,312 million for the twelve months ended December 31, 2013. The increase was on the back of higher sales and vendor discounts.

Operating expenses grew by 24.3% from ₱11,569 million to ₱14,375 million for the twelve months ended December 31, 2014 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 10.4% from ₱4,063 million to ₱4,487 million for the twelve months ended December 31, 2014. As a percentage of sales, EBIT is at 5.6% this year as against 6.0% last year.

Other income and charges increased by 185.9% from ₱256 million to ₱732 million for the twelve months ended December 31, 2014 primarily due to the increase in interest income as a result of acquisition of AFS financial assets during the year which earned a total of ₱425 million interest income.

Earnings before interests, taxes, depreciation, amortization and other non-cash items (EBITDA) expanded by 13.9% from ₱5,063 million for the twelve months ended December 31, 2013 to ₱5,768 million for the twelve months ended December 31, 2014.

Segment Operations

(i) ***Supermarket.*** Robinsons Supermarket concluded 2014 with 111 stores generating net sales of ₱39,199 million, a 20.6% growth from ₱32,491 million last year. The growth can be attributed to the strong performance of the existing stores and the sales contribution from 20 stores added from December 2013 to December 2014 which includes Jaynith's Supermarkets, a three-store supermarket chain acquired in January 2014.

Cost of sales as of the twelve months ended December 31, 2014 reached ₱31,836 million, resulting to a gross margin of ₱7,362 million, 21.9% higher than last year's ₱6,039 million. The increase was on the back of higher sales and vendor discounts. As a percentage to sales, gross margin increased by 20 bps to 18.8% in 2014 against 18.6% in 2013.

Operating expenses, as a percentage of net sales, reached 13.9% and 13.6% in 2014 and 2013, respectively.

EBIT reached ₱2,129 million for the twelve months ended December 31, 2014, a 17.6% jump from ₱1,810 million in the same period last year. Accordingly, EBITDA expanded by 19.0% from ₱2,240 million to ₱2,664 this year.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) generated sales of ₱13,738 million for the twelve months ended December 31, 2014, a growth of 15.7% from ₱11,877 million for the same period last year. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new stores. There were four (4) new stores that were opened during the year.

RDS' cost of sales amounted to ₱10,132 million for the twelve months ended December 31, 2014, an increase of 15.7% from ₱8,760 million for the same period last year. This resulted to a gross margin of ₱3,607 million for the twelve months ended December 31, 2014 against ₱3,116 million for the same period last year. The increase in gross margin was due to an increase in sales with improved margins coming from additional supplier discounts.

As a result of the foregoing, RDS generated EBIT of ₱881 million for the twelve months ended December 31, 2014 representing 6.1% increase against ₱830 million in the same period last year. Consequently, RDS' EBITDA of ₱1,056 million for the twelve months ended December 31, 2014, also grew by 7.1% against ₱986 million in the same period last year.

(iii) ***Convenience Stores.*** Convenience stores segment registered a systemwide sales and merchandise sales of ₱6,711 million and ₱4,615 million, respectively for the twelve months ended December 31, 2014, a 6.7% and 9.8% growth from ₱6,292 million and ₱4,208 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 386 to this year's 450. Other income which mainly consists of Royalty Fee also posted an increase to ₱1,170 million this year from ₱1,094 million last year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by ₱340 million or 8.8%, to ₱4,182 million for the twelve months ended December 31, 2014 from ₱3,842 million in 2013 due to higher sales volume. Gross margin increased from 8.7% last year to 9.4% this year on increasing scale. Convenience stores recorded an EBIT of ₱85 million this year versus last year's ₱194 million.

EBITDA generated for the twelve months ended December 31, 2014 was ₱289 million, 17.7% lower than the ₱351 million recorded in the same period last year.

Ministop will continue with its store expansion particularly in the central business district areas. It will likewise continue to increase the offering of its ready-to-eat category, its main differentiator from its competitors, whose contribution to total sales increased from 25% in 2013 to 28% this year.

(iv) ***Drug Stores.*** South Star Drug, Inc. (SSD) acquired 100% ownership of GNC Pharma Corporation (GPC), which manages Chavez Pharmacy, a seven (7)-store retail chain based in Batangas, last June 2014. GPC was subsequently consolidated to form part of the Drugstore Segment together with SSD.

The segment registered net sales of ₱7,061 million as of December 31, 2014, representing a 12.3% growth from last year's ₱6,287 million. The growth was mainly attributed to the

81 stores that opened during the year, as well as the full year sales contribution of the 21 net stores that opened in 2013.

SSD's cost of sales as of December 31, 2014 reached ₱5,932 million, resulting to a gross margin of ₱1,129 million or 16.0% of sales against 16.1% of sales in 2013. The slight decline in margins was mainly due to the lesser rebates and quarter end deals being offered by suppliers in 2014.

SSD generated EBITDA of ₱321 million as of December 31, 2014, representing 4.5% of sales, compared to 5.1% last year.

(v) ***DIY Stores.*** DIY segment ended 2014 with increases in sales, gross margins and profitability. Net sales lifted by 20.1% from ₱7,095 million to ₱8,521 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the aggressive expansion of 35 new stores from 2013, which includes the 18 A.M. Builders' Depot stores acquired in July 2014.

DIY's cost of sales grew by 20.0% from ₱4,901 million in 2013 to ₱5,880 million in 2014. The increase was in line with the sales growth. As a result, gross profit expanded to ₱2,641 million from ₱2,194 million in the twelve months of 2013. As a percentage to sales, gross profit was at 31.0% this year against 30.9% last year. EBIT remains solid registering a 16.6% growth from ₱670 million in 2013 to ₱781 million in 2014.

EBITDA expanded by 18.2% to ₱911 million for the twelve months ended December 31, 2014 against ₱770 million for the same period in 2013. As a percentage to sales, EBITDA remains strong at 10.7% in 2014 against 10.9% in 2013.

(vi) ***Specialty Stores*****.** The net sales of the Specialty Stores segment increased by 35.7% from ₱5,813 million to ₱7,889 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively. The Segment added 65 more stores after December 31, 2013 bringing the store network to 243 by the end of December 2014.

The cost of merchandise sold of Specialty Stores segment increased by 33.4% from ₱4,230 million to ₱5,642 million for the twelve months ended December 31, 2013 to December 31, 2014, respectively, a slower rate of increase than net sales mainly due to the additional discounts and support from vendors. As a percentage to sales, gross margin rose to 28.5% this year versus 27.2% last year, resulting to a 41.9% jump in gross profit from ₱1,583 million to ₱2,247 million for the twelve months ended December 31, 2013 and December 31, 2014, respectively.

For the twelve months ended December 31, 2014, the Specialty Stores segment generated an EBITDA of ₱533 million, an increase of 34.5% compared to ₱397 million last year. As a percentage to sales, EBITDA was maintained at 6.8% for the twelve months ended December 31, 2013 and December 31, 2014.

Financial Position

As of December 31, 2014, the Company's balance sheet showed consolidated assets of ₱57,494 million, which is 9.9% higher than the total consolidated assets of ₱52,351 million as of December 31, 2013.

Cash and cash equivalents significantly decreased from ₱30,129 million as of December 31, 2013 to ₱9,970 million as of December 31, 2014. Net cash generated from operating activities totaled ₱2,848 million. Net cash used in investing activities amounted to ₱22,239 million, ₱3,713 million of which were used to acquire properties and equipment and ₱17,704 million were used to acquire available-for-sale investments. Net cash used in financing activities amounted to ₱332 million.

Trade and other receivables increased by 38.0% from ₱1,108 million to ₱1,529 as of December 31, 2014.

Goodwill increased from ₱1,114 million to ₱1,357 million due to the acquisition of JAS 8 Retailing Mngt. Corporation (JRMC), GNC Pharma Corporation (GPC) and RHI Builders and Contractors Depot Corp. (RHIB).

Other noncurrent assets also increased from ₱959 million to ₱1,216 million due to additional security deposit for new stores.

Trade and other payables increased from ₱12,075 million to ₱14,139 million as of December 31, 2014.

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

Stockholder's equity grew from ₱37,982 million as of December 31, 2013 to ₱41,236 million as of December 31, 2014 due to higher net income during the period.

December 31, 2013 vs December 31, 2012

Consolidated Operations

Robinsons Retail Holdings, Inc. recorded net income of ₱3,117 million for the twelve months ended December 31, 2013, an increase of 131.8% as compared to ₱1,345 million for the twelve months ended December 31, 2012. The increase was largely due to increased income from operations as a result of new store openings, as well as the consolidation of South Star Drug. Net income attributable to parent amounted to ₱2,745 million for the twelve months ended December 31, 2013, an increase of 128.8% as compared to ₱1,200 million for the twelve months ended December 31, 2012.

Consolidated revenues increased by 17.2% from ₱57,393 million for the twelve months ended December 31, 2012 to ₱67,254 million for the twelve months ended December 31, 2013. The robust growth was largely due to increase in sales volume as a result of the addition of 152 number of stores, as well as the acquisition of South Star Drug and Eurogrocer Corp. Royalty, rent and other income also increased from ₱1,079 million to ₱1,321 million or a 22.5% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2013 amounted to ₱14,312 million, 30.4% higher than ₱10,979 million for the twelve months ended December 31, 2012. The increase was on the back of increased margins of the supermarket segment, higher vendor volume incentives and discounts.

Operating expenses grew by 9.0% from ₱10,617 million to ₱11,569 million for the twelve months ended December 31, 2013 due to higher selling expenses and accelerated store network expansion which was partially offset by the decrease in operating expenses caused by the change in depreciation policy.

Other income and charges decreased by 22.4% from ₱330 million to ₱256 million for the twelve months ended December 31, 2013. Last year's other income includes gain on sale of shares in JG Summit amounting to ₱130 million. Interest expense also increased by 32.8% on higher loan balances from the acquisition of South Star Drug.

EBITDA expanded by 66.5% from ₱3,040 million for the twelve months ended December 31, 2012 to ₱5,063 million for the twelve months ended December 31, 2013. The increase was largely due to higher gross profit margins as compared to last year.

Segment Operations

(i) ***Supermarket.*** Robinsons Supermarket concluded 2013 with 91 stores generating net sales of ₱32,491 million, a 10.9% growth from ₱29,295 million last year. The increase in net sales was primarily due to the continued expansion activities after adding 17 stores in 2013, six of which are the supermarket chain in Northern Luzon that we acquired in September 2013.

Cost of sales grew by 8.2% from ₱24,439 million last year to ₱26,452 million this year. Cost of sales increased at a slower rate than net sales due to the additional discounts and supports collaborated with the suppliers in exchange for preferential product distribution, gondola placements and display. The offering of value-added services such as our distribution centers, vendor analytics among others likewise resulted to lower cost of sales. As a result, gross margin expanded by 24.4% from ₱4,856 million to ₱6,039 million this year. As a percentage to sales, gross margin jumped 200bps to18.6% this year against 16.6% last year.

Operating expenses, as a percentage of net sales, reached 13.6% and 15.2% in 2013 and 2012, respectively. In 2013, operating expenses as a percentage of net sales significantly decreased primarily due to change in depreciation policy. Taking out the effect of the change in depreciation policy, our operating expenses as a percentage of net sales still registered a decrease from 15.2% last year to 14.8% this year due to better cost control across all supermarket stores particularly on the implementation of energy conservation program and efficient control of store expenses.

As a result of the factors discussed above, EBIT more than tripled to reach ₱1,810 million this year against ₱564 million last year. Accordingly, EBITDA expanded by 75.9% in 2013 to ₱2,240 million, resulting also to an increase of EBITDA margin from 4.3% last year to 6.9% this year.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) registered net sales of ₱11,877 million for the twelve months ended December 31, 2013, a growth of 4.4% from ₱11,374 million for the same period last year. This increase in net sales was largely due to the increased volumes of products sold from new stores.

RDS' cost of sales amounted to ₱8,760 million for the twelve months ended December 31, 2013, an increase of 0.3% from ₱8,736 million in 2012. This resulted to a gross margin of ₱3,116 million for the twelve months ended December 31, 2013 against ₱2,639 million in 2012. The increase in gross margin was due to an increase in sales with improved margins coming from additional discounts on advertising support and value-added services.

RDS generated EBIT of ₱830 million for the twelve months ended December 31, 2013 against ₱380 million in the same period last year. RDS also generated EBITDA of ₱987 million for the twelve months ended December 31, 2013 against ₱685 million in the same period last year. The increase in EBIT against last year is mainly due to the decrease in depreciation expense as an effect of the change in depreciation period from 5 years to 10 years. Depreciation amounted to P157 million for the twelve months ended December 31, 2013 against P304 million in the same period last year.

(iii) ***Convenience Stores.*** Convenience stores segment registered a systemwide sales and merchandise sales of ₱6,292 million and ₱4,208 million, respectively for the twelve months ended December 31, 2013, a 6.9% and 10.0% growth from ₱5,885 million and ₱3,826 million in the same period last year. The key drivers for the increase were as follows: (1) increase in the number of operating stores from last year's 336 to this year's 386, and (2) improvement in the average daily sales per store by 1.2% from ₱49,561 last year to ₱50,178 this year. Royalty Fee also posted a marked increase from ₱948 million last year to ₱1,094 million this year. Royalty Fee is computed as a percentage of systemwide Gross Profit and is about 99% of the total Other Income. Main reason for the growth was the 0.3% addition in the system-wide Gross Margin from 29.4% in 2012 to 29.7% in 2013.

Cost of Sales grew by ₱357 million or 10.2%, to ₱3,842 million for the twelve months ended December 31, 2013 from ₱3,486 million in 2012 due to higher sales volume. Gross Margin slightly decreased from 8.9% last year to 8.7% this year. Convenience stores recorded an EBIT of ₱194 million this year versus last year's ₱69 million.

EBITDA generated for the twelve months ended December 31, 2013 was ₱351 million, 19.3% higher than the ₱294 million recorded in the same period last year.

Convenience stores will continue its expansion mostly in the central business district areas and will continue to increase the offering of its Ready-to-eat category from 25% to around 28%, the main differentiator with its competitor.

(iv) ***Drug Stores.*** South Star Drug, Inc. (SSD) registered net sales of ₱6,287 million for the twelve months ended December 31, 2013. Since SSD was acquired in July 2012, only the sales for August to December 2012, amounting to ₱2,443 million were included in the consolidated financials of the Company last year. Sales for the five months in August to December 2013 amounted to ₱2,748 million, representing a growth of 12.5% from the same period last year. The growth can be attributed to the 21 stores that opened from January to December 2013. SSD also experienced strong same store sales performance during the five months from August to December 2013, posting a growth of 7.5%, brought about by the several supplier-supported promotions on over-the-counter medicines and food supplements, which are offered exclusively at South Star Drug branches.

SSD's cost of sales for the twelve months ended December 31, 2013 reached ₱5,274 million, resulting to a gross profit of ₱1,013 million or 16.1% of sales as against only 14.7% of sales for the five months in August to December 2013. The higher margin was mainly due to the rebates given in the form of free goods or additional inventories with zero cost which are easily convertible to margins and sales.

SSD generated EBITDA of ₱320 million for the twelve months ended December 31, 2013, representing 5.1% of sales compared to only 4.1% of sales for the five months August to December 2012 period.

SSD will continue to focus on improving its customer service, product assortment and availability to increase its competitive advantages over other drug store chains.

(v) ***DIY Stores.*** DIY segment concluded 2013 with significant increases in sales, gross margins and profitability. Net sales lifted by 14.5% from ₱6,195 million to ₱7,095 million for the twelve months ended December 31, 2012 and December 31, 2013, respectively. The improvement was driven primarily by the aggressive store expansion this year with net addition of 15 new stores to 126 stores.

DIY's cost of sales grew at 6.0% from ₱4,624 million in 2012 to ₱4,901 million in 2013. The increase was considerably slower as compared to growth in sales primarily due to the additional discounts collaborated with the suppliers and consignors because of scale and the offering of value-added services such as advertising support, product distribution, preferential gondola placements and display and supplier portal analytics. In addition, product offering mix was optimized by stretching the mix of higher margin imported items. Gross profit, as a result, expanded to ₱2,194 million from ₱1,571 million in 2012. As a percentage to sales, gross profit was at 30.9% this year against 25.4% last year. EBIT this year reached a high of ₱670 million against ₱273 million last year.

DIY registered EBITDA of ₱770 million for the twelve months ended December 31, 2013 against ₱436 million for the same period in 2012. As a percentage to sales, EBITDA reached 10.9% this year, a 3.9 percentage points spread over the EBITDA margin of 7.0% last year.

(vi) ***Specialty Stores.*** The net sales of the Specialty Stores segment increased by 22.1% from ₱4,762 million to ₱5,813 million for the twelve months ended December 31, 2012 and December 31, 2013, respectively. The increase in net sales was primarily due to the 24.3% growth in the net sales of Robinsons Appliances, which contributed 49.4% to the total net sales of the Specialty Stores segment. Robinsons Appliances was able to increase its net sales through its strong same stores sales growth at 13.6% and by the higher sales volume of high-end products with higher selling prices. In addition, Robinsons Specialty Stores, Inc. acquired the store assets of Beauty Skinnovations Retail, Inc, which operates eight Shiseido stores and two Benefit stores. The whole Specialty Stores segment opened 47 more stores after December 31, 2012.

The cost of merchandise sold of Specialty Stores segment increased by 19.2% from ₱3,549 million for the twelve months ended December 31, 2012 to ₱4,230 million for the twelve months ended December 31, 2013, which was relative to the increase in the volume of sales. The cost of merchandise increased at a slower rate than net sales mainly due to the additional support from vendors for Robinsons Appliances such as marketing support, sell out rebate support and other forms of subsidies. This led to a 30.5% rise in the Specialty Stores segment gross profit from ₱1,213 million for the twelve months ended December 31, 2012 to ₱1,583 million for the twelve months ended December 31, 2013.

As a result of the foregoing, for the twelve months ended December 31, 2013, the Specialty Stores segment generated an EBITDA of ₱397 million, an increase of 57.9% compared to ₱251 million for the twelve months ended December 31, 2012. As a percentage to sales, EBITDA improved by 1.5 percentage points from 5.3% to 6.8% for the twelve months ended December 31, 2012 and December 31, 2013, respectively.

Financial Position

As of December 31, 2013, the Company's balance sheet showed consolidated assets of ₱52,301 million, which was 115.8% higher from the total consolidated assets of ₱24,232 million as of December 31, 2012.

Cash and cash equivalents significantly increased from ₱6,052 million as of December 31, 2012 to ₱30,136 million as of December 31, 2013. Net cash used in operating activities totaled ₱2,747 million. Net cash used in investing activities amounted to ₱3,322 million, ₱2,791 million of which were used to acquire properties and equipments. Net cash generated from financing activities amounted to ₱24,660 million. The company received ₱26,269 million as net proceeds from the issuance of capital stock through initial public offering and ₱1,280 million were used to pay outstanding loans.

Trade and other receivables increased by 50.4% from ₱737 million to ₱1,108 million as of end December 2013.

Goodwill increased from ₱831 million last year to ₱1,231 million due to the acquisition of Eurogrocer Corp. and BSRI.

Other noncurrent assets also increased from ₱743 million to ₱959 million due to additional construction bonds and security deposit of additional stores.

Trade and other payables decreased from ₱12,320 million to ₱12.075 million as of December 31, 2013.

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

Stockholder's equity grew from ₱8,057 million as of December 31, 2012 to ₱37,982 million as of December 31, 2013 due to higher net income and increase in the company's paid up capital brought about by the issuance of capital stock through initial public offering.

December 31, 2012 vs December 31, 2011

Consolidated Operations

Robinsons Retail Holdings, Inc. recorded net income of ₱1,345 million for the twelve months ended December 31, 2012, an increase of 182.5% as compared to ₱476 million for the twelve months ended December 31, 2011. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱1,200 million for the twelve months ended December 31, 2012, an increase of 148.3% as compared to ₱483 for the twelve months ended December 31, 2011.

Consolidated revenues increased by 18.8% from ₱48,303 million for the twelve months ended December 31, 2011 to ₱57,393 million for the twelve months ended December 31, 2012. The robust growth was largely due to increase in sales volume as a result of the addition of stores. Royalty, rent and other income also increased from ₱854 million to ₱1,079 million or a 26.3% growth due to higher royalty fee income of the convenience store segment. Gross profit for the twelve months ended December 31, 2012 amounted to ₱10,979 million, 26.1% higher than ₱8,707 million for the twelve months ended December 31, 2011. The increase was on the back of increased margins of the supermarket segment, higher vendor volume incentives and discounts.

Operating expenses grew by 16.3% from ₱9,126 million to ₱10,617 million for the twelve months ended December 31, 2012 due to higher selling expenses and accelerated store network expansion which was partially offset by the decrease in operating expenses caused by the change in depreciation policy.

Other income and charges increased by 45.2% from ₱227 million to ₱330 million for the twelve months ended December 31, 2012. Other income in 2012 includes gain on sale of shares in JG summit amounting to ₱130 million. Interest expense also increased by 64.5% on higher loan balances.

EBITDA expanded by 69.0% from ₱1,799 million for the twelve months ended December 31, 2011 to ₱3,040 million for the twelve months ended December 31, 2012. The increase was largely due to higher gross profit margins as compared to last year.

Segment Operations

(i) ***Supermarket.*** Robinsons Supermarket concluded 2012 with 74 stores generating net sales of ₱29,295 million, a 14.2% growth from ₱25,643 million in 2011. The increase in net sales was primarily due to the continued expansion activities after adding 12 stores in 2012.

Cost of sales grew by 12.0% from ₱21,816 million in 2011 to ₱24,439 million in 2012. Cost of sales increased at a slower rate than net sales due to the additional discounts and supports collaborated with the suppliers in exchange for preferential product distribution, gondola placements and display. As a result, gross margin expanded by 26.9% from ₱3,827 million to ₱4,856 million in 2012. As a percentage to sales, gross margin jumped 170bps to16.6% in 2012 against 14.9% in 2011.

Operating expenses, as a percentage of net sales, reached 15.2% and 14.6% in 2012 and 2011, respectively.

As a result of the factors discussed above, EBIT this year increased by 161.1% or ₱564 million against ₱216 million in 2011. Accordingly, EBITDA expanded by 62.5% in 2012 to ₱1,273 million, resulting also to an increase of EBITDA margin from 3.1% last year to 4.3% this year.

(ii) ***Department Stores.*** Robinsons Department Store (RDS) registered net sales of ₱11,374 million for the twelve months ended December 31, 2012, a growth of 10.3% from ₱10,315 million for the same period in 2011. This increase in net sales was largely due to the increased volumes of products sold from new stores.

RDS' cost of sales amounted to ₱8,736 million for the twelve months ended December 31, 2012, an increase of 8.9% from ₱8,019 million in 2011. This resulted to a gross margin of ₱2,639 million for the twelve months ended December 31, 2012 against ₱2,296 million in 2011. The increase in gross margin was due to an increase in sales with improved margins coming from additional discounts on advertising support and value-added services.

RDS generated EBIT of ₱380 million for the twelve months ended December 31, 2012 against ₱213 million in 2011. RDS also generated EBITDA of ₱685 million for the twelve months ended December 31, 2012 against ₱455 million in the same period in 2011.

(iii) ***Convenience Stores.*** Convenience stores segment registered a systemwide sales and merchandise sales of ₱5,885 million and ₱3,826 million, respectively for the twelve months ended December 31, 2012, a 11.8% and 9.9% growth from ₱5,263 million and ₱3,481 million in the same period in 2011. The key drivers for the increase were as follows: (1) increase in the number of operating stores and (2) improvement in the average daily sales per store. Other income which mainly consists of Royalty fee also posted a marked increase from ₱772 million in 2011 to ₱948 million in 2012. Royalty fee is computed as a percentage of system-wide Gross profit and is about 99% of the total Other income.

Cost of Sales grew by ₱288 million or 9.0%, to ₱3,486 million for the twelve months ended December 31, 2012 from ₱3,198 million in 2011 due to higher sales volume. Gross Margin increased from 8.1% in 2011 to 8.9% in 2012. Convenience stores recorded an EBIT of ₱69 million in 2012 versus a loss of ₱114 million in 2011.

EBITDA generated for the twelve months ended December 31, 2012 was ₱294 million, 76.6% higher than the ₱167 million recorded in the same period in 2011.

Convenience stores will continue its expansion mostly in the central business district areas and will continue to increase the offering of its Ready-to-eat category.

(iv) ***DIY Stores.*** DIY segment concluded 2012 with significant increases in sales, gross margins and profitability. Net sales lifted by 15.1% from ₱5,382 million to ₱6,195 million for the twelve months ended December 31, 2011 and December 31, 2012, respectively. The improvement was driven primarily by the aggressive store expansion this year with net addition of 19 new stores to 111 stores.

DIY's cost of sales grew at 15.2% from ₱4,012 million in 2011 to ₱4,624 million in 2012. Gross profit, as a result, expanded to ₱1,571 million from ₱1,370 million in 2011. As a percentage to sales, gross profit was at 25.4% for both 2012 and 2011. Accordingly, EBIT in 2012 reached ₱273 million against ₱166 million in 2011.

DIY registered EBITDA of ₱436 million for the twelve months ended December 31, 2013 against ₱298 million for the same period in 2012. As a percentage to sales, EBITDA reached 7.0% in 2012, a 1.5 percentage points spread over the EBITDA margin of 5.5% in 2011.

(v) ***Specialty Stores.*** The net sales of the Specialty Stores segment increased by 20.2% from ₱3,962 million to ₱4,762 million for the twelve months ended December 31, 2011 and December 31, 2012, respectively. The increase in net sales was primarily due to the 24.5% growth in the net sales of Robinsons Appliances, which contributed 48.6% to the total net sales of the Specialty Stores segment.

The cost of merchandise sold of Specialty Stores segment increased by 17.1% from ₱3,030 million for the twelve months ended December 31, 2011 to ₱3,549 million for the twelve months ended December 31, 2012, which was relative to the increase in the volume of sales. The cost of merchandise increased at a slower rate than net sales mainly due to the additional support from vendors for Robinsons Appliances such as marketing support, sell out rebate support and other forms of subsidies. This led to a 30.3% rise in the Specialty Stores segment gross profit from ₱931 million for the twelve months ended December 31, 2011 to ₱1,213 million for the twelve months ended December 31, 2012.

As a result of the foregoing, for the twelve months ended December 31, 2012, the Specialty Stores segment generated an EBITDA of ₱251 million, an increase of 128.1% compared to ₱110 million for the twelve months ended December 31, 2011. As a percentage to sales, EBITDA improved by 2.5 percentage points from 2.8% to 5.3% for the twelve months ended December 31, 2011 and December 31, 2012, respectively.

Financial Position

As of December 31, 2012, the Company's balance sheet showed consolidated assets of ₱24,232 million, which was 42.7% higher from the total consolidated assets of ₱16,977 million as of December 31, 2011.

Cash and cash equivalents increased from ₱5,242 million as of December 31, 2011 to ₱6,052 million as of December 31, 2012. In 2012, net cash provided by operating activities totaled ₱3,238 million. Net cash used in investing activities amounted to ₱4,158 million, ₱1,912 million of which were used to acquire properties and equipments. Net cash generated from financing activities amounted to P1,730 million.

Trade and other receivables increased by 27.3% from ₱579 million to ₱737 million.

Goodwill increased from ₱85 million to ₱831 million due to the acquisition of SSD.

Other noncurrent assets also increased from ₱578 million to ₱743 million due to additional construction bonds and security deposit of additional stores.

Trade and other payables increased from ₱9,395 million to ₱12,320 million.

Current and noncurrent loans payable increased due to acquisition of SSD.

Stockholder's equity grew from ₱6,489 million as of December 31, 2011 to ₱8,057 million as of December 31, 2012 due to higher net income.

Key Performance Indicators

A summary of RRHI's key performance indicators follows:

Key Performance Indicators	**2014**	**2013**	**2012**
		(in millions)	
Net sales	₱80,400	₱67,254	₱57,393
EBIT	4,490	4,063	1,441
EBITDA	5,770	5,063	3,041
Core Net Earnings	3,422	2,901	1,315
Liquidity ratio:			
Current ratio	1.58	2.96	1.06
Profitability ratio:			
Operating margin	0.06	0.06	0.03
Debt to equity ratio	0.39	0.38	2.01
Asset to equity ratio	1.39	1.38	3.01
Interest rate coverage ratio	372.39	52.55	24.75

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

Key Performance Indicators

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

The Company pursued its efforts in converting the proceeds from its IPO into acquisition of investments and network expansion, thus lowering its current ratio from 2.96 to 1.58 times in 2013 and 2014, respectively. The Company does not expect any liquidity problems that may arise in the near future.

Currently maturing loans amounting to ₱396 million was paid during the year which resulted to lower interest expense and driven interest coverage ratio from 52.55 to 372.39 times in 2013 and 2014, respectively.

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

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

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

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

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

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

Not Applicable

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

Not Applicable

Item 7. Financial Statements

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

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

(A) External Audit Fees and Services

Audit and Audit - Related Fees

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

	2014	**2013**	**2012**
Audit and Audit-Related Fees			
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	**₱5,092,691**	₱4,506,992	₱3,828,672
Professional Fees related to the Initial Public Offering	None	15,000,000	None
Tax Fees	None	None	None
All Other Fees	None	None	None
Total	**₱5,092,691**	₱19,506,992	₱3,828,672

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

No other service was provided by external auditors to the Company for the calendar years 2014, 2013 and 2012.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

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

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

Name	**Age**	**Position**	**Citizenship**
John L. Gokongwei, Jr.	88	Chairman and Chief Executive Officer	Filipino
James L. Go	75	Vice Chairman and Deputy Chief Executive Officer	Filipino
Lance Y. Gokongwei	48	Vice Chairman	Filipino
Robina Y. Gokongwei-Pe	53	President and Chief Operating Officer	Filipino
Lisa Y. Gokongwei-Cheng	46	Director	Filipino
Faith Y. Gokongwei-Lim	44	Director	Filipino
Hope Y. Gokongwei-Tang	44	Director	Filipino
Antonio L. Go*	74	Independent Director	Filipino
Roberto R. Romulo	76	Independent Director	Filipino

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

All of the above directors have served their respective offices since June 25, 2014. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

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

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

Name	Age	Position	Citizenship
Bach Johann M. Sebastian	53	Senior Vice President and Chief Strategy Officer	Filipino
Diosdado Felix A. Zapata III	52	Chief Financial Officer	Filipino
Katheryn T. Lim	40	Treasurer	Chinese
Rosalinda F. Rivera	44	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	41	Assistant Corporate Secretary	Filipino

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

John L. Gokongwei, Jr., 88, is the Chairman and Chief Executive Officer of the Company. He is also the Chairman Emeritus and a director of Robinson's Incorporated, Robinsons Convenience Stores, Inc., Robinsons Supermarket Corporation, Robinsons Specialty Stores, Inc., and Robinsons Toys, Inc. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited, and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

James L. Go, 75, is the Vice Chairman and Deputy Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc. He is a director of Handyman Express Mart, Inc., RHD Daiso-Saizen, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Eurogrocer Corp. and JAS 8 Retailing Mngt. Corporation. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

Lance Y. Gokongwei, 48, is the Vice Chairman of the Company. He is the Chairman and Chief Executive Officer of Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures

Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., Robinsons True Serve Hardware Philippines, Inc., Robinsons Handyman, Inc., Eurogrocer Corp., JAS 8 Retailing Mngt. Corporation and RHI Builders and Contractors Depot Corp. He is the Vice Chairman of Robinsons Convenience Stores, Inc. and Vice Chairman and Deputy Chief Executive Officer of Robinsons Handyman, Inc., Robinson's Incorporated and Robinsons Supermarket Corporation. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the President and Chief Executive Officer of Universal Robina Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is also the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

Robina Y. Gokongwei-Pe, 53, is the President and Chief Operating Officer of the Company. She is a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a Trustee of the Gokongwei Brothers Foundation Inc., Immaculate Conception Academy Scholarship Fund and the Ramon Magsaysay Awards Foundation. She was also a member of the University of the Philippines Centennial Commission. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. Ms. Pe joined the group in 1984 as a management trainee. She is a daughter of Mr. John L. Gokongwei, Jr.

Lisa Y. Gokongwei-Cheng, 46, is a Director of the Company. She is also the President of Summit Media,Group General Manager of Jobstreet Philippines, Director and President of Summit Media Informatix Holdings, Inc. and General Manager of GBFI. She graduated from Ateneo de Manila University with a Bachelor of Arts degree (Communications) in 1990 and obtained a Master of Science degree (Journalism) from Columbia University in 1993. She is the daughter of Mr. John L. Gokongwei, Jr.

Faith Y. Gokongwei-Lim, 44, is a Director of the Company. She is also the Vice President-Merchandising for Ministop since 2006. She has assumed various key roles in other Robinsons business units as follows: Department Head of Robinsons Department Store and Merchandising Head of Robinsons Supermarket from 1997 to 2006. She is also currently the General Manager of Chic Centre Corporation, a cosmetics business. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She has over 22 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

Hope Y. Gokongwei-Tang, 44, is a Director of the Company. She is also the General Manager of Robinsons Appliances, effective as of April 1, 2012. She had been with the Robinsons Department Store for 21 years and was promoted from the Department Head to Vice President of the merchandising department of the Department Store. Ms. Hope graduated from De La Salle University with a Bachelor of Arts degree (English Literature). She has over 22 years of retail experience obtained from our Company. She is a daughter of Mr. John L. Gokongwei, Jr.

Antonio L. Go, 74, was elected as an independent director of the Company on July 4, 2013. He also currently serves as director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology and Cebu Air, Inc. He is also a trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science degree in Business Administration. He attended the International Advanced Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

Roberto R. Romulo, 76, was elected as an Independent Director of the Company on July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc. (formerly Chartis Philippines Insurance Inc.), PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

(i) Officers

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

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

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

Bach Johann M. Sebastian, 53, is Senior Vice President and Chief Strategy Officer of the Company. In addition, he is also Senior Vice President and Chief Strategy Officer of JG Summit Holdings Inc., Universal Robina Corporation, Robinsons Land Corporation and Cebu Air, Inc. Prior to joining JG Summit in 2002, he was Senior Vice President and Chief Corporate Strategist of RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received a Bachelor of Arts in Economics from the University of the Philippines in 1981, and a Master in Business Administration degree from the Asian Institute of Management in 1986.

Diosdado Felix A. Zapata III, 52, is the Vice President and Chief Financial Officer for the Company and all of its subsidiaries. He joined the group in 1991. He started his career as a junior auditor of SGV in 1983. He graduated Cum Laude with a Bachelor of Accountancy degree from Polytechnic University of the Philippines. He became a Certified Public Accountant in 1983. He has more than 22 years of experience in the retail industry, all of which were obtained from the Company.

Katheryn T. Lim, 40, is the Assistant Vice President - Treasurer of the Company. Prior to her appointment in Robinsons, she worked with URC China Food Group as Corporate Treasury Manager, Chengdu Ding Feng Real Estate Co., Ltd (a company of JG Summit) as Finance and Administrative Manager. Her previous work experience includes: JG Summit Petrochemical Credit Manager - Treasury Industrial Group from 2003- to 2008 and Head of Treasury Department for SM Prime Holdings, Inc. from 2000- to 2003. She graduated from the University of Santo Tomas with a Bachelor of Commerce degree (Business Administration and Management).

Rosalinda F. Rivera,44, is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. Prior to joining the JG Summit Holdings, Inc., she was a Senior Associate at Puno and Puno Law Offices. She received a Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law. She was admitted to the Philippine Bar in 1995.

Atty. Gilbert S. Millado Jr., 41, is the Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

(B) Significant Employees

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

(C) Family Relationships

Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.
Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Hope Y. Gokongwei-Tang is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.
Ms. Lisa Y. Gokongwei-Cheng is the daughter of Mr. John Gokongwei, Jr.
Ms. Celina N. Chua is the niece of Mr. John L. Gokongwei, Jr.
Mr. Bach Johann M. Sebastian is a brother of Mr. Cecil Bien M. Sebastian.

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

As of December 31, 2014, and to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers, in the past five years up to the date of this report: (i) have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Key management personnel of the Group include the Chairman of the BOD, President and Treasurer.

(A) Summary Compensation Table

The following table sets out the Company's chief operating officer and four most highly compensated senior officers for the last three years and projected for the ensuing year (2014).

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

The aggregate compensation of executive officers and directors of the Company for last year and projected for the year 2015 are as follows:

ACTUAL

	Year	**Salaries**	**Bonuses**	**Total**
			(in ₱ million)	
President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above............................	2012	28.90	2.45	31.36
	2013	34.45	2.37	36.82
	2014	36.61	2.52	39.13
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed………..	2012	37.65	3.24	40.89
	2013	45.06	3.29	48.35
	2014	48.30	3.57	51.86

(B)

PROJECTED 2015 (in ₱ million)			
	Salaries	Bonuses	Total
President, managing director of SSDI, and general managers of Robinsons Supermarket, Robinsons Department Store and Ministop named above	38.48	2.65	41.13
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	51.28	3.74	55.02

(C) Standard Arrangements

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

(D) Other Arrangements

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

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

Not applicable.

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

Not applicable.

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

(A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of December 31, 2014

As of December 31, 2014, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	484,749,997	35.00%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	392,636,933 (See note 3)	28.35%
Common	Lance Y. Gokongwei 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	126,727,500	9.15%
Common	Robina Y. Gokongwei-Pe 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	105,952,500	7.65%
Common	PCD Nominee Corporation(Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	92,107,662 (See note 4)	6.65%

Notes:
1. JE Holdings, Inc. is a company owned by members of the Gokongwei family.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current PDTC system, only participants (brokers and custodians) will be recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares though his participant will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. Out of the PCD Nominee Corporation (Non-Filipino) account,"The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct." and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of December 31, 2014:

	No. of shares	%to Outstanding
The Hongkong and Shanghai Banking Corp. Ltd. –Clients' Acct.	245,902,775	17.75%
Deutsche Bank Manila-Clients A/C	98,320,901	7.10%

The securities are voted by the trustee's designated officers who are not known to the Corporation.

4. Out of the PCD Nominee Corporation (Filipino) account, "Maybank ATR Kim Eng Securities, Inc." holds for various trust accounts the following shares of the Corporation as of December 31, 2014:

	No. of shares	% to Outstanding
Maybank ATR Kim Eng Securities, Inc.	78,285,262	5.65%

The securities are voted by the trustee's designated officers who are not known to the Corporation.

(B) Security Ownership of Management as of December 31, 2014

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership Direct	Indirect	Citizenship	% to Total Outstanding
Named Executive Officers(Note 1)						
Common	1. John L. Gokongwei, Jr.	Director, Chairman and Chief Executive Officer	1	-	Filipino	*
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Operating Officer	105,952,500	-	Filipino	7.65%
	Sub-Total		105,952,501	-		7.65%
Other Directors and Executive Officers						
Common	3. James L. Go	Director, Vice Chairman and Deputy Chief Executive Officer	41,550,000	-	Filipino	3.00%
Common	4. Lance Y. Gokongwei	Director and Vice Chairman	162,044,999 (Note 2)	-	Filipino	11.70%
Common	5. Lisa Y. Gokongwei-Cheng	Director	35,317,500	-	Filipino	2.55%
Common	6. Faith Y. Gokongwei-Lim	Director	35,317,500	-	Filipino	2.55%
Common	7. Hope Y. Gokongwei-Tang	Director	1	-	Filipino	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President and Chief Strategy Officer	-	-	Filipino	-
-	11. Diosdado Felix A. Zapata III	Chief Financial Officer	-	-	Filipino	-
Common	12. Katheryn T. Lim	Treasurer	9,500	-	Chinese	*
-	13. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	14. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		274,240,002	-		19.80%
All directors and executive officers as a group unnamed			380,192,503	-		27.45%

Notes:
1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2014.
2. Sum of the shares in the name of "Lance Y. Gokongwei" for 126,727,500 shares and "Lance Y. Gokongwei &/or Elizabeth Gokongwei" for 35,317,499 shares.

* less than 0.01%

(C) Voting Trust Holders of 5% or more - as of December 31, 2014

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

(D) Changes in Control

As of December 31, 2014, there has been no change in the control of the Corporation since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the attached ACGR.

Corporate Objectives

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

Dividend Policy

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

In 2014, Robinsons Retail Holdings, Inc. (RRHI) confirmed its compliance with its Corporate Governance Manual which contains relevant provisions of the Code of Corporate Governance. RRHI submitted the following documents in compliance with Securities and Exchange Commission and the Philippine Stock Exchange mandate:

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

PART V – EXHIBITS AND SCHEDULES

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

List of Corporate Disclosures / Replies to SEC letters
Under SEC Form 17-C
July 1, 2014 to December 31, 2014

Date of Disclosure	Description
September 16, 2014	**Press Release "Robinsons Retail Partners with Costa Coffee"**
November 14, 2014	**Press Release "Robinsons Retail's 9M 2014 Net Income Up 33.3%"**
December 10, 2014	**Sale of treasury shares**
December 16, 2014	**Change in outstanding shares**

Item 15. Use of Proceeds from Initial Public Offering

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

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

For the year ended December 31,2014, the application of the net proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱2,524,383,329
Renovation of existing stores	769,685,843
Repayment of bank loans	384,396,211
Other corporate purposes	136,880,038
Total	₱3,815,345,421

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon on March 26, 2015.

By:

JOHN L. GOKONGWEI, JR.
Chairman of the Board and Chief Executive Officer

ROBINA Y. GOKONGWEI-PE
President and Chief Operating Officer

DIOSDADO FELIX A. ZAPATA III
Chief Financial Officer

ROSALINDA F. RIVERA
Corporate Secretary

KATHERYN T. LIM
Treasurer

SUBSCRIBED AND SWORN to before me this _____ day of APR 15 2015 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
John L. Gokongwei	TIN 124-294-226		
Robina Y. Gokongwei-Pe	TIN 139-634-860		
Diosdado Zapata III	TIN 142-200-457		
Katheryn Lim	195-218-279		

Notary Public

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

Doc No. 83;
Page No. 17;
Book No. I;
Series of 2015.

ROBINSONS RETAIL HOLDINGS, INC.

ANNUAL CORPORATE GOVERNANCE REPORT
As of April 15, 2015

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9
Actual number of Directors for the year	9

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
John L. Gokongwei, Jr.	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
James L. Go	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Lance Y. Gokongwei	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Robina Y. Gokongwei-Pe	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Lisa Y. Gokongwei-Cheng	NED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Faith Y. Gokongwei-Lim	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Hope Y. Gokongwei-Tang	ED	N/A	Ma. Luisa B. Aquino	February 4, 2002	June 25, 2014	Annual Meeting	12
Antonio L. Go	ID	N/A	Ma. Luisa B. Aquino (no relationship with nominator)	July 4, 2013	June 25, 2014	Annual Meeting	1
Roberto R. Romulo	ID	N/A	Ma. Luisa B. Aquino (no relationship with nominator)	July 4, 2013	June 25, 2014	Annual Meeting	1

[1] Reckoned from the election immediately following January 2, 2012.

Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board has adopted the Revised Corporate Governance Manual in July 2014 for the Company in accordance with SEC Memorandum Circular No. 9 Series of 2014. The Manual elaborates on the governance roles and responsibilities of the Board and its Directors. The Board ensures that all material information about the Company is disclosed to the public on a timely manner. The Board likewise is strongly committed to respect and promote the rights of stockholders in accordance with the Revised Corporate Governance Manual, the Company's Articles of Incorporation, and By-Laws.

How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission of the Company when the need arises.

(b) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
John L. Gokongwei, Jr.	Robinson's Incorporated	Executive, Chairman Emeritus
	Robinsons Supermarket Corporation	Non-Executive
	Robinsons Convenience Stores, Inc.	Executive, Chairman Emeritus
	Consolidated Global Imports, Inc.	Non-Executive
	Robinsons Specialty Stores, Inc.	Non-Executive
	Robinsons Toys, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RHMI Management and Consulting, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
James L. Go	Robinson's Incorporated	Executive, Chairman
	Robinsons Venture Corp.	Non-Executive
	Angeles Supercenter, Inc.	Non-Executive
	Eurogrocer Corp.	Executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Robinsons Supermarket Corporation	Executive, Chairman
	Southstar Drug, Inc.	Non-Executive
	Robinsons Convenience Stores, Inc.	Executive , Chairman
	Consolidated Global Imports, Inc.	Executive
	Robinsons Handyman, Inc.	Executive, Chairman
	Handyman Express Mart, Inc.	Non-Executive
	Waltermart Handyman Inc.	Executive
	RHD Daiso-Saizen, Inc.	Non-Executive
	Robinsons Toys, Inc.	Non-Executive
	Robinsons Daiso Diversified Corp.	Non-Executive
	Robinsons Appliances Corp.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Executive
	Robinsons Specialty Stores, Inc.	Non-Executive
	Robinsons Toys, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RHMI Management and Consulting, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Lance Y. Gokongwei	Robinson's Incorporated	Executive
	Robinsons Venture Corp.	Executive, Chairman
	Angeles Supercenter, Inc.	Executive, Chairman
	Eurogrocer Corp.	Executive, Chairman
	Robinsons Supermarket Corporation	Executive
	Southstar Drug, Inc.	Executive, Chairman
	Robinsons Convenience Stores, Inc.	Executive
	Consolidated Global Imports, Inc.	Executive, Chairman
	Everyday Convenience Stores, Inc.	Executive, Chairman
	Robinsons True Serve Hardware Philippines, Inc.	Executive, Chairman
	Robinsons Handyman, Inc.	Executive
	Handyman Express Mart, Inc.	Executive, Chairman
	Waltermart Handyman Inc.	Executive, Chairman
	RHD Daiso-Saizen, Inc.	Executive, Chairman
	Robinsons Toys, Inc.	Executive, Chairman
	Robinsons Daiso Diversified Corp.	Executive, Chairman
	Robinsons Appliances Corp.	Executive, Chairman

	Robinsons Gourmet Food and Beverage, Inc.	Executive, Chairman
	Robinsons Specialty Stores, Inc.	Executive, Chairman
	Robinsons Toys, Inc.	Executive, Chairman
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RHMI Management and Consulting, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Robina Y. Gokongwei-Pe	Robinson's Incorporated	Executive
	Robinsons Venture Corp.	Executive
	Angeles Supercenter, Inc.	Executive
	Eurogrocer Corp.	Executive
	Robinsons Supermarket Corporation	Executive
	Southstar Drug, Inc.	Executive
	Robinsons Convenience Stores, Inc.	Executive
	Consolidated Global Imports, Inc.	Executive
	Everyday Convenience Stores, Inc.	Executive
	Robinsons True Serve Hardware Philippines, Inc.	Executive
	Robinsons Handyman, Inc.	Executive
	Handyman Express Mart, Inc.	Executive
	Waltermart Handyman Inc.	Executive
	RHD Daiso-Saizen, Inc.	Executive
	Robinsons Toys, Inc.	Executive
	Robinsons Daiso Diversified Corp.	Executive
	Robinsons Appliances Corp.	Executive
	Robinsons Gourmet Food and Beverage, Inc.	Executive
	Robinsons Specialty Stores, Inc.	Executive
	Robinsons Toys, Inc.	Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive

	RHMI Management and Consulting, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Lisa Y. Gokongwei-Cheng	N/A	N/A
Faith Y. Gokongwei-Lim	Eurogrocer Corp.	Non-Executive
	Southstar Drug, Inc.	Non-Executive
	Everyday Convenience Stores, Inc.	Non-Executive
	Robinsons True Serve Hardware Philippines, Inc.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Non-Executive
Hope Y. Gokongwei-Tang	Eurogrocer Corp.	Non-Executive
	Southstar Drug, Inc.	Non-Executive
	Robinsons True Serve Hardware Philippines, Inc.	Non-Executive
	Robinsons Gourmet Food and Beverage, Inc.	Non-Executive
	RRG Trademarks and Private Labels, Inc.	Non-Executive
	RRHI Trademarks Management, Inc.	Non-Executive
	RHMI Management and Consulting, Inc.	Non-Executive
	RRHI Management and Consulting, Inc.	Non-Executive
Antonio L. Go	N/A	N/A
Roberto R. Romulo	N/A	N/A

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
John L. Gokongwei, Jr.	JG Summit Holdings, Inc.	Executive
	Universal Robina Corporation	Executive
	Robinsons Land Corporation	Executive
	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Mineral Corporation	Non-Executive
	A. Soriano Corporation	Non-Executive
	Manila Electric Company	Non-Executive

James L. Go	JG Summit Holdings, Inc.	Executive, Chairman
	Universal Robina Corporation	Executive, Chairman
	Robinsons Land Corporation	Executive, Chairman
	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Minerals Corporation	Executive, Chairman
	Philippine Long Distance and Telephone Company	Non-Executive
	Manila Electric Company	Non-Executive
Lance Y. Gokongwei	JG Summit Holdings, Inc.	Executive
	Universal Robina Corporation	Executive
	Robinsons Land Corporation	Executive
	Cebu Air, Inc.	Executive
	Oriental Petroleum and Minerals Corporation	Non-Executive
	Manila Electric Company	Non-Executive
Robina Gokongwei-Pe	JG Summit Holdings, Inc.	Non-Executive
	Robinsons Land Corporation	Non-Executive
	Cebu Air, Inc.	Non-Executive
Antonio L. Go	Cebu Air, Inc.	Non-Executive
	Oriental Petroleum and Minerals Corporation	Non-Executive
Roberto R. Romulo	A. Soriano Corporation	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the Relationship
John L. Gokongwei, Jr.	JE Holdings, Inc.	Chairman
James L. Go	JE Holdings, Inc.	N/A
Lance Y. Gokongwei	JE Holdings, Inc.	Lance Y. Gokongwei is the Treasurer of JE Holdings, Inc.
Robina Gokongwei-Pe	JE Holdings, Inc.	Robina Gokongwei-Pe is a Director of JE Holdings, Inc.
Lisa Y. Gokongwei-Cheng	JE Holdings, Inc.	Lisa Y. Gokongwei-Cheng is the Director of JE Holdings, Inc.
Faith Y. Gokongwei-Lim	JE Holdings, Inc.	Faith Y. Gokongwei-Lim is the Director of JE Holdings, Inc.
Hope Y. Gokongwei-Tang	JE Holdings, Inc.	Hope Y. Gokongwei-Tang is the Director of JE Holdings, Inc.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

The Company has not set a limit on the number of board seats an individual director or CEO may hold simultaneously. Guidelines observed are stated in Article II Section 13 of the Revised Corporate Governance Manual.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director **Non-Executive Director** **CEO**	A Director shall exercise due discretion in accepting and holding directorships and officerships in other corporations. A Director may hold any number of directorships or officerships outside the Company provided that, in the Director's opinion, these other positions do not detract or compromise the Director's capacity to diligently perform his duties as a Director of the Company.	The Company has not set a limit on the number of board seats that an individual director or CEO may hold simultaneously in other companies.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: (as of December 31, 2014)

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Lance Y. Gokongwei	126,727,500	0	9.15%
Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	0	2.55%
Robina Y. Gokongwei-Pe	105,952,500	0	7.65%
James L. Go	41,550,000	0	3.00%
Lisa Y. Gokongwei-Cheng	35,317,500	0	2.55%
Faith Y. Gokongwei-Lim	35,317,500	0	2.55%
John L. Gokongwei, Jr.	1	0	0.00%
Hope Y. Gokongwei-Tang	1	0	0.00%
Antonio L. Go	1	0	0.00%
Roberto R. Romulo	1	0	0.00%
TOTAL	**380,182,503**	**0**	**27.45%**

2) **Chairman and CEO**

(a) **Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

Yes [ ] **No** [✓]

The roles and responsibilities of the Chairman of the Board of Directors and CEO are defined in the By-Laws and Revised Corporate Governance Manual to ensure that the Board gets independent views and perspectives.

Identify the Chairman and CEO:

Chairman of the Board	John L. Gokongwei, Jr.
CEO	John L. Gokongwei, Jr.

(b) **Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	**Chief Executive Officer**
Role	The Chairman of the Board shall be the Chief Executive Officer of the Company and shall exercise the following functions: a. To preside at all meetings of the Board of Directors and the stockholders; b. To sign certificates of stock along with the Secretary, and make reports to the stockholders together with the President; c. To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation; d. To represent the Company at all functions and proceedings with full powers to vote any and all shares owned by the Company and to appoint and/or sign proxies in behalf of the Company for the annual, general or any special stockholders' meeting or meetings and adjournments thereof of any Company in which the Company owns stocks, except as otherwise	The same Role as a Chairman with additional Role: a. To propose and formulate policies and guidelines to be adopted by the Board and perform such other duties as may be assigned to him. b. To have general supervision and direction over all of the other officers of the Corporation and to ascertain that their respective duties are properly performed. c. To ensure that all orders and resolutions of the Board are carried into effect.

	directed by the Board of Directors; e. To execute, in behalf of the Company, all contracts, agreements and other instruments affecting the interests of the Company which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors; f. To prescribe additional functions or duties to any of the officers of the Company; g. To exercise such powers as may be incidental to his office and perform such duties as the Board of Directors may assign to him. The Chairman of the Board may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) of the Company, subject always to his supervision and control.	
	In addition, the Chairman's duties and responsibilities may include the following: 1. Ensure that the meetings of the Board are held in accordance with the By-Laws or as the Chairman may deem necessary. 2. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Directors and Management. 3. Maintain qualitative and timely lines of communication and information between the Board and Management.	same
Accountabilities	See above	
Deliverables	1. Agenda for the meetings 2. Statement of Management's Responsibility for audited financial statements 3. SEC Form 17-A and 17-Q 4. Other reports required by law	1. Statement of Management's Responsibility for audited financial statements 2. SEC Form 17-A and 17-Q 3. Other reports required by law

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

One of our Company's core organizational systems is the Advancement Planning (AP) system. The AP system is an on-going process of identifying, assessing, and developing talents to ensure leadership continuity for all key positions and providing opportunities for key talents to grow within the organization. We assess incumbents / identified successors on 2 elements: performance over time and potential. Moreover, each identified successor is assessed based on his/her level of readiness to occupy the higher role. Specific development interventions per successor are also identified as part of the process. Every year, the AP System is reviewed by HR and top management to check whether the planned development interventions took place, and if the level of readiness of identified successors has progressed, among others.

The Competency-Based System and Performance Management System are two other core organizational systems that we have in place which allow us to properly utilize the Advanced Planning System.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company does not have an existing policy, however, the current Directors possess diverse backgrounds and work experience and are prudently selected based on that criteria.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Company does not have a policy that requires at least one non-executive director to have experience in the sector or industry the Company belongs to. The Company constantly ensures that its non-executive directors are highly qualified and knowledgeable individuals, and more significantly, objective in decision-making and in the exercise of their discretion regarding matters raised to the Board.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	**Non-Executive**	**Independent Director**
Role	A Director's Office is one of trust and confidence. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness. He should also exercise leadership, prudence, and integrity in directing the Company towards sustained progress. A Director should observe the following norms of conduct: 1. **Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.** The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not	Same	Same

	participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company. 2. **Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.** A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation. 3. **Act judiciously.** Before deciding on any matter brought before the Board, a director should carefully evaluate the issues and, if necessary, make inquiries and request clarification. 4. **Exercise independent judgment.** A director should view each problem or situation objectively. If a disagreement with other Directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the Company. 5. **Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation and By-Laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.** A director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness. 6. **Observe confidentiality.** A director should keep secure and confidential all non-public information he may acquire or learn by		

	reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board. 7. **Have a working knowledge of the Company's control systems.** A director shall ensure the continuing soundness, effectiveness, and adequacy of the Company's control environment.		
Accountabilities	See above	See above	See above
Deliverables	1. Exercises the powers of the Board of Directors as stated in the By-Laws 2. Executes all resolutions and the minutes of the meetings of the Board of Directors	Exercises the powers of the Board of Directors as stated in the By-Laws	1. Exercises the powers of the Board of Directors as stated in the By-Laws 2. Submits at the time of his election a certification confirming that he possesses the qualifications and none of the disqualifications to serve as an independent director of the Company.

Provide the company's definition of "independence" and describe the company's compliance to the definition.
The Company adopts the definition of an "independent director" provided by SEC Memorandum Circular No. 16, Series of 2002, as well as the Company's By-laws. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person who:

1 Is not a director or officer or substantial stockholder of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
2 Does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders;
3 Is not a relative of any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
4 Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
5 Has not been employed in any executive capacity by the Company, any of its related companies and/or by any of its

substantial shareholders within the last two (2) years.

6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or

7 Has not engaged and does not engage in any transaction with the Company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company will comply with the term limits for independent directors prescribed under SEC Memorandum Circular No. 9, Series of 2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Not applicable			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	The directors of the Company shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes as the same principle among any number of candidates.	• Must own at least one share of the capital stock of the Company in his own name. • A majority of the directors must be residents of the Philippines. • He must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code, committed within five years before the date of his election. • He must be of legal age.

(ii) Non-Executive Directors	The directors of the Company shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes as the same principle among any number of candidates.	• Must own at least one share of the capital stock of the Company in his own name. • A majority of the directors must be residents of the Philippines. • He must not have been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code, committed within five years before the date of his election. • He must be of legal age.
(iii) Independent Directors	1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the Company's information or proxy statement or such other reports required to be submitted to the Commission. 2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. 3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s. 4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such	An independent director shall have the following qualifications: 1.1 He should be a holder of at least at least one (1) share of stock of the Company; 1.2 He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education 1.3 He shall be at least twenty one (21) years old 1.4 He must have a practical understanding of the business of the Corporation 1.5 He shall have been proven to possess integrity and probity; 1.6 He shall be diligent and assiduous in the performance of his functions; and 1.7 He must be a member in good standing in relevant industry, business or professional organizations

	other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee. 5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting. 6. Election of Independent Director/s 6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws. 6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that independent director/s is elected during the stockholders' meeting. 6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees. 6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.	
b. Re-appointment		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non-Executive Directors	Same criteria as stated above for selection/appointment of Non-Executive Directors
(iii) Independent	Same process as stated above for	Same criteria as stated above for

Directors	selection/appointment of Independent Directors	selection/appointment of Independent Directors
c. Permanent Disqualification		
(i) Executive Directors		Any of the following shall be a ground for the permanent disqualification of a Director: 1.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them. 1.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house or as investment company; or (c) engaging in or continuing any conduct or practice in any of the capacities mentioned above or willfully violating the laws that govern securities and banking activities. The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body

		denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization. 1.3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; 1.4. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any of its rule, regulation or order; 1.5. Any person judicially declared to be insolvent; 1.6.Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and

		1.7 Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
(ii) Non-Executive Directors		Same
(iii) Independent Directors		Same. In addition, any person earlier elected as Independent Director who becomes an officer, employee or consultant of the same corporation shall likewise be permanently disqualified.
d. Temporary Disqualification		
(i) Executive Directors		The Board may provide for the temporary disqualification of a Director for any of the following reasons: 1.1. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; 1.2. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family, or serious accident. This disqualification applies for purposes of the succeeding election; 1.3. Dismissal/termination for cause as Director of any Company covered by this Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination.

		1.4. If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. 1.5. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. A temporarily disqualified Director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
(ii) Non-Executive Directors		Same
(iii) Independent Directors		He shall be disqualified during his tenure under the following instances or causes: 2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter (A) hereof; 2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the Company where he is such director; 2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family; Such other disqualifications that the Corporate Governance Manual

		provides likewise apply.
e. Removal		
(i) Executive Directors	1. Removal must take place either at a regular meeting of the Company or at a special meeting called for that purpose; 2. There must be previous notice to the stockholders or members of the intention to propose such removal at the meeting; 3. The removal must be by a vote of the stockholders holding or representing 2/3 of Outstanding Capital Stock;. 4. Removal may be with or without cause: Provided, that removal must always be with cause when a Director was elected by the minority.	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors		In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.
f. Re-instatement		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non-Executive Directors	Same criteria as stated above for selection/appointment of Non-Executive Directors
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors	Same criteria as stated above for selection/appointment of Independent Directors
g. Suspension		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors	Same criteria as stated above for selection/appointment of Executive Directors
(ii) Non-Executive	Same process as stated above for	Same criteria as stated above for

Directors	selection/appointment of Non-Executive Directors	selection/appointment of Non-Executive Directors
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors	Same criteria as stated above for selection/appointment of Independent Directors

Voting Result of the last Annual General Meeting (as of June 25, 2014)

Name of Director	Votes Received
John L. Gokongwei	more than a majority vote
James L. Go	
Lance Y. Gokongwei	
Robina Y. Gokongwei-Pe	
Lisa Y. Gokongwei-Cheng	
Faith Y. Gokongwei-Lim	
Hope Y. Gokongwei-Tang	
Antonio L. Go	
Roberto R. Romulo	

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

Every director shall receive appropriate orientation when he is first appointed when first appointed to the Board of Directors, in order to ensure that incoming Directors are familiar with the Company's business and governance processes. If necessary, a new Director may be required to attend a seminar on corporate governance that shall be conducted by a duly recognized private or government institute.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

The John Gokongwei Institute for Leadership and Enterprise Development or JG-ILED is the integrated leadership platform for systematic and sustainable development programs of the conglomerate. JG-ILED was established in 2005 with the following objectives: to demonstrate the enterprise commitment to continued learning, organizational growth and career development; to enable leaders to develop strategies for competitiveness, and to develop and grow our employees and create a deep bench of talents.

Under JG-ILED is the Management Development Program (MDP) which aims to enhance the leadership capability and business acumen of all JGS leaders. The following are programs under MDP: Finance for Senior Executives, Strategic Communication Program, Executive Coaching Program, and Advanced Negotiation Skills. Our leadership core has attended these programs. Three new programs were launched recently, namely: Leading and Managing Change, Strategy Planning and Execution and Becoming People Leaders.

Aside from JG-ILED, key business units implement their respective and targeted continuing education programs for their key executives / managers.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
John L. Gokongwei, Jr.	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
James L. Go	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Lance Y. Gokongwei	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Robina Y. Gokongwei-Pe	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Antonio L. Go	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Roberto R. Romulo	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Bach Johann M. Sebastian	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Diosdado Felix A. Zapata III	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Katheryn T. Lim	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Rosalinda F. Rivera	June 17, 2014	Creating Advantage Through Governance	SGV & Co.
Gilbert S. Millado, Jr.	June 17, 2014	Creating Advantage Through Governance	SGV & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
1. Conflict of Interest	The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion is not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.	Same	Same
2. Conduct of Business and Fair Dealings	The Company's employees that recommend, endorse, or approve the procurement or / sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in.	Same	Same
3. Receipt of gifts from	The Company allows the acceptance of gift only	Same	Same

third parties	during the Christmas Season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000 must be disclosed to the Conflicts of Interest Committee.		
4. Compliance with Laws & Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.	Same	Same
5. Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after disclosure to the SEC and PSE by the Company's authorized officers.	Same	Same
6. Use of Company Funds, Assets and Information	Employees are required to safeguard Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.	Same	Same
7. Employment & Labor Laws & Policies	The Company's Human Resources Unit ensures compliance with employment and labor laws and policies.	Same	Same
8. Disciplinary action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that results from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.	Same	Same
9. Whistle Blower	Any employee may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee.	Same	Same
10. Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. Decision is done by the Executive Committee.	Same	Same

2) Has the code of ethics or conduct been disseminated to all directors, senior management, and employees?

Yes. The Company's Code of Business Conduct has been disseminated to all directors, senior management, and employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

All new employees undergo an orientation program to familiarize themselves with the Code. Relevant disclosure and compliance statements are likewise secured prior employment or engagement with the Company. Employees are likewise required to give relevant disclosures on an annual basis.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Not applicable. RRHI is the Parent Company.
(2) Joint Ventures	Treated as arm's-length transaction
(3) Subsidiaries	Treated as arm's-length transaction
(4) Entities Under Common Control	Treated as arm's-length transaction
(5) Substantial Stockholders	Treated as arm's-length transaction
(6) Officers including spouse/children/siblings/parents	Treated as arm's-length transaction
(7) Directors including spouse/children/siblings/parents	Treated as arm's-length transaction
(8) Interlocking director relationship of Board of Directors	The Company, adopts by law, the rules pertaining to interlocking directors, as follows: a) If the interests of the interlocking director in the corporations are both substantial (stockholdings exceed 20% of outstanding capital stock) General Rule: A contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone. Exception: If the contract is fraudulent or not fair and reasonable. b) If the interest of the interlocking director in one of the corporations is nominal while substantial in the other (stockholdings 20% or more), the contract shall be valid provided the following conditions are present: 1) The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting; 2) That the vote of such director was not necessary for the approval of the contract; 3) That the contract is fair and reasonable under the circumstances. Where (1) and (2) are absent , the contract can be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock or by the vote of the stockholders representing at least 2/3 of the members in a meeting called for the purpose. Provided that: 1) Full disclosure of the adverse interest of the directors/trustees involved is made on such meeting; 2) The contract is fair and reasonable under the circumstances.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

None.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	The Corporate Governance Manual provides that a Director should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a Director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should consider resigning from his position. A conflict of interest shall be considered material if the Director's personal or business interest is antagonistic to that of the Company, or stands to acquire or to gain financial advantage at the expense of the Company. The Company employs enhanced measures such as the creation of a Remuneration and Compensation Committee, which ensures that Full Business Interest Disclosure is part of the pre-employment requirements for all incoming Management Officers, which among others compel all Management Officers to declare under the penalty of perjury all of their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. The same Committee reviews recommendations concerning the existing Human Resources Development Handbook, with the objective of strengthening provisions on conflict of interest,
Group	Same as above.

5) **Family, Commercial and Contractual Relations**

(a) **Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:**

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None		

(b) **Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:**

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

(c) **Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:**

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

6) **Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	None
Corporation & Third Parties	The Company has adopted standard contracts some of which incorporate dispute resolution methods outside the courts.
Corporation & Regulatory Authorities	None. Regulatory matters are subject to strict adherence and compliance by corporations as they are governed by laws, rules, and regulations.

C. BOARD MEETINGS & ATTENDANCE

1) **Are Board of Directors' meetings scheduled before or at the beginning of the year?**

These are scheduled at the beginning of the year.

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman/ CEO	John L. Gokongwei, Jr.	June 25, 2014	7	7	100%
Vice Chairman/ Deputy CEO	James L. Go	June 25, 2014	7	7	100%
Vice Chairman	Lance Y. Gokongwei	June 25, 2014	7	7	100%
President/ COO	Robina Y. Gokongwei-Pe	June 25, 2014	7	7	100%
Member	Lisa Y. Gokongwei-Cheng	June 25, 2014	7	7	100%
Member	Faith Y. Gokongwei-Lim	June 25, 2014	7	7	100%
Member	Hope Y. Gokongwei-Tang	June 25, 2014	7	6	85.71%
Independent	Antonio L. Go	June 25, 2014	7	7	100%
Independent	Roberto R. Romulo	June 25, 2014	7	7	100%

*Fiscal year 2014 of RRHI is from January 1, 2014 to December 31, 2014.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A quorum of two-thirds of board members is not required. A majority of the board members constitute a quorum and every decision of a majority of the quorum duly assembled as a Board shall be a valid corporate act, except for the instances cited by the Corporation Code requiring the vote of a majority of all the members of the Board.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

At least three (3) working days before the meeting together with notice of meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes. Board members have independent access to Management and the Corporate Secretary.

(c) State the policy of the role of the company Secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Secretary shall attend all meetings of the stockholders and Board of directors and shall act as Secretary thereof and record the minutes of all proceedings in a book to be kept for that purpose. He shall perform similar

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

duties for any Committee of the Board when required. The Secretary shall cause to be given notice of all meetings of the Board of Directors and the stockholders, and shall perform such other duties as may pertain to his office. He shall keep in safe custody the seal of the Company, and, when authorized by the Board, affix it when required to any instrument,

The Corporate Secretary shall:

1. Be loyal to the mission, vision, and objectives of the Company.
2. Work fairly and objectively with the Board, Management, and stockholders.
3. Possess appropriate administrative and interpersonal skills.
4. Have a working knowledge of the operations of the Company.
5. Be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.
6. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company.
7. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company.
8. As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
9. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
10. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so.
11. Ensure that all Board procedures, rules, and regulations are strictly followed by the members.
12. Submit every 30th day of January of each year (as may be required by the Commission), an annual certification as to the attendance of Directors during Board meetings.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X] **No** [ ]

Committee	Details of the procedures
Executive Audit Nomination Remuneration	To enable the Directors to properly fulfill their duties and responsibilities, Management should provide the Directors with complete, adequate and timely information about the matters to be taken in their meetings. Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a Director to enable him to properly perform his duties and responsibilities. Hence, the Directors are given independent access to Management and to the Corporate Secretary.

	The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Directors, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on the compensation structure and policies of the Company on salary adjustments, promotions and performance assessments.	
(2) Variable remuneration	None	
(3) Per diem allowance	Each director shall receive a reasonable per diem for his attendance at meetings	
(4) Bonus	Determined upon achievement of performance based matrix	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	Rice, medicine allowance and leave credits	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Performance based matrices		
Non-Executive Directors	Each director shall receive a reasonable per diem for his attendance at meeting		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Ratification of acts of the Board of Directors, its Committees, officers and Management	June 25, 2014
Ratification of acts of the Board of Directors, its Committees, officers and Management	June 7, 2013

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

(in ₱ million)

ACTUAL	Year	Salaries	Bonuses	Total
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation: 1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer 2. Dahlia T. Dy – Managing Director - South Star Drug, Inc. 3. Justiniano S. Gadia – General Manager - Robinsons Supermarket 4. Johnson T. Go – General Manager - Robinsons Department Store 5. Roena P. Sarte – General Manager - Ministop	2011 2012 2013 2014	25.43 28.90 34.45 36.61	2.16 2.45 2.37 2.52	27.59 31.36 36.82 39.13
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2011 2012 2013 2014	24.58 37.65 45.06 48.30	2.17 3.24 3.29 3.57	26.75 40.89 48.35 51.86

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	See above	See above	See above
(b) Variable Remuneration	See above	See above	See above

(c) Per diem Allowance	See above	See above	See above
(d) Bonuses	See above	See above	See above
(e) Stock Options and/or other financial instruments	See above	See above	See above
(f) Others (Specify)	See above	See above	See above
Total			

Other Benefits	**Executive Directors**	**Non-Executive Director (other than independent directors)**	**Independent Directors**
(a) Advances			
(b) Credit granted			
(c) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan	Healthcare coverage and benefits are provided by the Company through a health maintenance organization.		
(g) Car Plan			
(h) Others (Specify)			
Total			

(d) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	**Number of Direct Option/Rights/ Warrants**	**Number of Indirect Option/Rights/ Warrants**	**Number of Equivalent Shares**	**Total % from Capital Stock**
Not applicable				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

(e) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
None	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	**Non-executive Director (NED)**	**Independent Director (ID)**				
Executive				N/A			
Audit NOTE: The Audit Committee shall be composed of at least three (3) members from the Board, at least one (1) of whom shall always be an Independent Director.			1	The Audit Committee shall have the following functions: 1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations. 2. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function may include regular receipt from Management of information on risk exposures and risk management activities. 3. Perform oversight functions over the Company's Internal and External Auditors. It should ensure that the Internal and External Auditors are given reasonable access			

				to all material records, properties and personnel to enable them to perform their respective audit functions. 4. Review the Annual Internal Audit Plan to ensure its conformity with the objectives of the Company. The Plan shall include the audit scope, resources and budget necessary to implement it. 5. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. 6. Ensure the establishment of an Internal Audit Department and the appointment of a Corporate Auditor and the terms and conditions of its engagement and removal. 7. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security. 8. Review the reports submitted by the Internal and External Auditors. 9. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following: • any change/s in accounting policies and practices; • major judgmental areas; • significant adjustments resulting from the audit; • going concern assumptions; • compliance with accounting standards; and • compliance with tax, legal and regulatory requirements. 10. Coordinate, monitor and facilitate compliance with laws, rules and regulations. 11. Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this should be disclosed in the Company's Annual Report. 12. Establish and identify the reporting line of the Corporate

				Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. 13. The Audit Committee shall ensure that, in the performance of the work of the Corporate Auditor, he shall be free from interference by outside parties.
Nomination NOTE: The Nomination Committee may be composed of at least three (3) members from the Board, one (1) of whom shall be an Independent Director.			1	The Nomination Committee shall be responsible for ensuring that the selection of new members of the Board is transparent with the end objective of having the Board increase shareholder value. For this purpose, the Nomination Committee shall: 1. Pre-screen, evaluate the qualifications and shortlist all candidates nominated to become a Director in accordance with pertinent provisions of the Articles of Incorporation and By Laws of the Company, as well as established guidelines on qualifications and disqualifications. 2. Recommend guidelines in the selection of nominee/s for Director/s which may include the following based on the perceived needs of the Board at a certain point in time: • Nature of the business of the Corporations which he is a Director of • Age of the Director nominee • Number of directorships/active memberships and officerships in other corporations or organizations • Possible conflict of interest 3. Recommend guidelines in the determination of the optimum number of directorships/ active memberships and officerships in other corporations allowable for Directors. The capacity of Directors to serve with diligence shall not be compromised. 4. Recommend to the Board regarding the size and composition of the Board in view of long term business plans, and the needed appropriate skills and characteristics of Directors. 5. Assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors.
Remuneration and Compensation NOTE: The Remuneration and Compensation			1	The Remuneration and Compensation Committee recommends for Board approval a formal and transparent policy and system of remuneration and evaluation of the Directors and Management Officers. For this purpose, the Committee shall: 1. Recommend a formal and transparent procedure for developing a policy on executive remuneration and

Committee may be composed of at least three (3) members from the Board, one (1) of whom shall be an Independent Director.				evaluation and for fixing the remuneration packages of Directors and Management Officers that is consistent with the Company's culture, strategy, and business environment. 2. Recommend the amount of remuneration, which shall be in a sufficient level to attract and retain Directors and Management Officers who are needed to run the company successfully. 3. Disallow any Director to decide his remuneration. 4. Ensure that Full Business Interest Disclosure is part of the pre-employment requirements for all incoming Management Officers, which among others compel all Management Officers to declare under the penalty of perjury all of their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired. 5. Review recommendations concerning the existing Human Resources Development Handbook, with the objective of strengthening provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. 6. Provide in the Company's Annual Reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its Executive Officers for the previous fiscal year and the ensuing year as prescribed by the Commission or other regulatory agency.
Others (specify)	None			

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Antonio L. Go	June 25, 2014	4	4	100%	1 year
Member (ED)	John L. Gokongwei, Jr. James L. Go Lance Y. Gokongwei Robina Gokongwei-Pe	June 25, 2014 June 25, 2014 June 25, 2014 June 25, 2014	4 4 4 4	4 4 4 4	100% 100% 100% 100%	1 year 1 year 1 year 1 year
Member (ID)	Roberto R. Romulo	June 25, 2014	4	4	100%	1 year

Disclose the profile or qualifications of the Audit Committee members.

1. The Board establishes the Audit Committee and appoints the members of the Committee.
2. This Audit Committee reports functionally to the Board.
3. The Audit Committee shall be composed of at least three (3) members from the Board, at least one (1) of whom shall always be an Independent Director. The Board shall ensure that each member should have adequate competence and/or experience on accounting, finance and audit to enable them to discharge their responsibilities.
4. The Board shall appoint an Independent Director as Committee Chairman.
5. The Audit Committee, as a body, shall have neither executive nor managerial powers and duties in the Company except those relating to the management of the Corporate Auditor.

Describe the Audit Committee's responsibility relative to the external auditor.

See above functions of the Audit Committee.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	John L. Gokongwei, Jr.	June 25, 2014	1	1	100%	1 year
Member (ED)	James L. Go Lance Y. Gokongwei Robina Gokongwei-Pe	June 25, 2014 June 25, 2014 June 25, 2014	1 1 1	1 1 1	100% 100% 100%	1 year 1 year 1 year
Member (ID)	Roberto R. Romulo	June 25, 2014	1	1	100%	1 year

(d) Remuneration and Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	John L. Gokongwei, Jr.	June 25, 2014	Note 1			1 year
Member (ED)	James L. Go Lance Y. Gokongwei Robina Gokongwei-Pe	June 25, 2014 June 25, 2014 June 25, 2014				1 year 1 year 1 year
Member (ID)	Antonio L. Go	June 25, 2014				1 year

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
There are no other committees constituted by the Board of Directors.						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	
Audit		
Nomination		
Remuneration and Compensation		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	N/A
Audit	Review of the following areas: cash management and revenue, inventory management, asset management, operating expenses, special projects, unreleased checks, leave balances, scrap disposal.	No significant issues that would put the Company at major risk.
Nomination	Recommendation of nominees to be included in the final list of independent directors.	No significant issues that would put the Company at major risk.
Remuneration	Recommendation of budgets for merit increase and salary adjustments.	No significant issues that would put the Company at major risk.
Others (specify)	None	

5) **Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit	Internal audit plan for the coming fiscal year	No significant issues that would put the Company at major risk
Nomination	Pre-screen qualifications of nominees for independent directors	No significant issues that would put the Company at major risk
Remuneration	Review and evaluate existing remuneration policies and procedures	No significant issues that would put the Company at major risk

F. RISK MANAGEMENT SYSTEM

1) **Disclose the following:**

(a) Overall risk management philosophy of the company;

The Company aims to create a systematic, disciplined approach to evaluate and improve the effectiveness of risk management. For that purpose, an Internal Audit Committee is formed to examine and evaluate whether the Company's risk management, controls, and processes, as designed by Management, are adequate, efficient, and functioning.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

It is the Audit Committee that reviews the effectiveness of risk management systems employed by the Company.

(c) Period covered by the review;

The Audit Committee periodically reviews the risk management system of the company through its meetings and review of required reports. This functions of the Audit Committee may include regular receipt from Management of information on risk exposures and risk management activities.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

This is done on an annual basis. In consultation with the Chief Executive Officer and Management Officers, the Internal Audit Committee prepares a detailed and flexible Annual Internal Audit Plan using risk-based, process focused methodology. This Annual Internal Audit Plan is submitted to the Audit Committee for approval.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) **Risk Policy**

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
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 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.
Market risk	N/A	N/A
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 manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.	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.
Interest rate risk	Interest rate risk is the risk that the value or future cash flows of a financial	

	instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates. The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.	
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.	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
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	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.

	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.	
Market risk	N/A	N/A
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 manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.	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.
Interest rate risk	Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates. The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.	
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.	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Due to statutory limitations on the obligations of majority shareholders with respect to minority shareholders, minority shareholders are subject to the risk of the exercise by the majority shareholders of their voting power. However, the Corporation Code provides for minority shareholders' protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal, right allowing a dissenting shareholder to require a corporation to purchase his shares in certain instances.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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 Company's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk. The Company 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.
Market risk	N/A	N/A
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 manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.
Interest rate risk	Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.	The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.
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.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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 Company's trade and other receivables are actively monitored by the Collection Services Department to avoid significant concentrations of credit risk.

		The Company 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.
Market risk	N/A	N/A
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 manages its foreign currency risk exposure by matching, as much as possible, receipts and payments in each individual currency.
Interest rate risk	Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for interest rates relates primarily to the amounts due to related parties at current market rates.	The Group manages its interest rate risk by using current rates of money market placements when computing for interest rates that will be charged to the related party.
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.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	The BOD of the Company and the respective BOD of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks. Each BOD has created the board-level Audit Committee to spearhead the managing and monitoring of risks.	
Audit Committee (AC)	The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.	The AC aims to ensure that: a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements; b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management; c. audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and d. the Group's BOD is properly assisted in the development of

		policies that would enhance the risk management and control systems.
Enterprise Risk Management Group (ERMG)	The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework.	The ERMG's main concerns include: a. recommending risk policies, strategies, principles, framework and limits; b. managing fundamental risk issues and monitoring of relevant risk decisions; c. providing support to management in implementing the risk policies and strategies; and d. developing a risk awareness program.
Compliance Officer	The Compliance Officer assists the BOD in complying with the principles of good corporate governance.	He shall be responsible for monitoring actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties on such infringements for further review and approval of the BOD, among others.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal Control System covers systematic measures which include reviews, checks and balances, methods and procedures. The company conducts its business in an orderly and efficient manner, safeguards its assets and resources, deters and detects errors and fraud, ensures the accuracy and completeness of its accounting data, prepares reliable and timely financial and management information and complies with the Company policies and procedures.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

No statement is currently issued that attest to the effectiveness of the internal control system. It is the Audit Committees task to monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security.

The company understands that the primary responsibility for the design, implementation and maintenance of internal control rest on Management; while the Board and its Audit Committee oversee actions of Management and monitor the effectiveness of controls put in place.

Audit Committee's purpose is to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security. And this committee meets quarterly and as often as necessary.

(c) Period covered by the review;

Not applicable.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

It is the duty and function of the board to adopt a system and to conduct regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Corporation's internal control systems in order to maintain and ensure its adequacy and effectiveness.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Corporate Internal Audit's role is to provide an independent and objective assurance and consulting services within the Company, designed to add value and	-Scope of internal audit includes the examination and evaluation of the Company's risk management, controls, and processes.	In-house	Mr. Emmanuel B. De Pano	Corporate Internal Audit, headed by Corporate Audit Executive, reports functionally to the Audit Committee of the Board of Directors

improve the Corporation's operations.				

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Internal Audit function is in-house. This question is not applicable.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor reports functionally to the Audit Committee and administratively to the Chief Executive Officer. The Auditor shall have no executive or managerial powers and duties in the Company except those relating to the management of Internal Audit. Internal Audit shall have an independent status and will not be involved in the day-to-day internal checking systems of the business units and corporate centers of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
N/A	N/A

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	On-going
Issues[6]	No significant issues that would put the Company at major risk.
Findings[7]	No significant findings that would put the Company at major risk.
Examination Trends	No significant examination trends were noted.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) **Preparation of an audit plan inclusive of a timeline and milestones;**
2) **Conduct of examination based on the plan;**
3) **Evaluation of the progress in the implementation of the plan;**
4) **Documentation of issues and findings as a result of the examination;**
5) **Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;**
6) **Conduct of the foregoing procedures on a regular basis.]**

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
1. Prepare a forward Strategic Audit Plan to set the direction and approach of audits in the long term. 2. In consultation with the Chief Executive Officer and Management Officers, prepare a detailed and flexible Annual Internal Audit Plan using risk-based, process focused methodology. This Annual Internal Audit Plan is submitted to the Audit Committee for approval. 3. Implement the approved Annual Internal Audit Plan in an effective, professional, and timely manner. 4. Report in a timely manner significant issues noted during the audit relating to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Corporation. As directed by or under the policies of the Audit Committee, furnishes auditees and/or any other member of Management copies of the reports. 5. Recommend any improvement in policies and procedures, systems of controls, processes, and other financial and operational matters to assist Management in the effective discharge of their responsibilities, in order to minimize or prevent waste, extravagance, negative image, and fraud. Management is responsible to implement specific recommendations. 6. Draw attention to any failure to take remedial actions 7. Report quarterly to the Audit Committee on the performance of the Internal Audit, which includes the status of audits, compliance with Annual Internal Audit Plan, significant interim changes, and the sufficiency of available resources to Internal Audit. 8. Keep informed the Audit Committee of	

emerging trends and successful practices in the field of internal audit. 9. Coordinate with External Auditors and ensure that the audit works are complementary to optimize coverage at a reasonable cost. 10. Comply with standards that are promulgated by the relevant professional and regulatory bodies. 11. At the end of each calendar year, the Chief Executive Officer (CEO) and Chief Audit Executive (CAE) execute a written attestation that a sound internal audit, control and compliance system is in place and working effectively. The attestation will be presented by the CAE during the Audit Committee meeting.	

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
To provide independence of the Internal Audit Group, the Chief Audit Executive reports directly to the Audit Committee in a manner outlined in the Audit Charter. The Audit Committee performs oversight functions over the Company's internal and external auditors. It should act independently from each other and that both auditors are given unrestricted access to records, properties and personnel to enable them to perform their	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the Exchanges except if the disclosure is made to: • A person who is bound by duty to maintain trust and confidence to the	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the Exchanges except if the disclosure is made to: • A person who is bound by duty to maintain trust and confidence to the	The Company and its officers, staff and any other person who are privy to the material non-public information are prohibited to communicate material non-public information about the Company to any person, unless the Company is ready to simultaneously disclose the material non-public information to the Commission and to the Exchanges except if the disclosure is made to: • A person who is bound by duty to maintain trust and confidence to the

respective audit functions.	Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and • A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.	Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and • A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.	Company such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and • A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Board shall appoint a Compliance Officer who shall have direct reporting responsibilities to the Chairman of the Board. The appointment of the Compliance Officer shall be disclosed immediately to SEC. The said Compliance Officer monitors the actual compliance by the Corporation with the provisions and requirements of the SEC Code of Corporate Governance and reports any violations, if any, to the Chairman of the Board and recommends the imposition of appropriate disciplinary action on the responsible parties. The Compliance Officer is likewise tasked to appear before SEC when summoned in relation to corporate government compliance matters,

H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following:**

	Policy	**Activities**
Customers' welfare	The Company has Customer Relations Policy and procedures to ensure that customers' welfare are protected and questions addressed	Customers are informed with the Company's customer relations contacts to ensure that their welfare and questions are addressed.
Supplier/contractor selection practice	We have Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments to the company.	Suppliers and contractors undergo accreditation and orientation on company policies.
Environmentally friendly value-chain	The Company complies with government mandated policies on the environment.	Required environment management systems and energy management are rigidly complied with by the company.
Community interaction	The Company focuses on uplifting the socio-economic condition of the country through education.	The Company partners with organizations that promote education of Filipinos through grants,

		endownments, scholarships, and educational facilities.
Anti-corruption programmes and procedures?	The Company has policies that cover Business Conduct, Conflict of Interest Policy, Offenses Subject to Disciplinary Action Policy, among others.	New employees are oriented regarding policies and procedures related to Business Conduct and similar policies. All employees are given periodic reminders.
Safeguarding creditors' rights	The Company abides with its financial and legal commitments to creditors.	There is regular communication with creditors through briefings and the like.

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

No. The Company's Corporate Responsibility Report is part of the Annual Report.

3) **Performance-enhancing mechanisms for employee participation.**

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

(b) Show data relating to health, safety and welfare of its employees.

To ensure that the employees of the Company maintain a healthy balance between work and life, health and wellness programs are organized for these employees. Professionals are invited to conduct classes of Zumba, Tai Chi, and other activities in our work site. The Company has also partnered with fitness gyms to offer special membership rates to employees. This is in addition to the free use of gym facilities in the different installations.

Year on year, the Company has facilitated vaccinations such as against flu and cervical cancer that are offered not only to employees but to their dependents as well. The Company has worked with healthcare providers in identifying top diseases based on utilization report and has invited resource speakers to talk about preventive measures.

To ensure the safety of the Company's employees, a Corporate Emergency Response Team (CERT) has been created that will be activated and will become the "command center", orchestrating initiatives across the conglomerate during a crisis. Also, the CERT shall be responsible for the periodic review of contingency plans and the institution's emergency preparedness and response procedures to ensure that effective responses and responsible policies are in place to deal with crisis or emergency situations.

(c) State the company's training and development programmes for its employees. Show the data.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development or what is commonly known as JG-ILED.

JG-ILED is the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

JG-ILED curriculum comprises of the following:

Core Program – programs designed to ensure employees have the foundation needed to perform job effectively. It also covers key people skills training that will help supervisors and managers in leading their teams to perform to the optimum level.

- Basic Management Program (BMP)
- Coaching for Effectiveness (CFE)
- Problem Solving and Decision Making (PSDM)
- Employee Discipline Program (EDP)
- Achieving Customer Service Excellence (ACE)

Management Development Program – programs that aims to enhance the leadership capability and business acumen of all JGS leaders.

- Finance for Senior Executives
- Strategic Communication Program
- Executive Coaching Program
- Advanced Negotiation Skills
- Leading and Managing Change
- Strategy Planning and Execution
- Becoming People Leaders

Human Resources Development Program – courses designed to ensure employees have a common understanding of the HR processes and systems by which the company operates.

- Job Evaluation
- Competency-Based System
- Organization Design and Manpower Planning
- Labor Relations Management
- Performance Management System
- Targeted Selection – Competency Based Interviewing

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company has polices on annual merit increase and salary adjustments that are tied-up to the employees' performance assessments.

The Company promotes a culture of recognition and value for key and high performing employees who demonstrate excellence at the workplace. Recognition programs are maximized to promote and reinforce behavior that are consistent with the values and desired culture of the company.

Performance will be the main driver for total rewards. Rewards programs are therefore differentiated across businesses and among employees according to their contributions and levels of performance with a significant share given to high performers.

The Company provides adequate benefits to cover the needs of its employees, where possible, through shared accountability between the Company and its employees.

The rewards philosophy adopts an integrated approach, embodied by the 3Ps in compensation: Pay for the Position, Pay for the Performance, and Pay for the Person. The Company Pays for the Position through its job evaluation system. It Pays for Performance through its performance management system which is linked to its merit increases. The Company Pays for the Person through its competency-based and succession planning systems.

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

Employees can submit complaints to the Conflict of Interest Committee or any officer of the company who would relay said complaints to the Committee. These complaints are handled confidentially by the Committee wherein the identities of the employees that submitted the complaint are not divulged.

I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

(a) Holding 5% shareholding or more (as of December 31, 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
JE Holdings, Inc.	484,749,997	35.00%	Same as record owner
PCD Nominee Corporation (Non-Filipino)	392,636,933	28.35%	PCD Participants & their clients
Lance Y. Gokongwei	126,727,500	9.15%	Same as record owner
Robina Y. Gokongwei-Pe	105,952,500	7.76%	Same as record owner

Name of Director	**Number of Direct Shares**	**Number of Indirect shares / Through (name of record owner)**	**% of Capital Stock**
Lance Y. Gokongwei	126,727,500	0	9.15%
Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	0	2.55%
Robina Y. Gokongwei-Pe	105,952,500	0	7.65%
James L. Go	41,550,000	0	3.00%
Lisa Y. Gokongwei-Cheng	35,317,500	0	2.55%
Faith Y. Gokongwei-Lim	35,317,500	0	2.55%
John L. Gokongwei, Jr.*	1	0	0.00%
Hope Y. Gokongwei-Tang	1	0	0.00%
Antonio L. Go	1	0	0.00%
Roberto R. Romulo	1	0	0.00%
TOTAL	**380,182,503**	**0**	**27.45%**

2) **Does the Annual Report disclose the following:**

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes

Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of irectors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The number of Board meetings and attendance details are reported annually to the Commission in a separate disclosure. Details of remuneration are indicated in the Definitive Information Statement that is likewise disclosed annually or as needed.

3) **External Auditor's fee**

Name of Auditor	Audit Fee	Non-Audit Fee
SyCip, Gorres, Velayo & Co.	₽ 5,092,691	0

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

The following modes of communication are being used by the company to disseminate information:

- Electronic and regular mail
- Telecommunication facilities
- Hard copy of documents
- Website

5) **Date of release of audited financial report:**

The Audited Consolidated Financial Statements for fiscal year ended December 31, 2014 was submitted to the SEC on April 15, 2015.

6) **Company Website**

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes, for companies under RRHI
Financial statements/reports (current and prior years)	Yes, under Investor Relations tab

Materials provided in briefings to analysts and media	Yes, under Investor relations tab
Shareholding structure	Yes, under Disclosures tab found under the Investor Relations tab
Group corporate structure	Yes
Downloadable annual report	Yes, under Annual Reports tab found under Investor Relations tab
Notice of AGM and/or EGM	Yes, under Investor Relations tab
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
Please refer to Note 25 of the Notes to the Audited Consolidated Financial Statements as of December 31, 2014.			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Outstanding balances for RPTs at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2012, 2011 and 2010. 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.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	A majority of the subscribed capital, present in person or represented by proxy, shall be sufficient at a stockholders' meeting to constitute a quorum for the election of directors and for the transaction of any business whatsoever, except in those cases in which the Corporation Code requires the affirmative

	vote of a greater proportion.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Included in the agenda of the stockholders' meeting
Description	Every stockholder shall be entitled to vote for each share of stock held by him, which shall be by viva voce or show of hands

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Stockholders' Rights concerning Annual/Special Stockholders Meeting are in accordance with provisions stated in the Corporation Code.	The stockholders' rights concerning Annual/Special Stockholders' Meeting are consistent with those laid down in the Corporation Code.

Dividends

Declaration Date	Record Date	Payment Date
June 25, 2014	July 17, 2014	August 12, 2014

(d) Stockholders' Participation

1. **State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.**

Measures Adopted	Communication Procedure
Stockholders are given the opportunity to ask questions during the stockholders' meeting	1. Stockholders are provided with the disclosures, announcements and reports filed with SEC, PSE through public records, press statements and the Company's website. 2. Stockholders are informed at least 15 business days before the scheduled date of Annual Meeting. The notice includes the place and time of the meeting and if necessary, the general nature of the business to be considered.

2. **State the company policy of asking shareholders to actively participate in corporate decisions regarding:**
    a. **Amendments to the company's constitution**
    b. **Authorization of additional shares**

c. **Transfer of all or substantially all assets, which in effect results in the sale of the company**

The Company complies with the Corporation Code and the Securities Regulations Code on the above matters.

3. **Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

The company will comply with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting. The shares of the Company were listed in the Philippine Stock Exchange on November 11, 2013. The relevant date pertaining to the last joint special meeting of the Board of Directors and Stockholders of the company is set forth below:

a. **Date of sending out notices:** June 3, 2014

b. **Date of the Annual/Special Stockholders' Meeting:** June 25, 2014

4. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting.**

The usual questions during the Annual Stockholders' meeting pertain to dividends of the Company.

5. **Result of Annual/Special Stockholders' Meeting's Resolutions – June 25, 2014**

Resolution	Approving	Dissenting	Abstaining
Election of Board of Directors	More than a majority vote	N/A	Less than 2%
Election of external auditor	More than a majority vote	N/A	Less than 1%

Name of Director	Votes Abstain
John L. Gokongwei, Jr.	Less than 2%
James L. Go	
Lance Y. Gokongwei	
Robina Gokongwei-Pe	
Lisa Y. Gokongwei-Cheng	
Faith Y. Gokongwei-Lim	
Hope Y. Gokongwei-Tang	
Antonio L. Go	
Roberto R. Romulo	

6. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:**

The results of the resolutions approved by the stockholders at the annual meeting of the stockholders of the company held on June 25, 2014 were disclosed to the Philippine Stock Exchange on June 25, 2014 and to the Securities and Exchange Commission on June 26, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: June 25, 2014

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	John L. Gokongwei, Jr.	June 25, 2014	By Viva voce or show of hands	63.32%	19.97%	83.28%
	James L. Go					
	Lance Y. Gokongwei					
	Robina Gokongwei-Pe					
	Lisa Y. Gokongwei-Cheng					
	Faith Y. Gokongwei-Lim					
	Hope Y. Gokongwei-Tang					
	Antonio L. Go					
	Roberto R. Romulo					
	Bach Johann M. Sebastian					
	Diosdado Felix A. Zapata III					
	Katheryn T. Lim					
	Rosalinda F. Rivera					
	Gilbert S. Millado Jr.					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, the stock transfer agent of the Company.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	The stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to and received by the Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, except such period shall be reduced to one (1) working day for meetings that are adjourned due to lack of the necessary quorum. No proxy bearing a signature which is not legally acknowledged by the Secretary shall be honored at the meetings.
Notary	Not required
Submission of Proxy	See above
Several Proxies	Not applicable
Validity of Proxy	The proxies shall be valid and effective for five (5) years, unless the proxy provides for a shorter period, and shall be suspended for any meeting wherein the stockholder appears in person.
Proxies executed abroad	Not applicable
Invalidated Proxy	
Validation of Proxy	Validation of proxies shall be held at the date, time and place as may be stated in the Notice of stockholders' meeting which in no case shall be five calendar days prior to the date of stockholders meeting.
Violation of Proxy	Any violation of this rule on proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	**Procedure**

The Company complies with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting.	By courier and mail

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	19
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 3, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 3, 2014
State whether CD format or hard copies were distributed	CD format
If yes, indicate whether requesting stockholders were provided hard copies	There were no requests made for hard copies

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	The Company does not solicit proxy votes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation

The Company recognizes that the strongest proof of good corporate governance is what is publicly seen and experienced by its stockholders. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its stockholders. The Board shall be committed to respect the following rights of the stockholders in accordance with the Corporation Code and the Company's Articles of Incorporation and By-Laws: • Right to Vote on All Matters that Require Their Consent or Approval • Right to Inspect Corporate Books and Records • Right to Information • Right to Dividends • Appraisal Right The Board shall be transparent and fair in the conduct of the annual and special stockholders meetings of the Company. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor. It shall be the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for violation of their rights. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.	Implemented

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

RRHI makes use of its local area network to email and inform employees of new developments in the company (ie. hiring of new senior officers, promotions, accolades/awards received by the company and its subsidiaries and affiliates, etc). Usually, it is Corporate HR which is in charge of this, after securing clearance from Senior Management.

For communications outside of the company, usually it is the Investor Relations Officer and Corporate Secretary's Office which discloses the information to the public through disclosure to the SEC, PSE, and to the media, after securing clearance and approval from the Corporate Planning Vice President and the senior management.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To provide timely, relevant and accurate information to the public
(2) Principles	Transparency to shareholders and the general public
(3) Modes of Communications	Via disclosures to PSE, press releases, meetings with investors, presentations to shareholders, etc
(4) Investors Relations Officer	Bach Johann M. Sebastian SVP for Corporate Planning Telephone # 395-2182 Fax # 395-2253 bj.sebastian@jgsummit.com Gina R. Dipaling Corporate Planning Manager and Investor Relations Officer Telephone # 631-1490 Fax # 635-0751 to 64 ext. 555 gina.dipaling@robinsonsretail.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

- the transaction must create value to the market
- the transaction must be value-accretive and have synergies with JG and/or its subsidiaries

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company actively evaluates potential mergers and acquisitions. Once management believes that the transaction is in-line with the Company's strategies and will be value-accretive based on internal valuation and analysis, the board appoints an independent party to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
▪ Agreements with local government agencies and non-governmental organizations such as partnership with WWF. ▪ Agreements with local government agencies and non-governmental organizations such as the Solid Waste Management Association of the Phil. (SWAPP).	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Corporate Governance Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's Annual Report.	
Board Committees	Audit Committee conducts annual performance evaluation in compliance with SEC Memorandum Circular No.4, Series of 2012.	Guidelines for the assessment of the performance of audit committees of companies listed on the exchange under SEC Memorandum Circular No. 4, Series of 2012.
Individual Directors **CEO/President**	The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the Corporate Governance Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Company's Annual Report.	

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees.

To strictly observe and implement the provisions on corporate governance, the following penalties shall be imposed, after notice and hearing, on the company's Directors, Management, Officers, and employees:

Violations	Sanctions
First Violation	The subject person shall be reprimanded.
Second Violation	Suspension from office shall be imposed to the subject person. The duration of the suspension shall depend on the gravity of the violation.
Third Violation	The maximum penalty of removal from office shall be imposed. The commission of a third violation of this by any Director of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

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

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as of December 31, 2014 and December 31, 2013.

Consolidated Statements of Comprehensive Income for the periods December 31, 2014, December 31, 2013 and December 31, 2012.

Consolidated Statements of Changes in Equity for the periods December 31, 2014 December 31, 2013 and December 31, 2012.

Consolidated Statements of Cash flows for the periods December 31, 2014 December 31, 2013 and December 31, 2012.

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

I. Supplementary schedules required by Annex 68-E

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

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

III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

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

V. Schedule of Financial Soundness Indicators

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

MR. JOHN L. GOKONGWEI, JR.
Chairman
TIN 124-294-226

MR. JOHN L. GOKONGWEI, JR.
Chief Executive Officer
TIN 124-294-226

KATHERYN T. LIM
Treasurer
TIN 195-218-299

DIOSDADO FELIX A. ZAPATA III
Chief Financial Officer
TIN 142-200-457

Doc No. 84;
Page No. 17;
Book No. I;
Series of 2015.

ATTY. GILBERT S. MILLADO, JR.
Roll No. 45039
Notary Public
Until December 31, 2015
110 E. Rodriguez Jr. Ave. Bagumbayan, Quezon City
PTR No. [illegible]; Jan. 7, 2015; Quezon City
IBP No. 098[illegible]; Jan. [illegible] 2015; CALMANA
TIN 166-215-[illegible]
Commission Adm. No. [illegible] (2015-2016)
[illegible]

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (formerly Robinsons Holdings, Inc. and Subsidiaries), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Robinsons Retail Holdings, Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

March 26, 2015

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013 (As restated - Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 18 and 28)	**₱9,969,823,164**	₱30,128,802,014
Short-term investments (Notes 8, 18 and 28)	**1,852,726,333**	341,880,969
Trade and other receivables (Notes 9, 25 and 28)	**1,529,443,918**	1,108,452,139
Merchandise inventories (Notes 9 and 10)	**8,993,411,437**	7,028,810,289
Other current assets (Notes 11 and 28)	**1,367,073,387**	1,008,098,342
Total Current Assets	**23,712,478,239**	39,616,043,753
Noncurrent Assets		
Available-for-sale (AFS) financial assets (Notes 12 and 28)	**17,717,912,763**	–
Property and equipment (Note 13)	**9,653,665,304**	7,063,006,020
Investments in shares of stock (Note 14)	**1,990,235,885**	1,803,149,527
Intangible assets (Notes 15 and 20)	**3,034,318,342**	2,790,251,954
Deferred tax assets - net (Note 26)	**169,670,408**	119,331,416
Other noncurrent assets (Notes 16 and 28)	**1,215,713,690**	958,915,358
Total Noncurrent Assets	**33,781,516,392**	12,734,654,275
	₱57,493,994,631	₱52,350,698,028
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 17, 25 and 28)	**₱14,139,144,305**	₱12,075,397,219
Current portion of loans payable (Notes 18 and 28)	**55,555,556**	395,555,556
Income tax payable	**629,586,074**	700,641,915
Other current liabilities (Note 28)	**198,062,357**	203,652,278
Total Current Liabilities	**15,022,348,292**	13,375,246,968
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 18 and 28)	**56,131,441**	111,860,152
Deferred tax liability -net (Note 26)	**544,575,639**	519,940,522
Net pension liabilities (Notes 23 and 24)	**634,701,436**	361,181,660
Total Noncurrent Liabilities	**1,235,408,516**	992,982,334
Total Liabilities	**16,257,756,808**	14,368,229,302
Equity (Note 19)		
Capital stock	**1,385,000,000**	1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,026,913,866
Treasury shares	–	(1,100,373,100)
Other comprehensive income (loss) (Notes 12, 14 and 24)	**(23,641,261)**	27,710,882
Equity reserve	**(991,931,906)**	116,459,430
Retained earnings		
Appropriated	**10,311,451,453**	4,340,251,453
Unappropriated	**1,740,057,473**	4,710,692,005
Total equity attributable to equity holders of the Parent Company	**39,648,320,849**	36,506,654,536
Non-controlling interest in consolidated subsidiaries	**1,587,916,974**	1,475,814,190
Total Equity	**41,236,237,823**	37,982,468,726
	₱57,493,994,631	₱52,350,698,028

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013 (As restated - Note 2)	2012
SALES - net of sales discounts and returns (Notes 6, 21 and 25)	**₱80,400,962,302**	₱67,254,175,069	₱57,393,248,813
COST OF MERCHANDISE SOLD (Notes 6 and 10)	**62,971,862,522**	52,942,470,422	46,414,453,179
GROSS PROFIT	**17,429,099,780**	14,311,704,647	10,978,795,634
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 25, 29 and 30)	**1,433,203,123**	1,320,743,045	1,078,588,155
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**18,862,302,903**	15,632,447,692	12,057,383,789
OPERATING EXPENSES (Notes 22, 23 and 24)	**(14,374,863,748)**	(11,568,983,962)	(10,616,575,044)
OTHER INCOME (CHARGES)			
Interest income (Notes 7, 8 and 12)	**634,184,861**	113,390,746	114,125,136
Equity in net earnings of an associate (Note 14)	**56,549,947**	191,465,985	159,023,568
Dividend income (Note 12)	**27,875,000**	3,271,519	4,363,038
Foreign currency exchange gain (losses) – net	**25,063,690**	25,247,402	(19,404,733)
Interest expense (Note 18)	**(12,057,390)**	(77,328,731)	(58,217,332)
Investment income	**–**	–	129,874,167
	731,616,108	256,046,921	329,763,844
INCOME BEFORE INCOME TAX (Note 6)	**5,219,055,263**	4,319,510,651	1,770,572,589
PROVISION FOR INCOME TAX (Note 26)			
Current	**1,313,560,861**	1,146,035,321	418,763,595
Deferred	**(27,789,611)**	56,122,823	6,886,046
	1,285,771,250	1,202,158,144	425,649,641
NET INCOME	**3,933,284,013**	3,117,352,507	1,344,922,948
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value and share in change in fair value of AFS financial assets (Notes 12 and 14)	**125,549,751**	105,431,546	(5,235,058)
Share in change in translation adjustment of an associate (Note 14)	**(7,145,197)**	(33,984,500)	–
Sale of AFS financial assets	**–**	(1,800,000)	–
Income tax effect	**(39,160,923)**	15,093,540	1,570,517
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Share in an associate actuarial losses on pension liability(Note 14)	**–**	(9,186,621)	–
Remeasurement losses on net pension liabilities (Note 24)	**(205,700,823)**	(28,395,304)	(32,051,568)
Income tax effect	**61,710,247**	8,518,591	9,615,470
	(64,746,945)	55,677,252	(26,100,639)
TOTAL COMPREHENSIVE INCOME	**₱3,868,537,068**	₱3,173,029,759	₱1,318,822,309

(Forward)

	Years Ended December 31		
	2014	2013	2012)
Net income attributable to:			
Equity holders of the Parent Company	**₱3,560,636,968**	₱2,744,964,659	₱1,199,643,937
Non-controlling interest in consolidated subsidiaries	**372,647,045**	372,387,848	145,279,011
	₱3,933,284,013	₱3,117,352,507	₱1,344,922,948
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱3,509,284,825**	₱2,802,724,717	₱1,173,543,298
Non-controlling interest in consolidated subsidiaries	**359,252,243**	370,305,042	145,279,011
	₱3,868,537,068	₱3,173,029,759	₱1,318,822,309
Basic/Diluted Earnings Per Share (Note 27)	**₱2.60**	₱3.79	₱2.89

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Robinsons 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 19)	Additional Paid-in Capital (Note 19)	Other Comprehensive Income (Loss) (Notes 12,14 and 24)	Equity Reserve (Note 19)	Appropriated (Note 19)	Unappropriated (Note 19)	Treasury Stock (Note 19)	Total	Non-controlling Interest in Consolidated Subsidiaries	Total
	For the Year Ended December 31, 2014									
Balance at beginning of year	**₱1,385,000,000**	**₱27,026,913,866**	**₱27,710,882**	**₱116,459,430**	**₱4,340,251,453**	**₱4,710,692,005**	**(₱1,100,373,100)**	**₱36,506,654,536**	**₱1,475,814,190**	**₱37,982,468,726**
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	**76,400,000**	**76,400,000**
Sale of treasury shares	–	**200,471,224**	–	–	–	–	**1,100,373,100**	**1,300,844,324**	–	**1,300,844,324**
Additional investment in a subsidiary	–	–	–	–	–	–	–	–	**40,600,000**	**40,600,000**
Acquisition of noncontrolling interest	–	–	–	**(1,108,391,336)**	–	–	–	**(1,108,391,336)**	**(336,916,914)**	**(1,445,308,250)**
Dividends	–	–	–	–	–	**(560,071,500)**	–	**(560,071,500)**	**(27,232,545)**	**(587,304,045)**
Appropriation	–	–	–	–	**5,986,200,000**	**(5,986,200,000)**	–	–	–	–
Reversal of appropriation	–	–	–	–	**(15,000,000)**	**15,000,000**	–	–	–	–
Net income	–	–	–	–	–	**3,560,636,968**	–	**3,560,636,968**	**372,647,045**	**3,933,284,013**
Other comprehensive loss	–	–	**(51,352,143)**	–	–	–	–	**(51,352,143)**	**(13,394,802)**	**(64,746,945)**
Total comprehensive income	–	–	**(51,352,143)**	–	–	**3,560,636,968**	–	**3,509,284,825**	**359,252,243**	**3,868,537,068**
Balance at end of year	**₱1,385,000,000**	**₱27,227,385,090**	**(₱23,641,261)**	**(₱991,931,906)**	**₱10,311,451,453**	**₱1,740,057,473**	**₱–**	**₱39,648,320,849**	**₱1,587,916,974**	**₱41,236,237,823**
	For the Year Ended December 31, 2013									
Balance at beginning of year	₱415,000,000	₱141,816,919	(₱30,049,176)	₱116,459,430	₱4,716,251,453	₱1,592,394,013	₱–	₱6,951,872,639	₱1,105,509,148	₱8,057,381,787
Issuance of shares	970,000,000	27,630,750,000	–	–	–	–	–	28,600,750,000	–	28,600,750,000
Transaction costs	–	(745,653,053)	–	–	–	–	–	(745,653,053)	–	(745,653,053)
Treasury shares	–	–	–	–	–	–	(1,100,373,100)	(1,100,373,100)	–	(1,100,373,100)
Dividends	–	–	–	–	–	(2,666,667)	–	(2,666,667)	–	(2,666,667)
Appropriation	–	–	–	–	1,024,000,000	(1,024,000,000)	–	–	–	–
Reversal of appropriation	–	–	–	–	(1,400,000,000)	1,400,000,000	–	–	–	–
Net income	–	–	–	–	–	2,744,964,659	–	2,744,964,659	372,387,848	3,117,352,507
Other comprehensive loss	–	–	57,760,058	–	–	–	–	57,760,058	(2,082,806)	55,677,252
Total comprehensive income	–	–	57,760,058	–	–	2,744,964,659	–	2,802,724,717	370,305,042	3,173,029,759
Balance at end of year	₱1,385,000,000	₱27,026,913,866	₱27,710,882	₱116,459,430	₱4,340,251,453	₱4,710,692,005	(₱1,100,373,100)	₱36,506,654,536	₱1,475,814,190	₱37,982,468,726
	For the Year Ended December 31, 2012									
Balance at beginning	₱415,000,000	₱141,816,919	(₱3,948,537)	₱98,101,590	₱4,716,251,453	₱392,750,076	₱–	₱5,759,971,501	₱729,226,419	₱6,489,197,920
Acquisition of a subsidiary (Note 20)	–	–	–	–	–	–	–	–	202,697,558	202,697,558
Effect of decrease in ownership interest in subsidiaries (Note 2)	–	–	–	18,357,840	–	–	–	18,357,840	28,306,160	46,664,000
Net income, as restated (Note 3)	–	–	–	–	–	1,199,643,937	–	1,199,643,937	145,279,011	1,344,922,948
Other comprehensive loss	–	–	(26,100,639)	–	–	–	–	(26,100,639)	–	(26,100,639)
Total comprehensive income	–	–	(26,100,639)	–	–	1,199,643,937	–	1,173,543,298	145,279,011	1,318,822,309
Balance at end of year	₱415,000,000	₱141,816,919	(₱30,049,176)	₱116,459,430	₱4,716,251,453	₱1,592,394,013	₱–	₱6,951,872,639	₱1,105,509,148	₱8,057,381,787

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱5,219,055,263**	₱4,319,510,651	₱1,770,572,589
Adjustments for:			
Depreciation and amortization (Notes 13, 15 and 22)	**1,280,140,229**	999,878,389	1,577,933,781
Movement in pension liability (Notes 23 and 24)	**67,818,953**	47,513,813	20,794,303
Interest expense (Note 18)	**12,057,390**	77,328,731	58,217,332
Interest income (Notes 7, 8 and 12)	**(634,184,861)**	(113,390,746)	(114,125,136)
Equity in net earnings of an associate (Note 14)	**(56,549,947)**	(191,465,985)	(159,023,568)
Dividend income (Note 12)	**(27,875,000)**	(3,271,519)	(4,363,038)
Unrealized foreign currency exchange loss (gain) – net	**(25,063,690)**	(25,247,402)	19,404,733
Investment income (Note 25)	**–**	–	(129,874,167)
Provision for impairment losses - property and equipment (Notes 13 and 22)	**–**	–	21,474,843
Loss on asset retirement	**–**	–	1,159,725
Operating income before working capital changes	**5,835,398,337**	5,110,855,932	3,062,171,397
Increase in:			
Trade and other receivables	**(278,401,287)**	(195,855,452)	(97,987,870)
Merchandise inventories	**(1,964,601,148)**	(1,023,856,670)	(1,423,157,427)
Other current assets	**(358,975,045)**	(279,134,408)	(207,265,461)
Short-term investments	**(1,535,631,934)**	(6,780,628)	(25,665,672)
Increase (decrease) in:			
Trade and other payables	**2,037,714,421**	(252,250,054)	2,011,969,559
Other current liabilities	**(5,589,921)**	(31,579,242)	19,738,909
Net cash flows generated from operations	**3,729,913,423**	3,321,399,478	3,339,803,435
Interest received	**502,867,570**	56,317,604	112,741,087
Income tax paid	**(1,384,616,702)**	(637,923,685)	(214,787,204)
Net cash flows provided by operating activities	**2,848,164,291**	2,739,793,397	3,237,757,318
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
AFS financial assets (Note12)	**(17,704,262,593)**	–	–
Property and equipment (Note 13)	**(3,713,158,755)**	(2,790,698,668)	(1,911,949,758)
License (Note 15)	**–**	–	(121,212,122)
Franchise (Note 15)	**(13,805,165)**	–	–
Proceeds from disposals of:			
Property and equipment (Note 13)	**17,506,064**	36,790,803	12,859,083
AFS financial assets (Note 12)	**–**	50,000,000	–
Shares of stocks (Note 25)	**–**	–	141,667,700
Dividends received (Note 12)	**–**	3,271,519	4,363,038

(Forward)

	Years Ended December 31		
	2014	2013	2012 (As restated - Notes 3 and 24)
Purchase of non-controlling interest	**(₱1,300,844,324)**	₱–	₱–
Acquisition through business combination - net of cash received (Note 20)	**(371,493,163)**	(408,722,500)	(2,152,086,495)
Increase in other noncurrent assets	**(253,302,449)**	(213,136,081)	(132,040,038)
Net cash flows used in investing activities	**(23,339,360,385)**	(3,322,494,927)	(4,158,398,592)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of treasury shares, net of transaction cost (Note 19)	**1,300,844,324**	–	–
Dividends paid (Notes 19)	**(561,271,381)**	(2,666,667)	–
Payment of loans (Note 18)	**(395,728,711)**	(2,120,781,856)	(261,802,436)
Interest paid (Note 18)	**(12,057,390)**	(71,500,108)	(58,217,332)
Proceeds from stock issuance (Notes 19)	**–**	28,600,750,000	46,664,000
Acquisition of treasury shares (Notes 19)	**–**	(1,100,373,100)	–
Payment of transaction costs	**–**	(745,653,053)	–
Proceeds from loan availments (Note 18)	**–**	100,000,000	2,003,516,791
Net cash flows provided by financing activities	**331,786,842**	24,659,775,216	1,730,161,023
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**430,402**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,158,978,850)**	24,077,073,686	809,519,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**30,128,802,014**	6,051,728,328	5,242,208,579
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱9,969,823,164**	₱30,128,802,014	₱6,051,728,328

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

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

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

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

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

2. **Basis of Preparation**

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

The Group's management opted to change the presentation of its consolidated statements of comprehensive income. "Gross profit" and "Gross profit including other revenue" have been presented to assist users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes and computation of financial ratios. The Group's management believes that the inclusion of "Gross profit" and "Gross profit including other revenue", which included the "royalty, rent and other revenue" line item, for the years ended December 31, 2014, 2013 and 2012 would be more useful to the users of the consolidated financial statements.

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

Finalization of Purchase Price Allocation
In 2014, the Group finalized the purchase price allocation of its acquisitions of Eurogocer Corp. (EC), Beauty Skinnovations Retail, Inc. (BSRI), and JAS 8 Retailing Mngt. Corporation (JRMC) through business combinations on September 14, 2013, December 5, 2013 and January 29, 2014, respectively. The December 31, 2013 comparative information was restated to reflect the adjustments to the provisional amounts and the effects to the consolidated financial statements (Note 20).

In 2013, the Group finalized the purchase price allocation of its acquisition of South Star Drug, Inc. (SSDI), a subsidiary, through business combination on July 4, 2012. The December 31, 2012 comparative information was restated to reflect the adjustments to the provisional amounts (Note 20).

Basis of Consolidation

The consolidated financial statements as of December 31, 2014, 2013 and 2012 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					
	2014		2013		2012	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson's, Incorporated. (RI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Ventures Corporation (RVC)	–	**65.00%**	–	65.00%	–	65.00%
Robinsons Toys, Inc. (RTI)	–	**100.00%**	–	100.00%	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	–	**51.00%**	–	51.00%	–	51.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%	–	45.00%
GNC Pharma Corporation (GPC)	–	**100.00%**	–	–	–	–
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	–	**100.00%**	–	100.00%	–	–
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–	100.00%	–
Angeles Supercenter, Inc. (ASI)	–	**67.00%**	–	67.00%	–	67.00%
Eurogrocer Corp (EC)	–	**100.00%**	–	100.00%	–	–
JAS 8 Retailing Mngt. Corporation (JRMC)	–	**100.00%**	–	–	–	–
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%	–	67.00%
SSDI	–	**45.00%**	–	45.00%	–	45.00%
Robinsons Handyman, Inc. (RHMI)	–	**80.00%**	–	55.00%	–	55.00%
Handyman Express Mart, Inc. (HEMI)	–	**52.00%**	–	35.75%	–	35.75%
Waltermart Handyman, Inc. (WHI)	–	**52.00%**	–	35.75%	–	35.75%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**53.33%**	–	36.67%	–	36.67%
RHI Builders and Contractors Depot Corp. (RHIB)	–	**53.60%**	–	–	–	–
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	**59.40%**	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	–	–
RRHI Management and Consulting, Inc.	**100.00%**	–	100.00%	–	–	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	100.00%	–	–	–
RRHI Trademarks Management, Inc.	**100.00%**	–	100.00%	–	–	–

All subsidiaries were incorporated in the Philippines.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

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

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

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

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

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

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

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

In 2014, RHMI acquired 67.00% ownership of RHIB, a Company engaged in the business of hardware retailing (Note 20). The non-controlling interest (NCI) is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱26.40 million where NCI made additional investments amounting to ₱50.00 million.

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

On June 2, 2014, SSDI acquired 100% ownership of GPC, a Company engaged in the business of pharmaceutical retailing (Note 20).

On January 29, 2014, RSC acquired 100% ownership of JRMC, a Company engaged in the business of grocery retailing (Note 20).

On September 14, 2013, RSC acquired 100% ownership of EC, a Company engaged in the business of grocery retailing (Note 20).

On July 8, 2013, RGFBI, wholly-owned subsidiary of RI, was incorporated to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. RI provided equity funding to RGFBI amounting ₱100.00 million.

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

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

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

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

On July 4, 2012, RSC and RI, wholly-owned subsidiaries of RRHI, each acquired 45.00% interest in SSDI, aggregating to 90.00% (Note 20).

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

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

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

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

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

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

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

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

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

3. Changes in Accounting Policies

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014. However, they do not impact the annual consolidated financial statements of the Group.

The nature and impact of each new standard and amendment is described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2014. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should

be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  a. A performance condition must contain a service condition
  b. A performance target must be met while the counterparty is rendering service
  c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  d. A performance condition may be a market or non-market condition
  e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before

maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must

present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – Regional Market Issue regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

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

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

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

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

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

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

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

4. **Summary of Significant Accounting Policies**

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized:

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

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

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

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

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

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

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

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

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at the fair value of the consideration given. Except

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014 and 2013, the financial instruments of the Group are classified as loans and receivables, AFS financial assets and other financial liabilities.

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

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

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

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

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

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

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

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

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

This accounting policy applies primarily to the Group's trade and other receivables (Note 9).

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

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

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement

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

Impairment of Financial Assets

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

AFS Financial Assets

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

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

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

Loans and Receivables

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014 and 2013, the Group's interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either gain or loss on embedded derivative.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Each unit or group of units to which the goodwill is allocated should:
- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

Franchise
The Group acquired the franchise to use the brand and operate its stores. The franchise shall be amortized using the straight-line method over a period of ten (10) years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Tax

Current Tax

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

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from excess MCIT and NOLCO can be utilized.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

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

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 19). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Retained Earnings
Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively.. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries (Note 19).

Treasury Shares
Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. Any gain or loss on the purchase, sale, issue or cancellation or re-issuance is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance. The retained earnings account is restricted to payment of dividends to the extent of the cost of treasury shares (Note 19).

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

A reassessment is made after inception of the lease, only if one of the following applies:
a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension
c) was initially included in the lease term;
d) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
e) there is a substantial change to the asset.

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

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

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group’s functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities

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

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

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

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2014, 2013 and 2012 (Note 27).

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

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

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

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

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

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

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

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

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

Operating Lease Commitments - Group as Lessor
The Group has entered into lease agreements to provide store facilities and equipment (Note 29). The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

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

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

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations (Note 31).

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

Determining Fair Values of Financial Assets and Liabilities
Fair value determinations for financial assets and liabilities are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time (see Note 28).

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

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

As of December 31, 2014 and 2013, the carrying value of the Group's trade and other receivables amounted to ₱1.53 billion and ₱1.11 billion, respectively.

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

The carrying value of AFS financial assets amounted to ₱17.72 billion as of December 31, 2014 (Note 12).

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

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

No provision for impairment losses on merchandise inventories was recognized in 2014 and 2013.

Merchandise inventories amounted to ₱8.99 billion and ₱7.03 billion as of December 31, 2014 and 2013, respectively (Note 10).

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

In 2013, the management concluded its reassessment of the EUL of its property and equipment items to reflect the appropriate pattern of economic benefits. The changes in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by ₱780.64 million for the year ended December 31, 2013 (Note 13).

As of December 31, 2014 and 2013, the carrying value of the Group's property and equipment amounted to ₱9.65 billion and ₱7.06 billion, respectively.

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

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

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

Based on management assessment as of December 31, 2014 and 2013, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in an associate and intangible assets with definite useful lives.

As of December 31, 2014 and 2013, the carrying value of the Group's property and equipment amounted to ₱9.65 billion and ₱7.06 billion, investments in share of stock amounted to ₱1.99 billion and ₱1.80 billion, licenses amounted to ₱96.97 million and ₱109.09 million, and franchise amounted to ₱13.81 million and nil, respectively.

Pension and Other Retirement Benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24, and include, among others, discount rate and salary rates increase.

As of December 31, 2014 and 2013, the carrying value of the net pension liabilities amounted to ₱634.70 million and ₱361.18 million, respectively.

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

As of December 31, 2014 and 2013, the Group has deferred tax assets amounting ₱169.67 million and ₱119.33 million respectively (Note 26).

Goodwill and Trademarks
In the course of the Group's business combinations, goodwill and trademark were acquired (see Note 15). These assets have indefinite useful lives. Below are the business segments to which goodwill and trademarks arise from:

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

Impairment Testing of Goodwill and Trademarks
The Group performed its annual impairment test in December 31, 2014 and 2013. The cash generating units (CGU) are concluded to be the entire entities invested in.

Value in Use
The recoverable amount of the each CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the demand for products and services. The pre-tax discount rate applied to cash flow projections ranged between 8.65% to 10.05% in 2014 (10.30% in 2013) and cash flows beyond the five-year period are extrapolated using a 5.00% to 18.00% growth rate (5.00% in 2013) 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 trademark are not impaired.

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

- Gross margins
- Discount rates

- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross Margins
Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin to 12.25% to 23.10% for 2014 and 4.50% for 2013 would result in impairment.

Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate to 11.00% to 15.05% would result in impairment.

Price Inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2014 and 5.00% to 10.00% in 2013. 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 impairment.

Growth Rate Estimates
Rates are based on published industry research. A reduction to 4.10% 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 2014, the Group used the EV/EBITDA multiple ranging from 13.93 to 15.53 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

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

Revenue Recognition – Points for Loyalty Programme
The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As at December 31, 2014 and 2013 the estimated liability for unredeemed points was approximately ₱27.97 million and ₱9.31 million, respectively.

6. Operating Segment

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*
  The first major retailer to promote health and wellness. Robinson's Supermarket commits to bring together healthy options and affordable prices in a refreshingly clean and organized shopping destination. It makes a bold lifelong commitment to educate and empower its customers to make healthy choices.

- *Department Store Division*
  Robinson's department store is one of the premier shopping destinations in the country today. It offers an exceptional selection of merchandise from top international and local brands. From the trendiest fashion pieces, the most coveted lifestyle products, the latest items for the home, to playthings and necessities for the little ones. It provides experience that goes beyond ordinary shopping.

- *DIY Division*
  Handyman Do it Best has grown to be one of the most aggressive hardware and home improvement centers in the country. It aims to cover the Philippine landscape with more branches in key commercial centers to promote self-reliance among do-it yourselfers.

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

- *Drug Store Division*
  South Star Drug Store offers over a thousand brands from food and pharmaceuticals to personal care products.

- *Specialty Store Division*
  Specialty Store is the lifestyle retail arm of the Group. It is committed to bringing the best loved international lifestyle brands, top entertainment systems, and unparalleled selection of toys and games.

2014

	Supermarket Division	Department StoreDivision	DIY Division	Convenience Store Division	Drug store Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱39,198,503,300	₱13,738,401,021	₱ 8,521,191,398	₱4,615,481,381	₱7,060,667,849	₱7,266,717,353	₱–	₱–	₱80,400,962,302
Intersegment net sales	–	–	–	–	–	622,344,641	–	(622,344,641)	–
Total net sales	39,198,503,300	13,738,401,021	8,521,191,398	4,615,481,381	7,060,667,849	7,889,061,994	–	(622,344,641)	80,400,962,302
Segment cost of merchandise sold	31,829,500,305	9,509,234,689	5,878,262,588	4,182,100,283	5,931,854,413	5,640,910,244	–	–	62,971,862,522
Intersegment cost of merchandise sold	6,580,467	622,344,641	1,888,478	–	–	1,121,323	–	(631,934,909)	–
Total cost of merchandise sold	31,836,080,772	10,131,579,330	5,880,151,066	4,182,100,283	5,931,854,413	5,642,031,567	–	(631,934,909)	62,971,862,522
Gross profit	7,362,422,528	3,606,821,691	2,641,040,332	433,381,098	1,128,813,436	2,247,030,427	–	9,590,268	17,429,099,780
Segment other income	89,081,203	56,674,760	–	1,170,395,135	100,483,482	16,568,543	–	–	1,433,203,123
Intersegment other income	114,510,761	9,590,268	–	–	–	–	–	(124,101,029)	–
Total other income	203,591,964	66,265,028	–	1,170,395,135	100,483,482	16,568,543	–	(124,101,029)	1,433,203,123
Gross profit including other income	7,566,014,492	3,673,086,719	2,641,040,332	1,603,776,233	1,229,296,918	2,263,598,970	–	(114,510,761)	18,862,302,903
Segment operating expenses	4,899,590,616	2,557,749,781	1,710,665,288	1,314,952,139	887,995,514	1,717,650,328	6,119,853	–	13,094,723,519
Intersegment operating expenses	2,190,004	59,651,260	19,856,668	–	20,303,635	12,509,194	–	(114,510,761)	–
Total operating expenses	4,901,780,620	2,617,401,041	1,730,521,956	1,314,952,139	908,299,149	1,730,159,522	6,119,853	(114,510,761)	13,094,723,519
Earnings before interest, taxes and depreciation and amortization	2,664,233,872	1,055,685,678	910,518,376	288,824,094	320,997,769	533,439,448	(6,119,853)	–	5,767,579,384
Depreciation and amortization	535,683,759	174,667,903	129,257,270	203,400,315	46,331,598	190,799,384	–	–	1,280,140,229
Earnings before interest and taxes	2,128,550,113	881,017,775	781,261,106	85,423,779	274,666,171	342,640,064	(6,119,853)	–	4,487,439,155
Interest expense	–	–	(1,591,150)	(7,111,597)	(4,406,929)	(19,784,223)	–	20,836,509	(12,057,390)
Interest income	6,703,881	4,963,063	11,464,086	742,508	1,731,360	4,200,051	625,216,421	(20,836,509)	634,184,861
Dividend income	–	–	–	–	–	–	327,875,000	(300,000,000)	27,875,000
Unrealized forex gain (loss)	–	–	–	–	–	–	25,063,690	–	25,063,690
Equity in net earnings of an associate	–	–	–	–	–	–	56,549,947	–	56,549,947
Income before income tax	₱2,135,253,994	₱885,980,838	₱791,134,042	₱79,054,690	₱271,990,602	₱327,055,892	₱1,028,585,205	(₱300,000,000)	₱5,219,055,263
Assets and Liabilities									
Segment assets	10,924,736,561	3,717,280,449	4,087,924,263	2,285,354,461	2,835,218,028	4,192,432,860	30,993,276,665	(1,542,228,656)	57,493,994,631
Investment in subsidiaries - at cost	2,771,636,283	1,834,770,374	–	–	–	–	2,031,274,134	(6,637,680,791)	–
Total segment assets	₱13,696,372,844	₱5,552,050,823	₱4,087,924,263	₱2,285,354,461	₱2,835,218,028	₱4,192,432,860	₱33,024,550,799	(₱8,179,909,447)	₱57,493,994,631
Total segment liabilities	₱6,301,266,770	₱2,802,810,941	₱1,946,091,733	₱1,512,863,649	₱1,456,282,356	₱2,678,479,603	₱83,064,840	(₱523,103,084)	₱16,257,756,808
Other segment information:									
Capital expenditures	₱1,616,215,223	₱513,996,144	₱436,570,364	₱582,710,117	₱135,609,024	₱590,429,057	₱–	₱–	₱3,875,529,929

2013

	Supermarket Division	Department StoreDivision	DIY Division	Convenience Store Division	Drug store Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱32,491,221,803	₱11,876,966,278	₱7,094,945,148	₱4,207,766,150	₱6,287,383,823	₱5,295,891,867	₱–	₱–	₱67,254,175,069
Intersegment net sales	–	–	–	–	–	517,554,978	–	(517,554,978)	–
Total net sales	32,491,221,803	11,876,966,278	7,094,945,148	4,207,766,150	6,287,383,823	5,813,446,845	–	(517,554,978)	67,254,175,069
Segment cost of merchandise sold	26,452,111,484	8,242,931,142	4,900,551,174	3,842,421,540	5,274,408,704	4,230,046,378	–	–	52,942,470,422
Intersegment cost of merchandise sold	–	517,554,978	–	–	–	–	–	(517,554,978)	–
Total cost of merchandise sold	26,452,111,484	8,760,486,120	4,900,551,174	3,842,421,540	5,274,408,704	4,230,046,378	–	(517,554,978)	52,942,470,422
Gross profit	6,039,110,319	3,116,480,158	2,194,393,974	365,344,610	1,012,975,119	1,583,400,467	–	–	14,311,704,647
Segment other income	85,549,016	36,222,180	–	1,093,674,442	88,821,412	16,475,995			1,320,743,045
Intersegment other income	94,687,981	–	–	–	–	–	–	(94,687,981)	–
Total other income	180,236,997	36,222,180	–	1,093,674,442	88,821,412	16,475,995	–	(94,687,981)	1,320,743,045
Gross profit including other income	6,219,347,316	3,152,702,338	2,194,393,974	1,459,019,052	1,101,796,531	1,599,876,462	–	(94,687,981)	15,632,447,692
Segment operating expenses	3,979,650,769	2,112,052,811	1,404,861,640	1,107,833,455	771,557,942	1,192,570,430	578,526	–	10,569,105,573
Intersegment operating expenses	–	54,072,680	19,411,630	–	10,433,968	10,769,703	–	(94,687,981)	–
Total operating expenses	3,979,650,769	2,166,125,491	1,424,273,270	1,107,833,455	781,991,910	1,203,340,133	578,526	(94,687,981)	10,569,105,573
Earnings before interest, taxes and depreciation and amortization	2,239,696,547	986,576,847	770,120,704	351,185,597	319,804,621	396,536,329	(578,526)	–	5,063,342,119
Depreciation and amortization	429,917,633	156,697,678	100,167,026	157,367,231	36,917,657	118,811,164	–	–	999,878,389
Earnings before interest and taxes	1,809,778,914	829,879,169	669,953,678	193,818,366	282,886,964	277,725,165	(578,526)	–	4,063,463,730
Interest expense	(27,452,902)	(19,876,725)	–	(7,698,451)	(16,086,652)	(6,214,001)	–	–	(77,328,731)
Interest income	3,625,401	15,673,289	14,947,577	4,633,347	6,023,053	5,446,387	63,041,692	–	113,390,746
Dividend income	3,271,519	–	–	–	–	–	600,000,000	(600,000,000)	3,271,519
Unrealized forex gain (loss)	–	–	–	–	–	–	25,247,402	–	25,247,402
Equity in net earnings of an associate	–	–	–	–	–	–	191,465,985	–	191,465,985
Income before income tax	₱1,789,222,932	₱825,675,733	₱684,901,255	₱190,753,262	₱272,823,365	₱276,957,551	₱879,176,553	(₱600,000,000)	₱4,319,510,651
Assets and Liabilities									
Segment assets	8,966,646,834	3,585,222,266	3,119,843,992	1,965,131,397	2,471,831,550	3,277,220,905	29,681,084,428	(716,283,344)	52,350,698,028
Investment in subsidiaries - at cost	1,326,328,033	1,834,770,374	–	–	–	–	1,676,874,134	(4,837,972,541)	–
Total segment assets	₱10,292,974,867	₱5,419,992,640	₱3,119,843,992	₱1,965,131,397	₱2,471,831,550	₱3,277,220,905	₱31,357,958,562	(₱5,554,255,885)	₱52,350,698,028
Total segment liabilities	₱6,894,073,023	₱3,174,876,168	₱1,567,961,888	₱1,237,499,026	₱1,288,897,318	₱2,737,821,786	₱57,161,317	(₱2,590,061,224)	₱14,368,229,302
Other segment information:									
Capital expenditures	₱1,422,836,578	₱424,889,966	₱215,550,405	₱315,365,266	₱78,615,191	₱505,704,047	₱–	₱–	₱2,962,961,453

2012

	Supermarket Division	Department StoreDivision	DIY Division	Convenience Store Division	DrugStore Division	SpecialtyStore Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱29,294,898,956	₱11,374,217,351	₱6,194,963,277	₱3,825,530,134	₱2,442,556,867	₱4,261,082,228	₱–	₱–	₱57,393,248,813
Intersegment net sales	–	–	–	–	–	501,068,295	–	(501,068,295)	–
Total net sales	29,294,898,956	11,374,217,351	6,194,963,277	3,825,530,134	2,442,556,867	4,762,150,523	–	(501,068,295)	57,393,248,813
Segment cost of merchandise sold	24,438,672,246	8,234,478,000	4,623,741,579	3,485,644,893	2,083,140,089	3,548,776,372	–	–	46,414,453,179
Intersegment cost of merchandise sold	–	501,068,295	–	–	–	–	–	(501,068,295)	–
Total cost of merchandise sold	24,438,672,246	8,735,546,295	4,623,741,579	3,485,644,893	2,083,140,089	3,548,776,372	–	(501,068,295)	46,414,453,179
Gross profit	4,856,226,710	2,638,671,056	1,571,221,698	339,885,241	359,416,778	1,213,374,151	–	–	10,978,795,634
Segment other income	60,012,804	8,636,640	–	947,775,202	48,583,357	13,580,152		–	1,078,588,155
Intersegment other income	94,452,707	–	–	–	–	–	–	(94,452,707)	–
Total other income	154,465,511	8,636,640	–	947,775,202	48,583,357	13,580,152		(94,452,707)	1,078,588,155
Gross profit including other income	5,010,692,221	2,647,307,696	1,571,221,698	1,287,660,443	408,000,135	1,226,954,303		(94,452,707)	12,057,383,789
Segment operating expenses	3,737,259,477	1,899,590,296	1,117,673,208	993,367,374	303,218,920	966,001,166	55,978	–	9,017,166,419
Intersegment operating expenses	–	63,104,601	17,846,723	–	3,608,937	9,892,446	–	(94,452,707)	–
Total operating expenses	3,737,259,477	1,962,694,897	1,135,519,931	993,367,374	306,827,857	975,893,612	55,978	(94,452,707)	9,017,166,419
Earnings before interest, taxes and depreciation and amortization	1,273,432,744	684,612,799	435,701,767	294,293,069	101,172,278	251,060,691	(55,978)	–	3,040,217,370
Depreciation and amortization*	709,740,940	304,453,587	162,919,190	225,535,609	23,096,030	173,663,269	–	–	1,599,408,625
Earnings before interest and taxes	563,691,804	380,159,212	272,782,577	68,757,460	78,076,248	77,397,422	(55,978)		1,440,808,745
Interest expense	(15,545,833)	(10,659,444)	–	(19,981,130)	(5,184,216)	(6,846,709)	–	–	(58,217,332)
Interest income	9,801,335	29,419,689	21,572,499	9,080,572	4,029,990	13,494,576	26,726,475	–	114,125,136
Dividend income	4,363,038	–	–	–	–	–	–	–	4,363,038
Investment income	–	129,874,167	–	–	–	–	–	–	129,874,167
Unrealized forex gain (loss)	–	–	–	–	–	–	(19,404,733)	–	(19,404,733)
Equity in net earnings of an associate	–	–	–	–	–	–	159,023,568	–	159,023,568
Income before income tax	₱562,310,344	₱528,793,624	₱294,355,076	₱57,856,902	₱76,922,022	₱84,045,289	₱166,289,332	₱–	₱1,770,572,589
Assets and Liabilities									
Segment assets	₱7,000,611,015	₱3,992,747,419	₱2,614,931,910	₱1,736,225,785	₱2,325,383,829	₱2,370,573,837	₱1,955,433,184	₱2,235,763,729	₱24,231,670,708
Investment in subsidiaries - at cost	1,326,328,033	1,734,770,374	–	–	–	–	1,676,124,134	(4,737,222,541)	–
Total segment assets	₱8,326,939,048	₱5,727,517,793	₱2,614,931,910	₱1,736,225,785	₱2,325,383,829	₱2,370,573,837	₱3,631,557,318	(₱2,501,458,812)	₱24,231,670,708
Total segment liabilities	₱5,933,317,905	₱3,697,880,183	₱1,543,649,855	₱1,148,796,633	₱1,335,027,794	₱2,153,351,538	₱30,279,168	₱332,185,845	₱16,174,488,921
Other segment information:									
Capital expenditures	₱934,376,571	₱445,658,996	₱237,504,497	₱91,589,710	₱205,753,858	₱178,990,961	₱–	₱–	₱2,093,874,593

*includes impairment losses amounting ₱21,474,843.

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱622.34 million, ₱517.55 million and ₱501.07 million in 2014, 2013 and 2012, respectively, were eliminated on consolidation.

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

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

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

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and short-term investments amounting to ₱9.97 billion and ₱30.13 billion as of December 31, 2014 and 2013, 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 0.20% to 3.20%, 0.25% to 3.88% and 1.20% to 4.75% in 2014, 2013 and 2012, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱177.89 million, ₱105.60 million and ₱112.44 million in 2014, 2013 and 2012, respectively.

In 2013, the Group has restricted cash and cash equivalents amounting ₱140.00 million as guarantee payments for loans availed by the Group (Note 18). The related loans are fully settled in 2014.

8. Short-Term Investments

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

Short-term investments are made for varying periods of up to one (1) year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates based on annual interest rates ranging from 1.80% to 2.31%, 2.31% and 1.50% to 4.06% in 2014, 2013 and 2012, respectively.

Interest income arising from short-term investments amounted to ₱31.66 million in 2014, ₱7.79 million in 2013 and ₱1.69 million in 2012.

9. Trade and Other Receivables

This account consists of:

	2014	2013
Trade	**₱918,921,594**	₱753,337,097
Nontrade (Note 10)	**380,749,143**	247,047,431
Due from franchisees (Note 30)	**259,815,282**	138,109,712
	1,559,486,019	1,138,494,240
Less allowance for impairment losses (Notes 22 and 30)	**30,042,101**	30,042,101
	₱1,529,443,918	₱1,108,452,139

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

As of December 31, 2014 and 2013, nontrade receivables consist mainly of receivable from insurance companies amounting ₱143.79 million. Receivable from insurance companies represents amounts recoverable from the latter for the insured properties that were damaged due to fire and typhoon (Notes 10 and 13). The remaining balance consists of advances to officers and employees, cashier shortages and interest receivable arising from short-term investments.

As of December 31, 2014 and 2013, the allowance from impairment losses from its trade receivables and due from franchisees amounted to ₱30.04 million (see Note 30).

10. Merchandise Inventories

This account consists of:

	2014	2013
Balance at beginning of year	**₱7,028,810,289**	₱6,081,812,428
Add: purchases - net of purchase discounts and allowances	**64,936,463,670**	53,889,468,283
Cost of goods available for sale	**71,965,273,959**	59,971,280,711
Cost of merchandise sold	**62,971,862,522**	52,942,470,422
Balance at end of year	**₱8,993,411,437**	₱7,028,810,289

In 2013, the Group had written-down inventory costs amounting ₱88.20 million which were damaged during a typhoon and a fire. These amounts are fully recoverable from the insurance company (Note 9).

There are no merchandise inventories pledged as security for liabilities.

The cost of merchandise inventories charged to the statements of comprehensive income amounted to ₱62.97 billion, ₱52.94 billion and ₱46.41 billion in 2014, 2013 and 2012, respectively.

11. **Other Current Assets**

This account consists of:

	2014	2013
Input value added tax (VAT) – net	**₱1,092,694,647**	₱765,941,924
Prepayments	**265,911,688**	234,044,428
Others	**8,467,052**	8,111,990
	₱1,367,073,387	₱1,008,098,342

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

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

12. **Available-for-Sale Financial Assets**

Rollforward analysis of AFS financial assets follow:

	2014	2013
Cost		
At beginning of year	**₱–**	₱50,000,000
Additions	**17,704,262,593**	–
Disposals	**–**	(50,000,000)
At end of year	**17,704,262,593**	–
Accretion of interest income	**(24,849,243)**	–
Change in fair value of AFS financial assets		
At beginning of year	**–**	1,800,000
Changes in fair value during the year	**(12,131,857)**	–
Transfer to income due to disposals	**–**	(1,800,000)
At end of year	**(12,131,857)**	–
Foreign exchange gains	**50,631,270**	–
	₱17,717,912,763	₱–

In May 2013, the Group disposed its investment in equity securities for a total consideration of ₱50.00 million.

As of December 31, 2014, investments in AFS financial asset consists of investment in quoted equity shares amounting to ₱2.02 billion and debt securities amounting to ₱15.70 billion.

Quoted equity security consists of marketable equity security that is listed and traded on the Philippine Stock Exchange (PSE). The fair market value of the listed shares is based on the quoted market price as of December 31, 2014.

Dividend income earned by the Group amounted to ₱27.88 million, ₱3.27 million and ₱4.36 million in 2014, 2013 and 2012, respectively.

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

Interest income arising from AFS financial assets amounted to ₱424.64 million for the year ended December 31, 2014.

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

13. Property and Equipment

The rollforward analysis of this account follows:

2014

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱7,306,919,983	₱5,858,291,941	₱319,297,358	₱97,664,409	₱1,307,783,555	₱1,216,382,713	₱–	₱16,106,339,959
Additions through business combination (Note 20)	77,754,117	84,617,057	–	–	–	–	–	162,371,174
Additions	1,642,162,660	1,009,420,823	501,714,731	17,307,314	175,781,779	366,252,849	518,599	3,713,158,755
Disposals and write-off	(39,464,210)	(12,411,211)	(135,684)	–	–	(4,656,614)	–	(56,667,719)
At end of year	8,987,372,550	6,939,918,610	820,876,405	114,971,723	1,483,565,334	1,577,978,948	518,599	19,925,202,169
Accumulated Depreciation and Amortization								
At beginning of year	3,975,604,885	3,382,268,492	80,012,797	65,077,645	589,560,930	875,009,258	–	8,967,534,007
Depreciation and amortization (Note 22)	584,342,327	456,299,807	58,556,267	8,116,712	28,533,146	131,516,322	–	1,267,364,581
Disposals	(32,529,976)	(5,116,043)	(36,030)	–	–	(1,479,606)	–	(39,161,655)
At end of year	4,527,417,236	3,833,452,256	138,533,034	73,194,357	618,094,076	1,005,045,974	–	10,195,736,933
Allowance for impairment losses								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱4,410,387,641	₱3,080,583,368	₱682,343,371	₱41,777,366	₱865,471,258	₱572,583,701	₱518,599	₱9,653,665,304

2013

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱5,898,150,930	₱5,008,462,446	₱153,578,746	₱85,661,445	₱1,290,007,404	₱984,071,634	₱5,754,412	₱13,425,687,017
Additions through business combination (Note 20)	3,545,245	168,717,540	–	–			–	172,262,785
Additions	1,525,244,369	749,682,716	210,812,924	12,002,964	49,865,723	243,089,972	–	2,790,698,668
Disposals and write-off	(125,774,973)	(86,739,397)	(1,236,503)	–	(32,089,572)	(36,468,066)	–	(282,308,511)
Transfers	5,754,412	18,168,636	(43,857,809)	–	–	25,689,173	(5,754,412)	–
At end of year	7,306,919,983	5,858,291,941	319,297,358	97,664,409	1,307,783,555	1,216,382,713	–	16,106,339,959
Accumulated Depreciation and Amortization								
At beginning of year	3,459,227,451	3,048,782,106	90,846,952	57,393,902	740,154,822	768,417,862	–	8,164,823,095
Depreciation and amortization (Note 22)	591,913,396	379,124,000	21,837,243	7,480,937	(125,902,668)	112,675,812	–	987,128,720
Reversals	6,700,798	24,147,150	(31,583,673)	202,806	–	22,007,761		21,474,842
Disposals	(82,236,760)	(69,784,764)	(1,087,725)	–	(24,691,224)	(28,092,177)	–	(205,892,650)
At end of year	3,975,604,885	3,382,268,492	80,012,797	65,077,645	589,560,930	875,009,258	–	8,967,534,007
Allowance for impairment losses								
At beginning of year	56,268,472	39,172,943	205,491	202,806	–	1,425,063	–	97,274,775
Reversals	(6,700,799)	(13,289,957)	(205,491)	(202,806)	–	(1,075,790)	–	(21,474,843)
At end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱3,281,747,425	₱2,450,140,463	₱239,284,561	₱32,586,764	₱718,222,625	₱341,024,182	₱–	₱7,063,006,020

There are no items of property and equipment as of December 31, 2014, 2013, and 2012 that are pledged as security for liabilities.

In 2013, the Group had written down property and equipment with net book values amounting ₱49.29 million which were damaged due to typhoon and a fire. These amounts are fully recoverable from the insurance company (Note 9).

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

Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2013, the Group's capitalized payments as construction in-progress amounted to ₱5.75 million. There are no capitalized payments as of December 31, 2014.

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

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

The change in accounting estimates is accounted for prospectively resulting in a decrease in the depreciation expense of the Group by ₱780.64 million for the year ended December 31, 2013.

Cost of fully depreciated property and equipment still in use amounted to ₱4.87 billion and ₱4.37 billion as at December 31, 2014 and 2013, respectively.

14. Investments in Shares of Stock

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

	2014	2013
Investment in preferred stock	**₱1,470,083,439**	₱1,470,083,439
Investment in common stock	**520,152,446**	333,066,088
	₱1,990,235,885	₱1,803,149,527

The preferred stock has the following features:

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

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

In the event of any voluntary or involuntary liquidation, the preferred stockholders are entitled to receive the liquidation value of the said shares equivalent to 110.00% of the par value plus any unpaid but declared dividends thereon. If the net assets of RBC shall be insufficient to pay in full the liquidation value of all the preferred stock, then such net resources shall be distributed among such preferred stock ratably in accordance with the respective liquidation value of the shares they are holding. The details of the investment in preferred stock of RBC follow:

	2014	2013
At beginning of year	**₱1,470,083,439**	₱1,051,150,405
Change in fair value of investment in preferred stocks	–	418,933,034
At end of year	**₱1,470,083,439**	₱1,470,083,439

The details of the investment in common stock follow:

	2014	2013
Shares of stock - at equity:		
Acquisition cost	**₱124,933,383**	₱124,933,383
Accumulated equity in net earnings:		
Balance at beginning of year	**511,543,518**	320,077,533
Equity in net earnings	**56,549,947**	191,465,985
Balance at end of year	**568,093,465**	511,543,518
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	**(260,239,692)**	(365,671,238)
Share in fair value changes in of AFS investments	**137,681,608**	105,431,546
Balance at end of year	**(122,558,084)**	(260,239,692)
Share in translation loss adjustments		
Balance at beginning of year	**(33,984,500)**	–
Share in translation adjustments	**(7,145,197)**	(33,984,500)
	(41,129,697)	(33,984,500)
Share in remeasurement loss on pension liability		
Balance at beginning of year	**(9,186,621)**	–
Share in remeasurement loss on pension liability	–	(9,186,621)
Balance at end of year	**(9,186,621)**	(9,186,621)
	(172,874,402)	(303,410,813)
	₱520,152,446	₱333,066,088

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

No dividends have been declared by RBC in 2014, 2013 and 2012.

Summarized financial information of RBC follows:

	2014	2013
Total assets	**₱50,074,411,821**	₱45,876,694,668
Total liabilities	**44,317,364,239**	40,589,561,469
Net income	**141,374,867**	406,155,606

The consolidated statements of comprehensive income follow:

	2014	2013	2012
Total operating income	**₱2,439,100,476**	₱2,297,574,435	₱1,868,792,853
Total operating expenses and tax	**2,297,725,609**	1,891,418,829	1,458,400,601
Net income	**₱141,374,867**	₱406,155,606	₱410,392,252

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

	2014	2013
Net assets of RBC	**₱578,306,550**	₱110,590,655
Proportionate ownership in the associate	**40%**	40%
Share in net identifiable assets of common stocks	**231,322,620**	44,236,262
Total share in net assets	**520,152,446**	₱333,066,088
Difference	**₱288,829,826**	₱288,829,826

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

15. Intangible Assets

This account consists of:

	2014	2013 (As restated)
Trademark (Note 20)	**₱1,566,917,532**	₱1,566,917,532
Goodwill (Note 20)	**1,356,625,947**	1,114,243,512
Licenses	**96,969,698**	109,090,910
Franchise	**13,805,165**	–
	₱3,034,318,342	₱2,790,251,954

Trademark
The trademark was acquired through business combination in 2012 and was recognized at fair value at the date of acquisition (Note 20).

Goodwill
The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of SSDI, EC, RTSHPI, BSRI, JRMC, GPC and RHIB as follows (Note 20):

	2014	2013 (As restated)
SSDI	**₱745,887,131**	₱745,887,131
EC	**199,870,222**	199,870,222
RHIB	**147,400,000**	–
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	–
GPC	**23,250,000**	–
	₱1,356,625,947	₱1,114,243,512

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

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

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

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

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

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

Acquisition of SSDI by RSC and RI
SSDI was acquired by RSC and RI in July 4, 2012. The acquisition represents 90% ownership interest on the shares of stock of SSDI (Note 20).

License
Acquisition of Trademark by RSSI to Secure a Franchise/License
On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million for the year ended December 31, 2013 and 2014 (Note 22). No amortization expense was recognized in 2012.

The rollforward analysis of this account follows:

	2014	2013
Cost	**₱109,090,910**	₱121,212,122
Less: Amortization (Note 22)	**12,121,212**	12,121,212
	₱96,969,698	₱109,090,910

Franchise
On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a franchise fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one year after the date of the agreement, and annual service fee which is equal to a certain percentage of sales. In 2014, the Company recognized a franchise asset amounting to ₱13.81 million.

16. **Other Noncurrent Assets**

This account consists of:

	2014	2013
Security and other deposits	**₱1,181,956,719**	₱930,823,408
Construction bond	**33,756,971**	28,091,950
	₱1,215,713,690	₱958,915,358

Security and other deposits mainly consist of advances for the lease of stores which are refundable at the end of the lease term. The account also include franchise fees amounting to ₱4.08 million and ₱4.74 million as of December 31, 2014 and 2013, respectively. Amortization relating to franchise amounted to ₱0.65 million and ₱0.45 million in 2014 and 2013, respectively.

17. **Trade and Other Payables**

This account consists of:

	2014	2013
Trade	**₱10,769,670,664**	₱10,702,966,697
Nontrade (Note 25)	**3,002,090,181**	1,158,307,271
Others	**367,383,460**	214,123,251
	₱14,139,144,305	₱12,075,397,219

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

Nontrade payables consist mainly of liabilities/obligations payable to nontrade suppliers and due to related parties (Note 25).

Others consist of taxes and licenses payable and salaries payable.

18. **Loans Payable**

The rollforward analysis of this account follows:

	2014	2013
Balance at beginning of year	**₱507,415,708**	₱2,528,197,564
Availments	**–**	100,000,000
Payments	**(395,728,711)**	(2,120,781,856)
Balance at end of year	**111,686,997**	507,415,708
Less current portion	**55,555,556**	395,555,556
Noncurrent portion	**₱56,131,441**	₱111,860,152

The loans were obtained by the following:

	2014	2013
SSDI	**₱111,686,997**	₱167,415,708
RAC	–	240,000,000
RCSI	–	100,000,000
	₱111,686,997	₱507,415,708

a.) The SSDI loans payable represents a five-year unsecured loan at a floating rate benchmark, based on 12M PDST-F which will mature in 2017. SSDI also entered into an interest rate swap agreement with the lender bank to coincide with the changes in notional amount, amortization schedule, and floating rate spread with fixed interest rate at 5.34% per annum. The interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either a gain or loss on embedded derivative.

b.) The RAC loans payable represents a secured short-term promissory notes obtained from a local commercial banks and which are payable in 2014 with interest rates ranging from 4.12% to 7.0% per annum. The short-term note was obtained to support working capital requirements which mainly include store expansion and renovation of existing stores.

As of December 31, 2013, RSC acts as a guarantor for RAC's loans in which the bank restricts ₱40.00 million from the guarantor's bank accounts as guarantee for the said loan. The loan was fully paid in September 2014 (see Note 7).

c.) RCSI has outstanding loans amounting ₱100.00 million as of December 31, 2013. The interest on the loans is computed at prevailing market interest rates. As of December 31, 2013, RHMI acts as a guarantor for RCSI's loan in which the bank restricts ₱100.00 million from the guarantor's bank accounts as guarantee for the said loan. The loan was fully paid in September 2014 (see Note 7).

Total interest expense charged to operations amounted to ₱12.06 million, ₱77.33 million and ₱58.22 million in 2014, 2013 and 2012, respectively. The above loans are not required to comply with any loan covenants.

19. Equity

Capital Stock

The details of this account follows:

	2014		2013		2012	
	Amount	**No. of shares**	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	2,000,000,000	₱500,000,000	500,000,000
Issued shares	**1,385,000,000**	**1,385,000,000**	1,385,000,000	1,385,000,000	415,000,000	415,000,000
Treasury shares	–	–	(1,100,373,100)	(18,971,950)	–	–

The rollforward of issued shares account follows:

	No. of Shares			Amount		
	2014	2013	2012	**2014**	2013	2012
At beginning of year	**1,385,000,000**	415,000,000	415,000,000	**₱1,385,000,000**	₱415,000,000	₱415,000,000
Issuance	**–**	970,000,000	–	**–**	970,000,000	–
At end of year	**1,385,000,000**	1,385,000,000	415,000,000	**₱1,385,000,000**	₱1,385,000,000	₱415,000,000

Increase in Authorized Capital Stock
As approved by the BOD on June 7, 2013, the Parent Company increased its authorized capital stock from ₱500.00 million divided into 500,000,000 common shares with par value of ₱1.00 per share to ₱2.00 billion divided into 2,000,000,000 common shares with par value of ₱1.00 per share.

Of the said increase in the authorized capital stock, 485,250,000 shares have been subscribed amounting ₱485.25 million on the same date.

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

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

The rollforward of the issued shares follows:

	Amount	
	2014	2013
At beginning of year	**₱1,385,000,000**	₱415,000,000
Issuance	**–**	970,000,000
At end of year	**₱1,385,000,000**	₱1,385,000,000

Equity Reserve
On December 5, 2014, RSC has acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. As a result of the acquisition, RSC now holds 80% interest in RHMI. The Group recognized equity reserve from the acquisition amounting to ₱1.11 billion included in "Equity Reserve" in the 2014 consolidated statement of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

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

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

Retained Earnings

The income of the subsidiaries and associates that are recognized in the consolidated statement of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱9.16 billion and ₱6.45 billion as at December 31, 2014 and December 31, 2013, respectively.

Also, retained earnings is restricted to payments of dividends to the extent of cost of treasury shares in the amount of ₱1.10 billion as at December 31, 2013.

On June 25, 2014, the BOD approved the declaration of cash dividend of ₱0.41 per share or an aggregate amount of ₱560.07 million to all stockholders of record as of July 17, 2014 which was paid on August 12, 2014.

<u>Appropriation of Retained Earnings</u>
On July 4, 2013, the BOD approved the reversal of the appropriated retained earnings amounting ₱1.40 billion. The appropriation was made in 2011 for continuing investment in subsidiaries.

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

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

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

Entity	Amount
RSC	₱900,000,000
RRHI TMI	440,200,000

(Forward)

Entity	Amount
RHMI	₱430,000,000
RI	410,000,000
SSDI	190,000,000
RAC	106,000,000
RTI	86,000,000
RTSHPI	60,000,000
WHMI	60,000,000
EC	25,000,000
RVC	10,000,000
HEMI	5,000,000
Total	₱2,722,200,000

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

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

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

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

The cash dividends above are to be paid early in 2015.

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

On July 17, 2013, the BOD of the subsidiaries of the Group approved the declaration of cash dividends as follows:

Entity	Amount
RI	₱360,000,000
RSC	240,000,000
RTI	150,000,000
Total	₱750,000,000

On January 4, 2013, the BOD of the subsidiaries of the Group approved the declaration of cash dividends of RTHSPI amounting to ₱8.00 million. The dividends were paid on February 28, 2013.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014, 2013, and 2012.

The Group considers its equity as follows:

	2014	2013	2012
Capital stock	**₱1,385,000,000**	₱1,385,000,000	₱415,000,000
Additional paid-in capital	**27,227,385,090**	27,026,913,866	141,816,919
Other comprehensive income (loss)	**(23,641,261)**	27,710,882	(30,049,176)
Equity reserve	**(991,931,906)**	116,459,430	116,459,430
Treasury shares	–	(1,100,373,100)	–
Retained earnings	**12,051,508,926**	9,050,943,458	6,308,645,466
	₱39,648,320,849	₱36,506,654,536	₱6,951,872,639

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

20. Business Combinations

Acquisition of SSDI

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

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

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

	Fair Values recognized on acquisition
Assets	
Cash	₱418,078,660
Trade and other receivables	59,002,918
Inventories	1,348,427,599
Other current assets	60,866,170
Property and equipment (Note 13)	181,924,835
Trademark (Note 15)	1,566,917,532
Other noncurrent assets	37,252,913
	3,672,470,627
Liabilities	
Trade and other payables	906,773,885
Income tax payable	5,134,007
Loans payable (Note 18)	246,483,209
Deferred tax liability	470,075,260
Pension liability (Note 24)	17,028,684
	1,645,495,045
Net assets before non-controlling interest	₱2,026,975,582
Non-controlling interest measured at share of net assets (10%)	202,697,558

(Forward)

	Fair Values recognized on acquisition
Net assets (90%)	1,824,278,024
Goodwill arising on acquisition (Note 15)	745,887,131
Acquisition cost	₱2,570,165,155

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

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

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

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

	Fair Values recognized on acquisition (Restated – Note 2)
Assets	
Property and equipment (Note 13)	₱168,717,540
Liability	
Deferred tax liability	49,865,262
Net Assets	118,852,278
Goodwill (Note 15)	199,870,222
Acquisition cost	₱318,722,500

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

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

Assets	
Property and equipment	₱3,545,245
Security deposits	3,130,064
Net assets	6,675,309
Goodwill (Note 15)	83,324,691
Acquisition cost	₱90,000,000

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

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

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

	Fair Values recognized on acquisition
Assets	
Property and equipment	₱84,617,057
Liability	
Deferred tax liability	24,635,117
Net Assets	59,981,940
Goodwill (Note 15)	71,732,435
Acquisition cost	₱131,714,375

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

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

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

Assets	
Property and equipment	₱1,250,000
Goodwill (Note 15)	23,250,000
Acquisition cost	₱24,500,000

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

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

Assets	
Property and equipment	₱76,504,117
Security deposits	3,495,883
Net assets before non-controlling interest	80,000,000
Non-controlling interest measured at share of net assets (33.00%)	26,400,000
Net Assets (at 67.00%)	53,600,000
Goodwill (Note 15)	147,400,000
Acquisition cost	₱201,000,000

21. Sales Revenue

Sales are recognized from retail customers at the point of sale in the stores. Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱1.86 billion, ₱1.53 billion and ₱1.33 billion in 2014, 2013 and 2012, respectively.

22. Operating Expenses

This account consists of:

	2014	2013	2012
Rental and utilities (Notes 25, 29 and 30)	**₱6,549,331,059**	₱5,385,958,794	₱4,634,596,573
Personnel costs and contracted services (Note 23)	**3,965,911,963**	3,224,610,213	2,622,508,253
Depreciation and amortization (Notes 13 and 15)	**1,280,140,229**	999,878,389	1,577,933,781
Transportation and travel	**670,446,779**	481,481,164	407,351,904
Supplies	**524,512,802**	402,626,656	338,730,267
Bank and credit charges	**378,374,220**	257,875,109	265,719,157
Advertising	**349,916,490**	291,115,534	261,375,050
Repairs and maintenance	**252,087,822**	190,210,999	205,087,239
Royalty expense (Note 30)	**119,630,395**	101,535,797	78,419,485
Provision for impairment losses (Notes 9 and 13)	**–**	–	22,055,933
Others	**284,511,989**	233,691,307	202,797,402
	₱14,374,863,748	₱11,568,983,962	₱10,616,575,044

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment, amortization of franchise fee and license fee amounted to ₱1.27 billion and ₱12.78 million, respectively in 2014, ₱987.13 million and ₱12.75 million, respectively in 2013, and ₱1.58 billion and ₱2.07 million, respectively, in 2012.

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

23. Personnel Costs and Contracted Services

This account consists of:

	2014	2013	2012
Salaries, allowances and benefits (Note 22)	**₱1,976,074,249**	₱1,676,726,038	₱1,393,462,906
Contracted services (Note 22)	**1,989,837,714**	1,547,884,175	1,229,045,347
	₱3,965,911,963	₱3,224,610,213	₱2,622,508,253

Details of salaries, allowances and benefits:

	2014	2013	2012
Salaries, wages and allowances	**₱1,905,290,885**	₱1,624,182,102	₱1,349,441,195
Net pension expense (Note 24)	**70,783,364**	52,543,936	44,021,711
	₱1,976,074,249	₱1,676,726,038	₱1,393,462,906

24. Employee Benefits

The Group has a defined benefit plan, covering substantially all of its employees. The defined benefit plan is partly funded in 2014, 2013 and 2012. The actuarial valuation is updated annually and is prepared by a professionally qualified external actuary. The latest retirement valuation was issued on March 13, 2015.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2014	2013	2012
Current service cost	**₱51,528,036**	₱36,117,176	₱29,397,758
Net interest cost	**19,255,328**	16,426,760	14,623,953
Pension expense	**₱70,783,364**	₱52,543,936	₱44,021,711

Net pension liabilities

	2014	2013
Pension obligation	**₱652,126,801**	₱378,150,409
Fair value of plan assets	**(17,425,365)**	(16,968,749)
Net pension liabilities	**₱634,701,436**	₱361,181,660

Remeasurement effects recognized in OCI

	2014	2013
Remeasurement losses	**(₱205,121,615)**	(₱28,024,008)
Return on assets excluding amount included in net interest cost	**(579,208)**	(371,296)
	(₱205,700,823)	(₱28,395,304)

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

	2014	2013
Balance at beginning of year	**₱361,181,660**	₱285,272,547
Pension expense	**70,783,364**	52,543,936
Remeasurement losses	**205,700,822**	28,395,304
Benefits paid	**(2,964,410)**	(5,030,127)
Balance at end of year	**₱634,701,436**	₱361,181,660

Movements in the fair value of plan assets follow:

	2014	2013
Balance at beginning of year	**₱16,968,749**	₱16,333,878
Interest income included in net interest cost	**1,035,823**	1,006,167
Actual return excluding amount in net interest cost	**(579,207)**	(371,296)
Balance at end of year	**₱17,425,365**	₱16,968,749

Changes in the present value of defined benefit obligation follow:

	2014	2013
Balance at beginning of year	**₱378,150,409**	₱301,606,425
Current service cost	**51,528,036**	36,117,176
Interest cost	**20,291,151**	17,432,927
Remeasurement losses arising from:		
Changes in financial assumptions	**173,467,100**	25,989,200
Experience adjustments	**32,625,715**	2,034,808
Changes in demographic assumptions	**(971,200)**	–
Benefits paid	**(2,964,410)**	(5,030,127)
Balance at end of year	**₱652,126,801**	₱378,150,409

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

	2014	2013
Cash and cash equivalents		
Savings deposit	**₱100,548**	₱34,145
Time deposit	**1,742,000**	1,800,000
	1,842,548	1,834,145
Investments in government securities		
Fixed rate treasury notes (FXTNs)	**6,961,288**	7,738,716
Retail treasury bonds (RTBs)	**7,682,296**	6,503,017
	14,643,584	14,241,733

(Forward)

	2014	2013
Investments in UITF	**878,811**	868,034
Other receivables	**81,051**	45,165
Accrued trust fee payable	**(20,629)**	(20,328)
Trust fee payable	**₱17,425,365**	₱16,968,749

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

	2014	2013
Discount rates	**4.55%-4.69%**	5.58%-10.04%
Salary increase rates	**3.00%-7.70%**	5.50%-5.70%

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

The distribution of the plan assets at year end follows:

	2014	2013
Assets		
Cash	**₱1,842,548**	₱1,834,144
Investments in government securities	**14,643,584**	14,241,734
Investments in funds - AFS financial assets	**959,862**	868,034
Receivables	**–**	45,165
	₱17,445,994	₱16,989,077
Liabilities		
Trust fee payable	**₱20,629**	₱20,328

The carrying amounts disclosed above reasonably approximate fair value at each reporting period. The actual return on plan assets amounted to ₱0.58 million and ₱0.37 million in 2014 and 2013, respectively.

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
2014	Salary increase	**+1.00%**	**₱762,168,400**
		-1.00%	**(560,925,800)**
	Discount rates	**+1.00%**	**(557,390,800)**
		-1.00%	**769,277,100**
2013	Salary increase	+1.00%	₱431,825,800
		-1.00%	(326,495,600)
	Discount rates	+1.00%	(325,512,800)
		-1.00%	434,338,900

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. Metrobank's current strategic investment strategy consists of 4% of debt instruments, 5% of equity instruments, and 11% for cash and receivables. 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:

	2014	2013
Less than 1 year	**₱23,873,117**	₱24,683,296
More than 1 year but less than 5 years	**71,006,905**	37,881,325
More than 5 years but less than 10 years	**283,306,215**	193,054,016
More than 10 years but less than 15 years	**466,438,085**	348,154,313
More than 15 years but less than 20 years	**584,335,914**	440,717,157
More than 20 years	**4,806,893,545**	3,531,252,684

25. 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.

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

	Amount		**Due from (Due to)**		
Category	**2014**	2013	**2014**	2013	**Terms and Conditions**
Other affiliates under common control					
Trade receivable and other receivables	**₱–**	₱–	**₱155,787,553**	₱108,684,239	**Noninterest bearing and due in 30 days, not impaired**
Sales	**1,537,528,360**	1,108,382,339	–	–	
Royalty income	**582,384,261**	457,202,328	–	–	
Trade and other payable	–	–	**(430,547,980)**	(237,964,898)	**Noninterest bearing and payable in 30 days, unsecured**
Purchases - net	**(1,903,235,750)**	–	–	–	
Rent and utilities	**(2,401,061,241)**	–	–	–	

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

As of December 31, 2014 and 2013, the Group has outstanding balances from its other affiliates amounting to ₱155.79 million and ₱108.68 million arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

In 2014 and 2013, sales of merchandise inventories to related parties amounted to ₱1.54 billion and ₱1.11 billion, respectively, and royalty income amounted to ₱582.38 million and ₱457.20 million, respectively (see Note 30).

As of December 31, 2014 and 2013, the Group has outstanding payable to its other affiliates amounting to ₱430.55 million and ₱237.96 million arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations amounting to ₱1.90 billion and ₱2.40 billion. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5%-10% every year and renewable every year.

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

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

The details of compensation and benefits of key management personnel for 2014 and 2013 follow:

	2014	2013	2012
Short-term employee benefits	**₱101,192,066**	₱95,899,267	₱82,856,046
Post-employment benefits	**8,671,635**	7,288,523	6,076,858
	₱109,863,701	₱103,187,790	₱88,932,904

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2014, 2013 and 2012. 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.

26. Income Tax

Provision for income tax for the year ended December 31 follows:

	2014	2013	2012
Current	**₱1,203,483,562**	₱1,146,035,321	₱418,763,595
Final	**110,077,299**	–	–
Deferred	**(27,789,611)**	56,122,823	6,886,046
	₱1,285,771,250	₱1,202,158,144	₱425,649,641

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

	2014	2013
Tax effects of:		
Pension liability	**₱190,410,429**	₱108,492,828
NOLCO	**11,758,498**	4,747,472
MCIT	**7,325,046**	–
Accrued rent	**4,518,461**	3,715,943
Allowance for inventory write-down	**2,052,550**	1,923,125
Allowance for impairment losses	**199,568**	6,771,446
Fair value adjustment on available for sale financial assets and investment in an associate	**(39,160,923)**	1,748,587
Unrealized foreign exchange gain	**(8,302,254)**	(8,067,985)
Others	**869,033**	–
	₱169,670,408	₱119,331,416

As of December 31, 2014 and 2013, the deferred tax liability of the Group amounting ₱544.58 million and ₱519.94 million, respectively, pertains to the deferred tax attributable to the trademark and difference in the fair values and carrying values of the net assets acquired through business combinations (Note 20).

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

	2014	2013
Tax effects of:		
NOLCO	**₱228,703,352**	₱249,432,700
Allowance for doubtful accounts	**22,739,980**	22,739,980
Allowance for impairment	**8,838,303**	8,838,303
MCIT	**921,678**	–
Unrealized foreign exchange loss	**783,271**	–
	₱261,986,584	₱281,010,983

Details of the Group's NOLCO follows:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Ending Balance	Expiry Year
2014	₱–	₱–	₱61,807,181	₱61,807,181	2017
2013	762,684,174	36,698,338	–	725,985,836	2016
2012	13,746,481	–	–	13,746,481	2015
2011	70,836,587	70,836,587	–	–	2014
Total	₱847,267,242	₱107,534,925	₱61,807,181	₱801,539,498	

As of December 31, 2014, the Group has MCIT that can be claimed as deduction from future taxable profit amounting to ₱8.25 million which will expire in 2017.

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

	2014	2013
Statutory income tax rate	**30.00%**	30.00%
Add (deduct) tax effects of:		
Change in unrecognized deferred tax assets	**7.57**	(0.08)
Nondeductible interest expense	**0.23**	0.09
MCIT	**–**	(0.05)
Dividend income	**(0.53)**	(0.02)
Interest income subject to final tax	**(12.15)**	(0.78)
Investment income	**(0.48)**	(1.33)
Effective income tax rate	**24.64%**	27.83%

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling of such expenses.

27. Earnings Per Share

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

	2014	2013	2012
Net income attributable equity holder of the Parent Company	**₱3,560,636,968**	₱2,744,964,659	₱1,199,643,937
Weighted average number of common shares	**1,367,379,477**	724,315,563	415,000,000
Adjusted weighted average number of common shares for diluted EPS	1,367,379,477	724,315,563	415,000,000
Basic EPS	₱2.60	₱3.79	₱2.89
Diluted EPS	₱2.60	₱3.79	₱2.89

The Parent Company has no dilutive potential common shares in 2014, 2013 and 2012.

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

28. Risk Management and Financial Instruments

Governance Framework

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

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

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the AFS financial assets and noncurrent loans payable as of December 31, 2014 and 2013.

Fair Value Information
As of December 31, 2014, the carrying value and fair value of the AFS financial assets amounted to ₱17.73 billion and ₱17.72 billion, respectively. The Group has no outstanding AFS financial assets as of December 31, 2013.

As of December 31, 2014 and 2013, the carrying values of loans payable amounted to ₱111.69 million and ₱167.42 million, respectively. Corresponding fair values amounted to ₱113.94 million and ₱174.87 million, respectively.

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

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

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

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

Fair Value Hierarchy
As of December 31, 2014, the Group has AFS financial assets valued under Level 1 amounting ₱17.72 billion (Note 12). These financial assets are measures at fair value.

As of December 31, 2014 and 2013, the Group has loans payable for which fair values are disclosed under level 3 amounting ₱113.94 million and ₱174.87 million, respectively.

There were no transfers among levels 1, 2 and 3 in 2014 and 2013.

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

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

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

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

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

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

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2014, 2013 and 2012 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

2014

	On Demand	1 year	More than 1 year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**₱9,969,823,164**	**₱–**	**₱–**	**₱9,969,823,164**
Short -term investments	–	**1,852,726,333**	–	**1,852,726,333**
Trade receivables	**53,528,902**	**864,811,602**	–	**918,340,504**
Nontrade receivables	**3,650,601**	**377,098,542**	–	**380,749,143**
Due from franchises	–	**230,354,271**	–	**230,354,271**
Other noncurrent assets				
Security and other deposits	–	**188,248,344**	**993,708,375**	**1,181,956,719**
Construction bond	–	–	**33,756,971**	**33,756,971**
AFS financial assets	–	–	**17,717,912,763**	**17,717,912,763**
	₱10,027,002,667	**₱3,513,239,092**	**₱18,745,378,109**	**₱32,285,619,868**
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	**₱–**	**₱13,793,848,492**	**₱–**	**₱13,793,848,492**
Loans payable	–	**55,555,556**	**56,131,441**	**111,686,997**
Other current liabilities	–	**198,062,357**	–	**198,062,357**
	₱–	**₱14,047,466,405**	**₱56,131,441**	**₱14,103,597,846**

**excluding statutory liabilities amounting ₱345,295,813*

2013

	On Demand	1 year	More than 1 year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱30,128,802,014	₱–	₱–	₱30,128,802,014
Short term investments	–	335,101,613	–	335,101,613
Trade receivables	220,736,901	532,600,196	–	753,337,097
Nontrade receivables	4,586,076	242,461,355	–	247,047,431
Due from franchises	–	108,648,701	–	108,648,701
Other noncurrent assets				
Security and other deposits	–	–	925,750,023	925,750,023
Construction bond	–	–	28,091,950	28,091,950
	₱30,354,124,991	₱1,218,811,865	₱953,841,973	₱32,526,778,829

(Forward)

2013

	On Demand	1 year	More than 1 year	Total
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱11,954,443,309	₱–	₱11,954,443,309
Loans payable	–	395,555,556	111,860,152	507,415,708
Other current liabilities	–	203,652,278	–	203,652,278
	₱–	₱12,553,651,143	₱111,860,152	₱12,665,511,295

**excluding statutory liabilities amounting ₱120,953,907*

As of December 31, 2014 and 2013, the Group has outstanding loans from Robinsons Savings Bank and Metrobank and Trust Company amounting ₱111.68 million and ₱507.42 million, respectively (Note 18).

Credit Risk

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

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

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

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

The tables below show the aging analysis of loans and receivables and AFS financial assets as at December 31, 2014 and 2013.

2014

	Neither past due nor impaired	**1 year**	**More than 1 year**	**Impaired Financial Assets**	**Total**
Financial Assets					
Loans and receivables					
Cash in bank and cash equivalents	**₱9,786,037,628**	**₱–**	**₱–**	**₱–**	**₱9,969,823,164**
Short -term investments	**1,852,726,333**	–	–	–	**1,852,726,333**
Trade receivables	**864,811,602**	**53,528,902**		**581,090**	**918,921,594**
Nontrade receivables	**377,098,542**	**3,650,601**	–		**380,749,143**
Due from franchises	**230,354,271**	–	–	**29,461,011**	**259,815,282**
Other noncurrent assets					
Security and other deposits	**1,181,956,719**	–	–	–	**1,181,956,719**
Construction bond	**33,756,971**	–	–	–	**33,756,971**
AFS financial assets	**17,717,912,763**	–	–	–	**17,717,912,763**
	₱32,044,654,829	**₱57,179,503**	**₱–**	**₱30,042,101**	**₱32,315,661,969**

2013

	Neither past due nor impaired	1 year	More than 1 year	Impaired Financial Assets	Total
Financial Assets					
Loans and receivables					
Cash in bank and cash equivalents	₱29,299,968,175	₱–	₱–	₱–	₱29,299,968,175
Short -term investments	341,880,969	–	–	–	341,880,969
Trade receivables	532,600,196	220,155,811		581,090	753,337,097
Nontrade receivables	242,461,355	4,586,076			247,047,431
Due from franchises	108,648,701	–	–	29,461,011	138,109,712
Other noncurrent assets					
Security and other deposits	958,915,358	–	–	–	958,915,358
Construction bond					
	₱31,484,474,754	₱224,741,887	₱–	₱30,042,101	₱31,739,258,742

As of December 31, 2014 and 2013, all trade and other receivables are expected to be settled within one (1) year.

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

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

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

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

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

The Group's financial assets considered as neither past due nor impaired amounting to ₱32.04 billion and ₱31.48 billion as of December 31, 2014 and 2013, respectively are all graded "A" based on the Group's assessment.

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

The following tables demonstrates 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 (₱)**	
	2014	2013	**2014**	2013
USD	**+0.27%**	+1.64%	**₱9,087,032**	₱125,988
	-0.27%	-1.64%	**(9,087,032)**	(125,988)

The Group used foreign exchange rate of ₱44.72:US$1 and ₱44.40:US$1 as of December 31, 2014 and 2013, in converting its dollar-denominated savings deposit to peso.

The foreign currency-denominated financial assets and financial liabilities in original currencies and equivalents to the functional and presentation currency in 2014 and 2013 are as follows:

	2014		2013	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$1,633,742**	**₱73,060,938**	$156,379	₱6,942,434
Short-term investments	**7,887,440**	**352,726,333**	7,548,184	335,101,613
AFS financial assets	**65,281,322**	**2,919,380,724**	–	–
Receivables	**922,758**	**41,265,750**	–	–
Total	**$75,725,262**	**₱3,386,433,745**	$7,704,563	₱342,044,047

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2014 and 2013.

Equity Price Risk

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

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

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index with all other variables held constant, showing the impact on equity:

	Change in variable	**Effect on equity-Other comprehensive income**
PSE	**+20.83%**	**₱59,647,573**
	-20.83%	**(59,647,573)**

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 20.83%.

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

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

29. Lease Commitments

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to fifteen (15) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense for the years ended December 31, 2014, 2013 and 2012 amounted to ₱3.66 billion, ₱3.16 billion and ₱2.75 billion, respectively (Notes 22 and 25).

30. Agreements

Among the Group's outstanding agreements in 2014 and 2013 are as follows:

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

   Royalty expense amounted to ₱54.60 million, ₱52.54 million and ₱35.16 million in 2014, 2013 and 2012, respectively (Note 17). Royalty payable to Ministop included under "Nontrade payable" as of December 31, 2014, 2013 and 2012 amounted to ₱27.32 million, ₱52.54 million and ₱35.16 million, respectively (Note17).

b) The Group has franchise/lease agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱1.15 billion, ₱1.08 billion and ₱941.34 million in 2014, 2013 and 2012, respectively (Note 29).

   As of December 31, 2014, 2013 and 2012, amounts due from franchisees amounted to ₱269.46 million, ₱145.81 million and ₱88.89 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting ₱29.46 million as of December 31, 2014, 2013 and 2012 (Note 9).

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

   Royalty expense amounted to ₱5.54 million, ₱1.93 million and ₱1.25 million in 2014, 2013 and 2012, respectively.

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

e.) The Group is a sub-licensee of Toys R Us in the Philippines. Royalty expense amounted to ₱59.9 million, ₱47.4 million and ₱42.0 million in 2014, 2013 and 2012, respectively.

f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a franchise fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one year after the date of the agreement subject to closing conditions, and annual service fee which is equal to a certain percentage of sales. In 2014, the Group recognized a franchise asset amounting to ₱13.81 million. The agreement is contracted for 5 years and subject to renewal.

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

31. Contingencies

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

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

32. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 26, 2015.

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Robinsons Retail Holdings, Inc.
110 E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2014 and 2013 and have issued our report thereon dated March 26, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-A (Group A),
May 31, 2012, valid until May 30, 2015
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015
February 27, 2015, valid until February 26, 2018
PTR No. 4751335, January 5, 2015, Makati City

March 26, 2015

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2014

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Various bonds	₱14,046,344,620	₱14,018,212,763	₱14,018,212,763	₱376,124,973
Notes	1,683,700,000	1,683,700,000	1,683,700,000	20,637,752
Investment in preferred shares	4,000,000	2,016,000,000	2,016,000,000	27,875,000
Money Market Placements				
RBC	1,852,654,977	1,852,726,333	1,852,726,333	31,660,195
	₱17,586,699,597	₱19,570,639,096	₱19,570,639,096	₱456,297,920

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2014

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 RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2014

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings Inc.	₱2,429,640,462	(₱1,782,475,445)	₱–	₱647,165,017	₱–	₱647,165,017
Robinsons Toys Inc.	137,425,740	90,648,331	–	228,074,071	–	228,074,071
Robinsons Convenience Stores Inc.	39,106,088	–	–	39,106,088	–	39,106,088
Robinsons Supermarket Corporation	25,507,709	(9,928,399)	–	15,579,310	–	15,579,310
Robinson's Incorporated	18,410,886	(643,459)	–	17,767,427	–	17,767,427
Robinson's Handyman Inc.	4,138,324	(1,276,060)	–	2,862,264	–	2,862,264
RHD Daiso- Saizen Inc.	2,117,967	68,380,704	–	70,498,671	–	70,498,671
	₱2,656,347,176	(₱1,635,294,328)	₱–	₱1,021,052,848	₱	₱1,021,052,848

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2014

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Trademark	₱1,566,917,532	₱–	₱–	₱–	₱–	₱1,566,917,532
Goodwill	1,230,595,790	242,382,435	–	–	(116,352,278)	1,356,625,947
License	109,090,910	–	(12,121,212)	–	–	96,969,698
Franchise	–	13,805,165	–	–	–	13,805,165
	₱2,906,604,232	₱256,187,600	(₱12,121,212)	₱–	(₱116,352,278)	₱3,034,318,342

See Note 15 of the Consolidated Financial Statements.

Other changes in the intangible assets pertain to the effects of the finalization of the fair values of the net assets acquired of the investees.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

DECEMBER 31, 2014

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Floating rate bank loans	₱111,686,997	5.3%	₱55,555,556	₱56,131,441
	₱111,686,997		₱55,555,556	₱56,131,441

See Note 18 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2014

Name of related party	Balance at beginning of period	Balance at end of period
Universal Robina Corporation	₱104,819,249	₱211,795,007
Robinsons Land Corporation	133,415,748	211,826,578
JG Summit Holdings, Inc.	–	6,926,395
	₱238,234,997	₱430,547,980

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2014

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE H: CAPITAL STOCK

DECEMBER 31, 2014

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

See Note 19 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

Financial Soundness Indicator	**2014**	2013
i. Liquidity ratio:		
Current ratio	**1.58**	2.96
ii. Profitability ratio:		
Operating margin ratio	**0.22**	0.21
iii. Stability ratio:		
Solvency ratio	**0.32**	0.29
Net debt to equity ratio	**0.39**	0.38
Asset to equity ratio	**1.39**	1.38
Interest rate coverage rate ratio	**372.17**	52.55
iii. Other ratios		
Return on assets	**0.07**	0.08
Return on equity	**0.10**	0.14

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

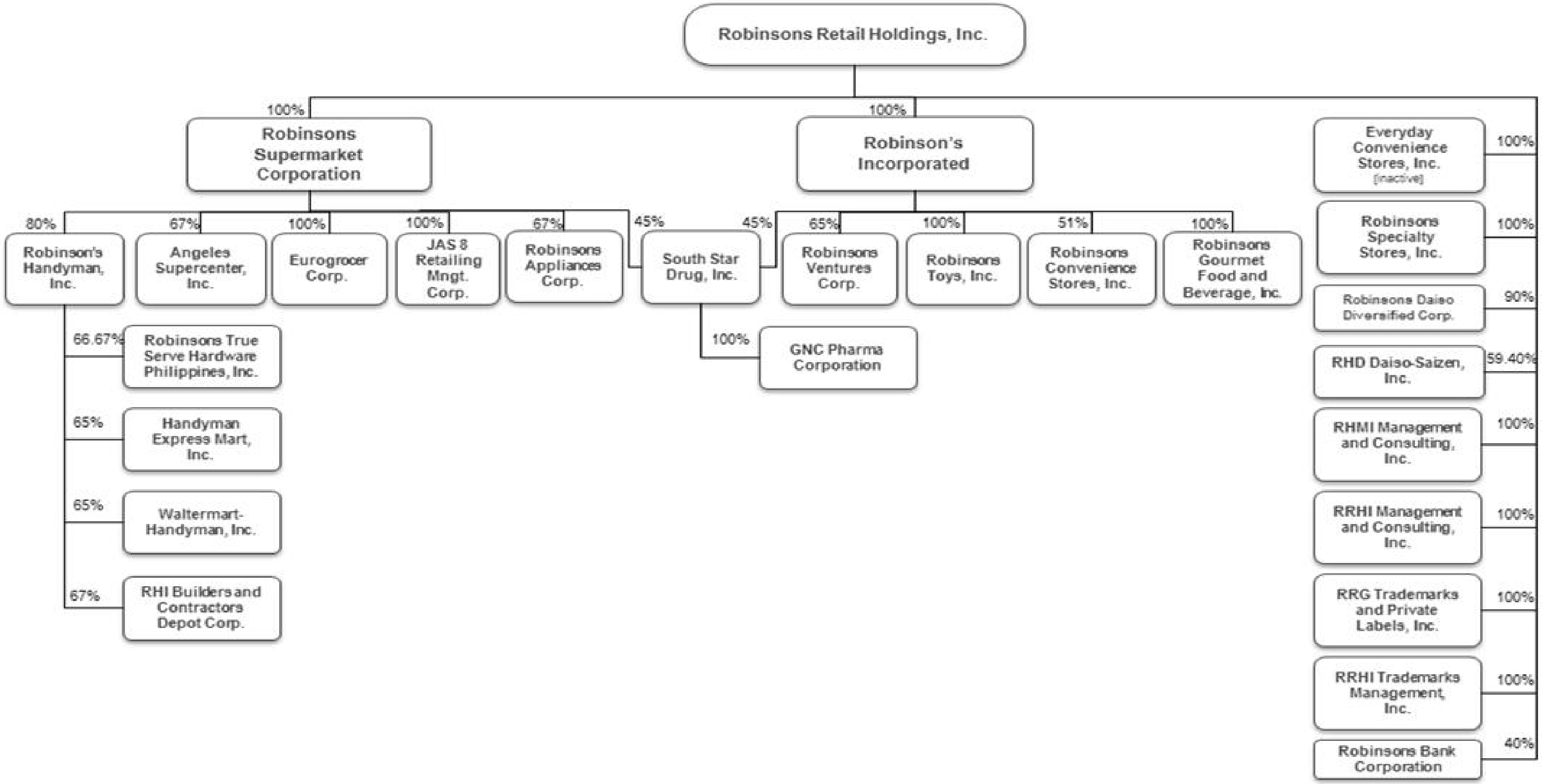
SCHEDULE OF FINANCIAL RATIOS

FOR THE PERIOD ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
Current assets	**₱23,712,478,239**	₱39,616,043,753
Current liabilities	**15,022,348,292**	13,375,246,968
Current ratio	**1.58**	2.96
Operating income	**17,429,099,780**	14,311,704,647
Net sales	**80,400,962,302**	67,254,175,069
Operating margin ratio	**0.22**	0.21
After tax net profit	**3,933,284,013**	3,117,352,507
Depreciation and amortization	**1,280,140,229**	999,878,389
	5,213,424,242	4,117,230,896
Total liabilities	**16,257,756,808**	14,368,229,302
Solvency ratio	**0.32**	0.29
Total liabilities	**16,257,756,808**	14,368,229,302
Total equity	**41,236,237,823**	37,982,468,726
Debt to equity ratio	**0.39**	0.38
Total assets	**57,493,994,631**	52,350,698,028
Total equity	**41,236,237,823**	37,982,468,726
Asset to equity ratio	**1.39**	1.38
Earnings before interest and taxes	**4,487,439,155**	4,063,463,730
Interest expense	**12,057,390**	77,328,731
Interest rate coverage ratio	**372.17**	52.55
Net income	**3,933,284,013**	3,117,352,507
Average total assets	**54,922,346,330**	38,291,284,368
Return on assets	**0.07**	0.08
Net income	**3,933,284,013**	3,117,352,507
Average total equity	**41,236,237,823**	23,019,925,257
Return on equity	**0.10**	0.14

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2014

Group Structure
Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2014:



ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2014

Retained Earnings of the Parent Company, January 1, 2014		**₱2,085,641,457**
Adjustments		–
Unappropriated Retained Earnings, as adjusted January 1, 2014		**2,085,641,457**
Net income based on the face of audited financial statements	**970,624,795**	
Less: Non-actual/unrealized income net of tax		
Equity in net income of an associate	–	
Unrealized foreign exchange gain - net	**24,633,288**	
Unrealized actuarial gain	–	
Fair value adjustment (marked-to-market gains)	–	
Fair value adjustment of investment properties resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Add: Non-actual/unrealized losses net of tax	–	
Depreciation on revaluation increment	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment properties	–	
Net income actual/realized		**945,991,507**
Less: Appropriations during the year		**(1,500,000,000)**
Dividend declarations during the year		**(560,071,501)**
Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2014		**₱971,561,463**

ROBINSONS RETAIL HOLDINGS, INC.
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

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

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2014:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Guarantee Contracts			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓	
	Classification and Measurement (2010 version)		✓	
	PFRS 9, Financial Instruments (2014 or final version)		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interest in Joint Operations		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts		✓	
IFRS 15	Revenue from Contracts with Customers		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16: Bearer Plants		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Related Party Disclosures - Key Management Personnel		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements		✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36 (Amended)	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants		✓	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreement for Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Mine			
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Annual Improvements to PFRSs (2010-2012 cycle)			✓	
Annual Improvements to PFRSs (2011-2013 cycle)			✓	
Annual Improvements to PFRSs (2012-2014 cycle)			✓	

Standards tagged as "Not Adopted" are standards issued out but not yet effective as of December 31, 2014. The Company will adopt the Standard s and Interpretations when these become effective.

Standards tagged as "Not Applicable" have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2014.