COVER SHEET
for
FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 1 7 5 6

COMPANY NAME

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2018

2. Commission identification number A200201756

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

4. Exact name of issuer as specified in its charter

   ROBINSONS RETAIL HOLDINGS, INC.

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

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

8. Issuer's telephone number, including area code
   (02) 635-07-51

9. Former name, former address and former fiscal year, if changed since last report

   Not Applicable

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

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

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

    Yes [/] No [ ]

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

    Philippine Stock Exchange - Common Share

12. Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

Please refer to the attached.

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

Please refer to the attached.

PART II--OTHER INFORMATION

Attachment 1 – Use of Proceeds from Initial Public Offering as of March 31, 2018

SIGNATURES

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

Registrant:	**Robinsons Retail Holdings, Inc.**
Signature and Title:	Lance Y. Gokongwei Chairman
Date:	May 9, 2018
Signature and Title:	Lance Y. Gokongwei Chief Executive Officer
Date:	May 9, 2018
Signature and Title:	Robina Y. Gokongwei-Pe President and Chief Operating Officer
Date:	May 9, 2018
Signature and Title:	Graciela A. Banatao Treasurer
Date:	May 9, 2018
Signature and Title:	Mylene A. Kasiban Chief Financial Officer
Date:	May 9, 2018

PART 1 – FINANCIAL INFORMATION

Item 1 – Financial Statements

A. Unaudited Consolidated Statements of Financial Position as of March 31, 2018 and Audited Consolidated Statements of Financial Position as of December 31, 2017.

B. Unaudited Consolidated Statements of Comprehensive Income for the three Months Ended March 31, 2018 and 2017.

C. Unaudited Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2018 and 2017

D. Unaudited Consolidated Statements of Cash Flow for the Three Months Ended March 31, 2017 and 2017

E. Notes to Unaudited Consolidated Financial Statement.

ROBINSONS RETAIL
HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for all information and representations contained in the financial statements for the period ended **March 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Lance Y. Gokongwei
Chairman

Lance Y. Gokongwei
Chief Executive Officer

Robina Y. Gokongwei-Pe
President & Chief Operating Officer

Mylene A. Kasiban
Chief Financial Officer

Graciela A. Banatao
Treasurer

Signed this 9th day of May 2018.

ROBINSONS RETAIL HOLDINGS, INC.
110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, 1110 Philippines
D +63 (2) 631 1252 T +63 (2) 635 0751 local 206 F +63 (2) 570 5553
E info@robinsonsretailholdings.com.ph
www.robinsonsretailholdings.com.ph

ROBINSONS RETAIL
HOLDINGS, INC.

SUBSCRIBED AND SWORN to before me, a notary public in Pasig City, personally appeared:

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

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

Witness my hand and seal this ________ day of MAY 10 2018, 2018.

Doc. No. 431;
Page No. 88;
Book No. I;
Series of 2018.

ATTY. LORRAINE G. TAGUIAM
Notary Public for the Cities of Pasig and San Juan
and Municipality of Pateros
Commission until 31 December 2018
Unit 4F2, 8101 Pearl Plaza Bldg., Pearl Drive,
Brgy. San Antonio, Ortigas Center, Pasig City 1605
Roll No. 63244 / Appt. No. 53 (2017-2018)
IBP No. 031796/30 Jan. 2018/ RSM
PTR No. MKT 6678237/ 31 Jan. 2018
MCLE Compliance No. V-0011734, Valid until 04/14/2019

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱10,823,224,162**	₱14,565,037,906
Trade and other receivables (Notes 8, 24 and 27)	**2,143,096,242**	2,234,616,952
Merchandise inventories (Note 9)	**15,167,696,032**	14,846,561,020
Other current assets (Note 10)	**2,463,290,583**	2,423,694,783
Total Current Assets	**30,597,307,019**	34,069,910,661
Noncurrent Assets		
Available-for-sale financial assets (Notes 11 and 27)	**20,340,508,490**	20,667,367,094
Property and equipment (Note 12)	**13,730,898,615**	13,601,389,023
Investment in associates (Note 13)	**5,492,580,909**	5,271,532,196
Intangible assets (Notes 14 and 19)	**6,701,488,388**	6,657,229,873
Deferred tax assets - net (Note 25)	**384,094,576**	355,166,249
Other noncurrent assets (Notes 15 and 27)	**1,516,532,553**	1,558,131,736
Total Noncurrent Assets	**48,166,103,531**	48,110,816,171
	₱78,763,410,550	₱82,180,726,832
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱15,563,712,303**	₱17,774,234,982
Short-term loans payable (Notes 17 and 27)	**3,730,820,336**	6,377,954,863
Income tax payable	**1,228,283,034**	964,306,126
Other current liabilities (Note 27)	**204,138,173**	240,007,838
Total Current Liabilities	**20,726,953,846**	25,356,503,809
Noncurrent Liabilities		
Deferred tax liabilities - net (Note 25)	**1,063,840,512**	1,011,395,772
Net retirement obligation (Notes 22 and 23)	**584,108,072**	546,188,167
Total Noncurrent Liabilities	**1,647,948,584**	1,557,583,939
Total Liabilities	**22,374,902,430**	26,914,087,748
Equity (Note 18)		
Capital stock	**1,385,000,000**	1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income (Notes 11, 13 and 23)	**58,620,844**	289,698,663
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**21,369,852,847**	15,212,852,847
Unappropriated	**3,494,720,735**	8,440,230,328
Total equity attributable to equity holders of the Parent Company	**52,513,684,847**	51,533,272,259
Non-controlling interest in consolidated subsidiaries	**3,874,823,273**	3,733,366,825
Total Equity	**56,388,508,120**	55,266,639,084
	₱78,763,410,550	₱82,180,726,832

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱28,960,685,460**	₱25,722,958,392
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**22,476,782,406**	20,004,076,460
GROSS PROFIT (Note 6)	**6,483,903,054**	5,718,881,932
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 24 and 29)	**569,874,625**	512,016,074
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**7,053,777,679**	6,230,898,006
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(5,778,726,841)**	(5,072,083,244)
OTHER INCOME (CHARGES)		
Interest income (Notes 6, 7 and 11)	**236,905,250**	228,150,587
Foreign currency exchange gain - net (Note 6)	**161,647,728**	32,338,313
Equity in net earnings in associates (Note 13)	**38,250,733**	24,895,399
Dividend income (Notes 6 and 11)	**27,875,000**	27,875,000
Interest expense (Notes 6 and 17)	**(26,849,889)**	(43,320,456)
	437,828,822	269,938,843
INCOME BEFORE INCOME TAX (Note 6)	**1,712,879,660**	1,428,753,605
PROVISION FOR INCOME TAX (Note 25)		
Current	**379,391,023**	353,293,781
Deferred	**(19,458,218)**	(25,183,601)
	359,932,805	328,110,180
NET INCOME	**1,352,946,855**	1,100,643,425
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale (AFS) financial assets (Note 11)	**(394,444,879)**	63,209,464
Share in change in fair value of AFS financial assets in associates (Note 13)	**185,487,173**	65,232,629
Share in change in translation adjustment in associates (Note 13)	**(1,445,814)**	(909,661)
Cumulative translation adjustment	**35,408,474**	–
Income tax effect	**(55,212,408)**	(19,296,890)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Share in actuarial losses on retirement obligation in associates (Note 13)	**(1,243,379)**	(46,595)
Income tax effect	**373,014**	13,979
	(231,077,819)	111,790,190
TOTAL COMPREHENSIVE INCOME	**₱1,121,869,036**	₱1,212,433,615

(Forward)

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Net income attributable to:		
Equity holders of the Parent Company	**₱1,211,490,407**	₱995,734,720
Non-controlling interest in consolidated subsidiaries	**141,456,448**	104,908,705
	₱1,352,946,855	₱1,100,643,425
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**₱980,412,588**	₱1,107,524,910
Non-controlling interest in consolidated subsidiaries	**141,456,448**	104,908,705
	₱1,121,869,036	₱1,212,433,615
Basic/Diluted Earnings Per Share (Note 26)	**₱0.87**	₱0.72

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company								
	For the Three Months Ended March 31, 2018 (Unaudited)								
					Retained Earnings				
	Capital Stock (Note 18)	**Additional Paid-in Capital** (Note 18)	**Other Comprehensive Income (Loss)** (Notes 11, 13, 18 and 23)	**Equity Reserve** (Note 18)	**Appropriated** (Note 18)	**Unappropriated** (Note 18)	**Total**	**Non-controlling Interest in Consolidated Subsidiaries** (Note 18)	**Total**
At January 1, 2018	**₱1,385,000,000**	**₱27,227,385,090**	**₱289,698,663**	**(₱1,021,894,669)**	**₱15,212,852,847**	**₱8,440,230,328**	**₱51,533,272,259**	**₱3,733,366,825**	**₱55,266,639,084**
Net income	–	–	–	–	–	**1,211,490,407**	**1,211,490,407**	**141,456,448**	**1,352,946,855**
Other comprehensive loss	–	–	**(231,077,819)**	–	–	–	**(231,077,819)**	–	**(231,077,819)**
Total comprehensive income	–	–	**(231,077,819)**	–	–	**1,211,490,407**	**980,412,588**	**141,456,448**	**1,121,869,036**
Appropriation (Note 18)	–	–	–	–	**6,157,000,000**	**(6,157,000,000)**	–	–	–
Balance at March 31, 2018	**₱1,385,000,000**	**₱27,227,385,090**	**₱58,620,844**	**(₱1,021,894,669)**	**₱21,369,852,847**	**₱3,494,720,735**	**₱52,513,684,847**	**₱3,874,823,273**	**₱56,388,508,120**
	For the Three Months Ended March 31, 2017 (Unaudited)								
At January 1, 2017	₱1,385,000,000	₱27,227,385,090	₱352,393,412	(₱1,021,894,669)	₱15,262,852,847	₱4,381,691,262	₱47,587,427,942	₱2,978,117,087	₱50,565,545,029
Additional investment in a subsidiary (Notes 2 and 18)	–	–	–	–	–	–	–	490,000,000	490,000,000
Dividends (Note 18)	–	–	–	–	–	–	–	(181,500,000)	(181,500,000)
Net income	–	–	–	–	–	995,734,720	995,734,720	104,908,705	1,100,643,425
Other comprehensive income	–	–	111,790,190	–	–	–	111,790,190	–	111,790,190
Total comprehensive income	–	–	111,790,190	–	–	995,734,720	1,107,524,910	104,908,705	1,212,433,615
Balance at March 31, 2017	₱1,385,000,000	₱27,227,385,090	₱464,183,602	(₱1,021,894,669)	₱15,262,852,847	₱5,377,425,982	₱48,694,952,852	₱3,391,525,792	₱52,086,478,644

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,712,879,660**	₱1,428,753,605
Adjustments for:		
Depreciation and amortization (Notes 6, 12, 14 and 21)	**572,437,502**	492,316,730
Retirement expense (Notes 22 and 23)	**37,919,905**	31,418,358
Interest expense (Notes 6 and 17)	**26,849,889**	43,320,456
Allowance for doubtful accounts (Note 8)	**1,499,999**	–
Dividend income (Notes 6 and 11)	**(27,875,000)**	(27,875,000)
Equity in net earnings in associates (Note 13)	**(38,250,733)**	(24,895,399)
Unrealized foreign currency exchange gain - net (Note 6)	**(161,647,728)**	(32,338,313)
Interest income (Notes 6, 7 and 11)	**(236,905,250)**	(228,150,587)
Operating income before working capital changes	**1,886,908,244**	1,682,549,850
Decrease (increase) in:		
Trade and other receivables	**128,299,485**	433,505,421
Merchandise inventories	**(321,135,012)**	(167,120,488)
Other current assets	**(39,595,800)**	(96,752,572)
Increase (decrease) in:		
Trade and other payables	**(2,217,212,501)**	(3,069,995,049)
Other current liabilities	**(35,869,665)**	(6,908,125)
Net cash flows used in operations	**(598,605,249)**	(1,224,720,963)
Interest received	**261,015,757**	228,799,062
Income tax paid	**(115,414,115)**	(45,653,265)
Net cash flows used in operating activities	**(453,003,607)**	(1,041,575,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Licenses (Note 14)	**(68,749,355)**	–
Available-for-sale (AFS) financial assets (Note 11)	**(219,661,078)**	(136,765,655)
Property and equipment (Note 12)	**(682,631,196)**	(634,152,656)
Franchise (Note 14)	**–**	(341,909)
Proceeds from transfers/disposals of:		
Available-for-sale (AFS) financial assets (Note 11)	**286,741,725**	–
Dividends received (Note 11)	**27,875,000**	27,875,000
Increase in other noncurrent assets	**41,599,183**	(39,168,468
Net cash flows used in investing activities	**(614,825,721)**	(782,553,688)

(Forward)

	Three Months Ended March 31	
	2018	2017
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional investments from non-controlling interest (Notes 2 and 18)	**–**	490,000,000
Proceeds from loan availments (Note 17)	**27,865,473**	30,286,883
Interest paid (Note 17)	**(26,849,889)**	(43,320,456)
Payment of loans (Note 17)	**(2,675,000,000)**	(2,390,336,650
Net cash flows used in financing activities	**(2,673,984,416)**	(1,913,370,223)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**–**	316,226
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(₱3,741,813,744)**	(₱3,737,182,851)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,565,037,906**	12,718,000,227
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱10,823,224,162**	₱8,980,817,376

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

The Parent Company is 35.00% owned by JE Holdings, Inc., 34.85% owned by PCD Nominee Corporation and the rest by the public. The primary purpose of the Parent Company and its subsidiaries (herein referred to as “the Group”) is to engage in the business of trading goods, commodities and merchandise of any kind.

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

2. Basis of Preparation

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements as of March 31, 2018 and December 31, 2017 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			
	March 31, 2018		December 31, 2017	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect
Robinson’s, Incorporated (RI)	**100.00%**	**–**	100.00%	–
Robinsons Ventures Corporation (RVC)	**–**	**65.00%**	–	65.00%
Robinsons Toys, Inc. (RTI)	**–**	**100.00%**	–	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	**–**	**51.00%**	–	51.00%
South Star Drug, Inc. (SSDI)	**–**	**45.00%**	–	45.00%
TGP Pharma, Inc. (TGPPI)	**–**	**45.90%**	–	45.90%
TGP Franchising Corp. (TFC)	**–**	**45.90%**	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	**–**	**45.90%**	–	45.90%
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	**–**	**100.00%**	–	100.00%
Savers Electronic World, Inc. (SEWI)	**–**	**90.00%**	–	90.00%
Chic Centre Corporation (CCC)	**–**	**100.00%**	–	100.00%

(Forward)

	Effective Percentages of Ownership			
	March 31, 2018		December 31, 2017	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect
Robinson's Supermarket Corporation (RSC)	**100.00%**	–	100.00%	–
Eurogrocer Corp. (EC)	–	–	–	–
JAS 8 Retailing Mngt. Corporation (JRMC)	–	–	–	–
Angeles Supercenter, Inc. (ASI)	–	**67.00%**	–	67.00%
Robinsons Appliances Corp. (RAC)	–	**67.00%**	–	67.00%
South Star Drug, Inc. (SSDI)	–	**45.00%**	–	45.00%
TGP Pharma, Inc. (TGPPI)	–	**45.90%**	–	45.90%
TGP Franchising Corp. (TFC)	–	**45.90%**	–	45.90%
TheGenerics Pharmacy Inc. (TPI)	–	**45.90%**	–	45.90%
Robinson's Handyman, Inc. (RHMI)	–	**80.00%**	–	80.00%
Handyman Express Mart, Inc. (HEMI)	–	**52.00%**	–	52.00%
Waltermart-Handyman, Inc. (WHI)	–	**52.00%**	–	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	–	**53.33%**	–	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	–	**53.60%**	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	**40.20%**	–	40.20%
Everyday Convenience Stores, Inc. (ECSI)	**100.00%**	–	100.00%	–
Robinsons Specialty Stores, Inc. (RSSI)	**100.00%**	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	**90.00%**	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	**59.40%**	–	59.40%	–
RHMI Management and Consulting, Inc.	**100.00%**	–	100.00%	–
RRHI Management and Consulting, Inc.	**100.00%**	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	**100.00%**	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	**100.00%**	–	100.00%	–
New Day Ventures Limited (NDV Limited)	**100.00%**	–	100.00%	–

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

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

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

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

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

On December 13, 2017, RRHI acquired 20% ownership in Taste Central Curators, Inc. (TCCI), operator of BeautyMNL, e-commerce site. Accordingly, the Group accounted the acquisition of TCCI using the equity method under investment in associates (Note 13).

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

On August 1, 2016, RHIB acquired 75.0% ownership of HPTDI, a company engaged in the business of hardware retailing (Note 19). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱9.50 million.

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

On February 11, 2016, RI made additional investments to RGFBI amounting to ₱100.0 million.

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

Mergers

Merger of EC and JRMC to RSC

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

Merger of GPC to SSDI

On October 24, 2014, the BOD approved the plan of the Group to merge SSDI with its subsidiary, GNC Pharma Corp. (GPC), whereby the entire assets and liabilities of GPC will be transferred and absorbed by SSDI doing business under the name of South Star Drug and Manson Drug. On November 25, 2014, the plans of merger was presented to and approved by the stockholders. The Plan and Article of Merger were filed with the SEC in April 2015 and were approved in August 2015.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have impact on the Group's financial position or performance.

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

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

The Group has provided the required information in Note 30 to the consolidated financial statement.

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

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

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three (3) main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

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

- PFRS 9, *Financial Instruments*

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

  The Group is currently assessing the impact on adopting this standard.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two (2) options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

  The Group is currently assessing the impact on adopting PFRS 15 in 2018.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Group is currently assessing the impact on adopting the amendments.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  Adoption of the interpretation when it becomes effective will not have any impact on the Group's financial statements.

Effective beginning on or after January 1, 2019

- PFRS 9, *Prepayment Features with Negative Compensation* (Amendments)

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two (2) recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two (2) types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

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

  The interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred Effectivity

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

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

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

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

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:

Sale of goods

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

Royalty fee

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

Rental income

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

Interest income
Interest on cash in bank, cash equivalents and available-for-sale (AFS) financial assets is recognized as the interest accrues using the effective interest method.

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

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

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

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

Initial recognition
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.

Classification of financial instruments
Financial instruments within the scope of PAS 39 are classified as:

a. Financial assets and financial liabilities at FVPL
b. Loans and receivables
c. Held-to-maturity (HTM) investments
d. AFS financial assets; and
e. Other financial liabilities

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.

As of March 31, 2018 and December 31, 2017, the financial instruments of the Group are classified as AFS financial assets, loans and receivables, and other financial liabilities.

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

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

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

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

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

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

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

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

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

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

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.

Assets carried at cost
If there is an objective evidence that an impairment loss of an unquoted debt securities that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted debt securities has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant

or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

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

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

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

<u>Derecognition of Financial Assets and Liabilities</u>

Financial asset

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

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

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

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

‘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 the valuation technique 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Investment in Associates</u>
Investment in associates is accounted for under the equity method of accounting.

Associates are entities in which the Group has significant influence and which influence and which is neither a subsidiary nor a joint venture.

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

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

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

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

Business Combination and Goodwill

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

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

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

Any contingent consideration to be transferred by the Group will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with 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 losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

Combination of Entities under Common Control

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group performed its annual impairment test for the years ended December 31, 2017 and 2016. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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.

Value-Added Taxes (VAT)

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

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

Creditable Withholding Taxes (CWT)

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

Income Tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Capital Stock

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

Equity Reserve

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

Retained Earnings

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

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

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

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

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

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Group's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Philippine Dealing & 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.

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

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

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

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

The Parent Company does not have any potential dilutive ordinary shares for the three months ended March 31, 2018 and year ended December 31, 2017 (Note 26).

Provisions

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Operating lease commitments - Group as Lessee

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

Revenue recognition

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

Contingencies

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

Determination of control

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

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

Estimates and Assumptions

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

Recoverability of goodwill and trademarks

In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives. As of March 31, 2018 and December 31, 2017, below are the business segments from which goodwill and trademarks arise:

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

The Group performed its annual impairment test as at December 31, 2017. The recoverable amounts of the CGUs have been determined based on value in use and enterprise value or earning before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

Value in use

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

The pre-tax discount rate applied to cash flow projections in 10.70% in 2017 (11.50% in 2016) and cash flows beyond the five-year period are extrapolated using a 5.00% to 10.00% in 2017 growth rate (5.00% to 10.00% in 2016) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

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

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

Gross margins

Gross margins are based on average values achieved in one (1) to five (5) years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 10.00% to 18.00% per annum was applied. A decreased demand can lead to a decline in gross margin. A decrease in gross margin from 5.00% to 11.50% for 2017 and 5.00% to 11.50% for 2016 would result in impairment.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 8.00% to 12.00% and 11.00% to 16.89%, in 2017 and 2016, respectively, would result in impairment.

Price inflation
Forecast price inflation which impacts the forecast for operating expenses lies within a range of 1.00% to 5.00% in 2017 and 2016. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

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

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

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

In 2017 and 2016, the Group used the EV/EBITDA multiple ranging from 10 to 15 multiples for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

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

Allowance for impairment losses on trade and other receivables
The Group maintains allowance for impairment losses at levels considered adequate to provide for potential uncollectible receivables. The levels of this allowance are evaluated by management on the basis of factors that affect the collectability 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 judgment or utilized different estimates. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease the current assets.

Allowance for impairment losses on trade and other receivables amounted to ₱111.89 million and ₱110.39 million as of March 31, 2018 and December 31, 2017, respectively.

As of March 31, 2018 and December 31, 2017, the carrying value of the Group's trade and other receivables amounted to ₱2.14 billion and ₱2.23 billion, respectively (Note 8).

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

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

No provision for impairment losses on merchandise inventories was recognized in 2018 and 2017.

Merchandise inventories amounted to ₱15.17 billion and ₱14.85 billion as of March 31, 2018 and December 31, 2017, respectively (Note 9).

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

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

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

Based on management assessment as of March 31, 2018 and December 31, 2017, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in associates and intangible assets with definite useful lives.

As of March 31, 2018 and December 31, 2017, the carrying value of the Group's property and equipment amounted to ₱13.73 billion and ₱13.60 billion (Note 12), investment in associates amounted to ₱5.49 billion and ₱5.27 billion (Note 13), licenses amounted to ₱105.50 million and ₱60.61 million, and franchise amounted to ₱18.64 million and ₱19.28 million, respectively (Note 14).

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

As of March 31, 2018 and December 31, 2017, the carrying value of the net retirement obligation amounted to ₱584.11 million and ₱546.19 million, respectively (Note 23).

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

As of March 31, 2018, and December 31, 2017, the Group has deferred tax assets amounting ₱384.09 million and ₱355.17 million, respectively (Note 25). Unrecognized deferred tax assets amounted to ₱47.94 million and ₱235.73 million as of December 31, 2017 and 2016, respectively.

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 of March 31, 2018 and December 31, 2017, the estimated liability for unredeemed points was approximately ₱191.70 million and ₱133.64 million, respectively.

6. **Operating Segments**

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

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

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

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

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

The Group derives its revenue from the following reportable units:

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

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

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

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

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

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

March 31, 2018

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱13,540,022,583	₱3,557,820,194	₱3,102,702,726	₱1,525,183,983	₱3,813,818,760	₱3,421,137,214	₱–	₱–	₱28,960,685,460
Intersegment net sales	–	–	–	–	–	276,609,076	–	(276,609,076)	–
Total net sales	13,540,022,583	3,557,820,194	3,102,702,726	1,525,183,983	3,813,818,760	3,697,746,290	–	(276,609,076)	28,960,685,460
Segment cost of merchandise sold	10,969,448,221	2,282,041,514	2,088,964,670	1,382,679,849	3,083,015,384	2,670,632,768	–	–	22,476,782,406
Intersegment cost of merchandise sold	–	276,609,076	–	–	–	–	–	(276,609,076)	–
Total cost of merchandise sold	10,969,448,221	2,558,650,590	2,088,964,670	1,382,679,849	3,083,015,384	2,670,632,768	–	(276,609,076)	22,476,782,406
Gross profit	2,570,574,362	999,169,604	1,013,738,056	142,504,134	730,803,376	1,027,113,522	–	–	6,483,903,054
Segment other income	33,425,580	26,329,240	–	423,537,459	78,235,228	8,347,118	–	–	569,874,625
Intersegment other income	31,832,552	8,789,683	–	–	–	–	–	(40,622,235)	–
Total other income	65,258,132	35,118,923	–	423,537,459	78,235,228	8,347,118	–	(40,622,235)	569,874,625
Gross profit including other income	2,635,832,494	1,034,288,527	1,013,738,056	566,041,593	809,038,604	1,035,460,640	–	(40,622,235)	7,053,777,679
Segment operating expenses	1,839,424,382	861,311,740	712,662,602	497,894,270	472,082,291	777,546,099	45,367,955	–	5,206,289,339
Intersegment operating expenses	6,478,721	11,224,380	8,306,121	–	6,799,888	7,813,125	–	(40,622,235)	–
Total operating expenses	1,845,903,103	872,536,120	720,968,723	497,894,270	478,882,179	785,359,224	45,367,955	(40,622,235)	5,206,289,339
Earnings before interest, taxes and depreciation and amortization	789,929,391	161,752,407	292,769,333	68,147,323	330,156,425	250,101,416	(45,367,955)	–	1,847,488,340
Depreciation and amortization	226,167,135	101,052,049	52,023,134	59,752,818	28,716,427	104,725,939	–	–	572,437,502
Earnings before interest and taxes	563,762,256	60,700,358	240,746,199	8,394,505	301,439,998	145,375,477	(45,367,955)	–	1,275,050,838
Interest expense	(1,239,933)	(8,779,844)	(931,805)	–	(12,488,125)	(11,133,678)	–	7,723,496	(26,849,889)
Interest income	8,289,981	3,629,797	9,320,895	3,805,603	2,512,135	6,150,070	210,920,265	(7,723,496)	236,905,250
Dividend income	–	–	–	–	–	–	27,875,000	–	27,875,000
Foreign exchange gain - net	–	–	–	–	–	–	161,647,728	–	161,647,728
Equity in net earnings of an associate	–	–	–	–	–	–	38,250,733	–	38,250,733
Income before income tax	₱570,812,304	₱55,550,311	₱249,135,289	₱12,200,108	₱291,464,008	₱140,391,869	₱393,325,771	₱–	₱1,712,879,660
Assets and liabilities									
Segment assets	₱17,655,955,711	₱4,683,035,763	₱6,152,989,538	₱3,516,244,748	₱8,403,335,559	₱7,535,124,653	₱32,584,270,173	(₱1,767,545,595)	₱78,763,410,550
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱20,446,562,935	₱8,460,636,137	₱6,152,989,538	₱3,516,244,748	₱8,403,335,559	₱7,535,124,653	₱37,870,300,936	(₱13,621,783,956)	₱78,763,410,550
Total segment liabilities	₱8,916,214,578	₱3,612,047,755	₱2,284,922,536	₱1,832,509,982	₱4,919,246,359	₱4,448,936,745	₱152,485,350	(₱3,791,460,875)	₱22,374,902,430
Other segment information:									
Capital expenditures	₱263,391,156	₱167,418,792	₱93,186,884	₱46,370,694	₱31,673,691	₱80,589,979	₱–	₱–	₱682,631,196

March 31, 2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱11,896,713,544	₱3,278,408,463	₱2,813,362,293	₱ 1,366,964,857	₱ 3,493,555,223	₱ 2,873,954,012	₱–	₱–	₱ 25,722,958,392
Intersegment net sales	–	–	–	–	–	273,505,958	–	(273,505,958)	–
Total net sales	11,896,713,544	3,278,408,463	2,813,362,293	1,366,964,857	3,493,555,223	3,147,459,970	–	(273,505,958)	25,722,958,392
Segment cost of merchandise sold	9,658,032,162	2,137,265,159	1,901,042,493	1,240,660,088	2,814,813,656	2,252,262,902	–	–	20,004,076,460
Intersegment cost of merchandise sold	–	273,505,958	–	–	–	–	–	(273,505,958)	–
Total cost of merchandise sold	9,658,032,162	2,410,771,117	1,901,042,493	1,240,660,088	2,814,813,656	2,252,262,902	–	(273,505,958)	20,004,076,460
Gross profit	2,238,681,382	867,637,346	912,319,800	126,304,769	678,741,567	895,197,068	–	–	5,718,881,932
Segment other income	29,006,246	21,771,013	–	415,543,622	42,848,467	2,846,727	–	–	512,016,075
Intersegment other income	31,418,337	11,149,995	–	–	–	–	–	(42,568,332)	–
Total other income	60,424,583	32,921,008	–	415,543,622	42,848,467	2,846,727	–	(42,568,332)	512,016,075
Gross profit including other income	2,299,105,965	900,558,354	912,319,800	541,848,391	721,590,034	898,043,795	–	(42,568,332)	6,230,898,007
Segment operating expenses	1,551,790,075	732,110,625	648,933,244	517,719,246	429,447,154	687,492,930	12,273,242	–	4,579,766,516
Intersegment operating expenses	8,178,727	10,261,044	8,558,857	–	7,625,687	7,944,017	–	(42,568,332)	–
Total operating expenses	1,559,968,802	742,371,669	657,492,101	517,719,246	437,072,841	695,436,947	12,273,242	(42,568,332)	4,579,766,516
Earnings before interest, taxes and depreciation and amortization	739,137,163	158,186,685	254,827,699	24,129,145	284,517,193	202,606,848	(12,273,242)	–	1,651,131,491
Depreciation and amortization	202,130,725	82,054,943	45,899,212	61,051,200	23,159,509	78,021,141	–	–	492,316,730
Earnings before interest and taxes	537,006,438	76,131,742	208,928,487	(36,922,055)	261,357,684	124,585,707	(12,273,242)	–	1,158,814,761
Interest expense	(3,102,333)	(13,557,293)	–	(2,663,194)	(20,639,206)	(10,563,678)		7,205,248	(43,320,456)
Interest income	6,273,781	3,702,148	6,782,295	808,123	1,123,193	5,253,468	211,412,827	(7,205,248)	228,150,587
Dividend income	–	–	–	–	–	–	27,875,000	–	27,875,000
Foreign exchange gain - net	–	–	–	–	–	–	32,338,313	–	32,338,313
Equity in net earnings of an associate	–	–	–	–	–	–	24,895,399	–	24,895,399
Income before income tax	₱540,177,886	₱66,276,597	₱215,710,782	(₱38,777,126)	₱241,841,671	₱119,275,497	₱284,248,297	₱–	₱1,428,753,605

December 31, 2017

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Assets and liabilities									
Segment assets	₱19,576,200,337	₱4,668,650,988	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱29,968,508,062	₱2,443,690,652	₱82,180,726,832
Investment in subsidiaries - at cost	2,790,607,224	3,777,600,374	–	–	–	–	5,286,030,763	(11,854,238,361)	–
Total segment assets	₱22,366,307,561	₱8,446,251,362	₱6,167,594,985	₱2,983,587,925	₱8,449,541,079	₱7,922,952,804	₱35,254,538,825	(₱9,410,547,709)	₱82,180,226,832
Total segment liabilities	₱9,438,322,396	₱3,695,163,782	₱2,479,559,578	₱1,296,096,948	₱5,172,322,481	₱4,927,876,020	₱98,435,577	(₱193,689,034)	₱26,914,087,748
Other segment information:									
Capital expenditures	₱1,267,354,339	₱752,664,136	₱344,385,945	₱114,748,739	₱242,003,566	₱383,562,968	₱–	₱–	₱3,104,719,693

The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱276.61 million and ₱273.51 million for the three months ended March 31, 2018 and 2017, respectively, were eliminated on consolidation.

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

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

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

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱10.82 billion and ₱14.57 billion as of March 31, 2018 and December 31, 2017, 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 0.09% to 3.50% and 0.88% to 2.50% in 2018 and 2017, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱41.40 million, and ₱27.19 million for the three months ended March 31, 2018 and 2017, respectively.

8. Trade and Other Receivables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade (Notes 24 and 27)	**₱1,376,961,256**	₱1,552,222,590
Nontrade (Notes 24 and 27)	**495,607,493**	487,405,602
Due from franchisees (Notes 27 and 29)	**382,415,262**	305,376,530
	2,254,984,011	2,345,004,722
Less allowance for impairment losses (Note 29)	**111,887,769**	110,387,770
	₱2,143,096,242	₱2,234,616,952

Movement in the allowance for impairment losses is as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱110,387,770**	₱88,873,605
Additional provision for impairment losses (Note 21)	**1,499,999**	21,514,165
Balance at end of year	**₱111,887,769**	₱110,387,770

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

Nontrade receivables include receivable from insurance companies amounting to ₱82.12 million and ₱82.12 million as of March 31, 2018, and December 31, 2017, respectively. The remaining balance consists of operational advances and interest receivable arising from short-term investments.

9. Merchandise Inventories

The rollforward analysis of this account follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱14,846,561,020**	₱13,341,684,985
Add purchases - net of purchase discounts and allowances	**22,797,917,418**	90,950,955,973
Cost of goods available for sale	**37,644,478,438**	104,292,640,958
Cost of merchandise sold	**22,476,782,406**	89,446,079,938
Balance at end of year	**₱15,167,696,032**	₱14,846,561,020

There are no merchandise inventories pledged as security for liabilities as of March 31, 2018 and December 31, 2017.

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱22.48 billion and ₱20.00 billion for the three months ended March 31, 2018 and 2017, respectively.

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

10. Other Current Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Input VAT - net	**₱1,895,360,393**	₱1,995,567,759
CWT	**312,067,736**	304,021,431
Prepayments	**252,432,333**	123,428,852
Others	**3,430,121**	676,741
	₱2,463,290,583	₱2,423,694,783

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

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

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

Others consist mainly of excess payments of income taxes.

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

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Debt securities		
Quoted	**₱16,608,808,490**	₱16,879,667,094
Unquoted	**1,683,700,000**	1,683,700,000
Equity securities	**2,048,000,000**	2,104,000,000
	₱20,340,508,490	₱20,667,367,094

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

Rollforward analysis of quoted debt securities as of March 31, 2018 and December 31, 2017 follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Amortized Cost:		
At beginning of year	**₱16,593,843,811**	₱16,329,074,285
Additions	**219,661,078**	408,551,798
Disposals	**(286,741,725)**	(145,401,710)
Amortization of premium on debt securities	**(45,995,868)**	(43,452,040)
Foreign exchange gain	**137,210,750**	1,619,438
At end of year	**16,617,978,046**	16,550,391,771
Change in fair value of AFS financial assets:		
At beginning of year	**329,275,323**	332,803,656
Changes in fair value recognized in OCI	**(365,601,134)**	(2,823,208)
Transfer to profit or loss	**27,156,255**	(705,125)
At end of year	**(9,169,556)**	329,275,323
	₱16,608,808,490	₱16,879,667,094

The Group's unquoted debt securities include Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.19% and 5.18%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

For the three months ended March 31, 2018 and year ended December 31, 2017, the Group recognized loss on disposal of AFS financial assets amounting to ₱25.38 million and ₱4.24 million, respectively (Note 21).

Interest income arising from AFS financial assets amounted to ₱195.51 million and ₱200.96 million for the three months ended March 31, 2018 and 2017, respectively.

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

Equity Securities
Quoted equity securities pertain to investment in stock listed in the PSE.

Rollforward analysis of equity securities as of March 31, 2018 and December 31, 2017 follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost	**₱2,000,000,000**	₱2,000,000,000
Change in fair value of AFS financial assets:		
At beginning of year	**104,000,000**	120,000,000
Changes in fair value	**(56,000,000)**	(16,000,000)
At end of year	**48,000,000**	104,000,000
	₱2,048,000,000	₱2,104,000,000

Dividend income earned by the Group amounted to ₱27.88 million for the three months ended March 31, 2018 and 2017.

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at the beginning of year	**₱433,980,448**	₱452,803,656
Change in fair value during the year	**(421,601,134)**	(18,823,208)
Balances at the end of year	**₱12,379,314**	₱433,980,448

12. Property and Equipment

March 31, 2018

	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱1,736,445,913	₱13,378,873,960	₱8,985,785,664	₱2,200,258,093	₱205,687,524	₱2,559,053,303	₱–	₱29,066,104,457
Additions	3,917,511	324,276,447	156,437,281	114,402,341	669,643	82,927,973	–	682,631,196
Transfers	–	(24,991,348)	9,042,155	6,654,746	–	377,176	–	(8,917,271)
Disposals and derecognition	–	(20,149,171)	(16,953,937)	(1,719,094)	–	(2,291,650)	–	(41,113,852)
At end of year	1,740,363,424	13,658,009,888	9,134,311,163	2,319,596,086	206,357,167	2,640,066,802	–	29,698,704,530
Accumulated depreciation and amortization								
At beginning of year	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Depreciation and amortization (Note 21)	15,234,774	256,232,084	131,264,246	81,028,741	4,567,528	59,619,289	–	547,946,662
Transfers	–	(3,060,504)	(1,781,881)	–	–	(3,057)	–	(4,845,442)
Disposals and derecognition	–	(20,149,171)	(16,953,937)	(615,981)	–	(2,291,650)	–	(40,010,739)
At end of year	778,150,082	7,079,938,782	5,542,528,439	738,655,607	132,856,504	1,619,876,569	–	15,892,005,983
Allowance for impairment losses								
At beginning and end of year	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱962,213,342	₱6,528,503,433	₱3,565,899,738	₱ 1,580,940,479	₱73,500,663	₱1,019,840,960	₱–	₱13,730,898,615

December 31, 2017

	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Construction in Progress	Total
Cost								
At beginning of year	₱1,702,152,553	₱11,920,754,884	₱8,420,080,407	₱1,608,399,579	₱187,203,438	₱2,246,842,007	₱2,681,895	₱26,088,114,763
Additions	33,595,861	1,552,902,866	569,482,284	592,202,817	21,571,480	312,907,293	22,057,092	3,104,719,693
Transfers	697,499	23,662,485	557,999	(253,804)	–	74,808	(24,738,987)	–
Disposals and derecognition	–	(118,446,275)	(4,335,026)	(90,499)	(3,087,394)	(770,805)	–	(126,729,999)
At end of year	1,736,445,913	13,378,873,960	8,985,785,664	2,200,258,093	205,687,524	2,559,053,303	–	29,066,104,457
Accumulated depreciation and amortization								
At beginning of year	703,482,472	6,012,335,160	4,886,039,083	386,206,802	112,085,066	1,350,004,881	–	13,450,153,464
Depreciation and amortization (Note 21)	59,432,836	948,737,678	546,961,032	272,036,045	17,893,431	213,307,598	–	2,058,368,620
Disposals and derecognition	–	(114,156,465)	(3,000,104)	–	(1,689,521)	(760,492)	–	(119,606,582)
At end of year	762,915,308	6,846,916,373	5,430,000,011	658,242,847	128,288,976	1,562,551,987	–	15,388,915,502
Allowance for impairment losses								
At beginning and end of year	–	49,567,673	25,882,986	–	–	349,273	–	75,799,932
	₱973,530,605	₱6,482,389,914	₱3,529,902,667	₱1,542,015,246	₱77,398,548	₱996,152,043	₱–	₱13,601,389,023

On November 10, 2016, the Group entered into an asset purchase agreement with HBC, Inc. (HBC) to acquire certain stores assets of HBC's Shopmore outlets for a consideration of ₱105.00 million which comprised the following:

- Leasehold improvements, store and office furniture and fixture and other equipment for a total consideration of ₱87.83 million; and
- Saleable merchandise inventory for a total consideration of ₱72.23 million (Note 9).

There are no items of property and equipment as of March 31, 2018 and December 31, 2017 that are pledged as security for liabilities.

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

Cost of fully depreciated property and equipment still in use amounted to ₱7.12 billion and ₱7.10 billion as at March 31, 2018 and December 31, 2017, respectively.

13. Investment in Associates

This account consists of investments in shares of stock of Robinsons Bank Corporation (RBC) and TCCI. Carrying value as follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
RBC	**₱5,369,634,105**	₱5,146,804,931
TCCI	**122,946,804**	124,727,265
	₱5,492,580,909	₱5,271,532,196

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	**₱4,750,238,902**	₱4,750,238,902
Conversion to common stock	**–**	–
Balance at end of year	**4,750,238,902**	4,750,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	**834,958,356**	711,046,110
Equity in net earnings	**40,031,194**	123,912,246
Balance at end of year	**874,989,550**	834,958,356
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	**(393,204,586)**	(327,854,087)
Share in fair value changes of AFS financial assets	**185,487,173**	(65,350,499)
Balance at end of year	**(207,717,413)**	(393,204,586)
(Forward)		

Share in translation loss adjustments:		
Balance at beginning of year	**(41,044,297)**	(44,734,653)
Share in translation adjustments	**(1,445,814)**	3,690,356
Balance at end of year	**(42,490,111)**	(41,044,297)
Share in remeasurement loss on retirement obligation:		
Balance at beginning of year	**(4,143,444)**	(10,784,288)
Share in remeasurement gain (loss) on retirement obligation	**(1,243,379)**	6,640,844
Balance at end of year	**(5,386,823)**	(4,143,444)
	₱5,369,634,105	₱5,146,804,931

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

Summarized financial information of RBC follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Total assets	**₱104,413,843,181**	₱104,976,687,753
Total liabilities	**91,716,697,106**	92,834,221,380
Net income	**100,077,985**	309,780,615
Other comprehensive income (loss)	**463,717,933**	(163,376,248)

The consolidated statements of comprehensive income follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Total operating income	**₱975,086,665**	₱3,484,195,685
Total operating expenses and tax	**875,008,680**	3,174,415,070
Net income	**100,077,985**	309,780,615
Other comprehensive income (loss)	**463,717,933**	(163,376,248)
Total comprehensive income	**₱563,795,918**	₱146,404,367
Group's share of profit for the year	**₱40,031,194**	₱123,912,246

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Net assets of RBC	**₱12,702,010,698**	₱12,144,937,763
Proportionate ownership in the associate	**40%**	40%
Carrying amount of the investment	**5,080,804,279**	4,857,975,105
Total share in net assets	**5,369,634,105**	5,146,804,931
Difference	**₱288,829,826**	₱288,829,826

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

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Changes in fair value of AFS financial assets of associates:		
Balances at the beginning of year	**(₱373,495,977)**	(₱328,915,680)
Change in fair value during the year	**128,278,952**	(44,580,297)
Balances at end of year	**(₱245,217,025)**	(373,495,977)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	**(₱7,056,276)**	(11,889,684)
Change in fair value during the year	**(870,365)**	4,833,408
Balances at end of year	**(7,926,641)**	(7,056,276)
	(₱253,143,666)	(₱380,552,253)

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site. The Group's share in equity in net loss of TCCI for the three months ended March 31, 2018 amounted to ₱1.78 million.

14. Intangible Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Goodwill (Note 19)	**₱3,381,413,966**	₱3,381,413,966
Trademarks (Note 19)	**3,195,930,460**	3,195,930,460
Licenses	**105,501,412**	60,606,062
Franchise	**18,642,550**	19,279,385
	₱6,701,488,388	₱6,657,229,873

Trademarks
The trademarks were acquired through business combinations in 2017, 2016 and 2015 and were recognized at fair value at the date of acquisition as follow (Note 19):

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
SSDI	**₱1,566,917,532**	₱1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	₱3,195,930,460	₱3,195,930,460

Goodwill
The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries are as follows (Note 19):

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
TGPPI	**₱1,281,428,830**	₱1,281,428,830
SSDI	**745,887,131**	745,887,131
SEWI	**715,103,869**	715,103,869
EC	**199,870,222**	199,870,222
RHIB	**145,655,320**	145,655,320
RTSHPI	**85,161,468**	85,161,468
BSRI	**83,324,691**	83,324,691
JRMC	**71,732,435**	71,732,435
HPTDI	**30,000,000**	30,000,000
GPC	**23,250,000**	23,250,000
	₱3,381,413,966	₱3,381,413,966

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

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

Licenses
<u>Acquisition of trademark by RSSI to secure a franchise/license</u>
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 ₱23.85 million and ₱12.12 million for the three months ended March 31, 2018 and for the year ended December 31, 2017, respectively (Note 21).

The rollforward analysis of this account follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Beginning balance	**₱60,606,062**	₱72,727,274
Additions	**68,749,355**	−
Less amortization (Note 21)	**23,854,005**	12,121,212
	₱105,501,412	₱60,606,062

Franchise
On July 29, 2014, Costa International Limited granted the Group, the development and operating rights to carry on the Costa business in the Philippines. The development agreement includes a development fee, 60.00% of which is payable upon execution of the agreement and the remaining 40.00% is payable one (1) year after the date of the agreement, and a service fee equal to a certain percentage of sales. As of March 31, 2018 and December 31, 2017, the Group has franchise amounting to ₱18.64 million and ₱19.28 million, respectively.

The rollforward analysis of the franchise follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Beginning balance	**₱19,279,385**	₱21,826,729
Less amortization (Note 21)	**636,835**	2,547,344
	₱18,642,550	₱19,279,385

In 2015, the Group started recording amortization relating to franchise, following the commencement of the Group's Costa operations.

15. Other Noncurrent Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Security and other deposits	**₱1,498,436,227**	₱1,530,655,795
Construction bonds	**18,096,326**	27,475,941
	₱1,516,532,553	₱1,558,131,736

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

16. Trade and Other Payables

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade	**₱9,323,816,529**	₱12,732,104,629
Nontrade (Notes 24 and 29)	**5,835,306,879**	4,613,052,013
Others	**404,588,895**	429,078,340
	₱15,563,712,303	₱17,774,234,982

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

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

Others consist of taxes and licenses payable.

17. Short-term Loans Payable

Details of short-term loans follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱6,377,954,863**	₱6,575,698,733
Availments	**27,865,473**	3,724,954,863
Payments	**(2,675,000,000)**	(3,922,698,733)
Current portion	**₱3,730,820,336**	₱6,377,954,863

The balances of loans of the subsidiaries follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
SSDI	**₱2,217,000,000**	₱2,217,000,000
RI	**1,041,000,000**	1,420,000,000
RHDDS	**200,000,000**	230,000,000
RGFBI	**114,820,336**	86,954,863
RAC	**100,000,000**	100,000,000
HPTD	**58,000,000**	58,000,000
RSC	−	2,206,000,000
RHIB	−	60,000,000
	₱3,730,820,336	₱6,377,954,863

a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.50%-3.00% per annum. In 2017, SSDI availed short-term loans amounting to ₱325.00 million. In addition, SSDI paid ₱81.17 million of the outstanding loan balance in 2017.

The short-term loan payable of SSDI as of March 31, 2018 and December 31, 2017 amounted to ₱2.22 billion.

b.) RI's short-term loans payable consist of a loan availed from local commercial bank at an interest rate of 2.80% per annum. These loans are renewable before the end of each lease term at the option of RI. In 2017, RI availed short term loan amounting to ₱789.00 million. In addition, RI paid ₱379.00 million and ₱1.23 billion on the outstanding loan balance in 2018 and 2017, respectively. The loans were obtained to support the working capital requirements of RI. The short-term loan payable as of March 31, 2018 and December 31, 2017 amounted to ₱1.04 billion and ₱1.42 billion, respectively.

c.) RHDDS's short-term loans payable consist of a loan availed from local commercial bank at an interest rate of 2.80% per annum. In 2017, RHDDS availed short term loan amounting ₱100.00 million. In addition, RHDDS paid ₱30.00 million and ₱170 million on the outstanding loan balance in 2018 and 2017. The short-term loans payable as of March 31, 2018 and December 31, 2017 amounted to ₱200.00 million and ₱230.00 million, respectively.

d.) RGFBI's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.00% per annum. In 2018 and 2017, RGFBI availed short term loan amounting to ₱27.87 million and ₱86.95 million. No payment on outstanding short-term loan was made in 2018 and 2017. The short tem loans payable of RGFBI as of March 31, 2018 and December 31, 2017 amounted to ₱114.82 million and ₱86.95 million, respectively.

e.) RAC's short-term loan payable consists of a loan availed from a local commercial bank at an interest rate of 2.50% per annum. In 2017, RAC availed short term loan amounting ₱100.00 million, respectively. In 2017, RAC paid ₱290.00 million of the outstanding loan balance. The loans payable as of March 31, 2018 and December 31, 2017 amounted to ₱100.00 million.

f.) HPTD's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.00% per annum. In 2017, RHIB's availed short term loan amounting to ₱58.00 million. No payment on outstanding short-term loan was made in 2018 and 2017.

g.) RSC short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.80%-3.00%, per annum which are renewable every three (3) months. In 2017, RSC availed short-term loans amouting to ₱2.21 billion. In addition, RSC paid ₱2.21 billion and ₱1.03 billion in 2018 and 2017, respectively. The short-term loan payable of RSC as of March 31, 2018 and December 31, 2017 amounted to nil and ₱2.21 billion, respectively.

h.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 3.00% per annum. In 2017, RHIB's availed short term loan amounting to ₱60.00 million. In 2018, RHIB paid ₱60.00 million of the outstanding loan balance. The short term loans payable as of March 31, 2018 and December 31, 2017 amounted to nil and ₱60.00 million, respectively.

Total interest expense charged to operations amounted to ₱26.85 million and ₱43.20 million for the three months ended March 31, 2018 and 2017, respectively.

The above loans are not subject to any loan covenants.

18. **Equity**

Capital Stock
The details of this account follow:

	March 31, 2018 (Unaudited)		December 31,2017 (Audited)	
	Amount	**No. of shares**	Amount	Amount
Common stock - ₱1 par value				
Authorized shares	**₱2,000,000,000**	**2,000,000,000**	₱2,000,000,000	₱2,000,000,000
Issued shares	**1,385,000,000**	**1,385,000,000**	1,385,000,000	1,385,000,000

Registration Track Record
On November 11, 2013, the Parent Company listed with the Philippine Stock Exchange its common stock wherein it offered 484,750,000 shares to the public at ₱58.00 per share. All shares were sold. Of the total shares sold, 18,871,950 shares were subsequently reacquired by the Parent Company at ₱58.00 per share or an aggregate cost of ₱1.10 billion. The Parent Company incurred transaction costs incidental to the IPO amounting ₱745.65 million, charged against "Additional paid-in capital".

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

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

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

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

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

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

Retained Earnings
The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱24.86 billion and ₱23.65 billion as of March 31, 2018 and December 31, 2017, respectively, while the accumulated equity in net income of

the associates amounted to ₱872.94 million and ₱834.96 million as of March 31,2018 and December 31, 2017, respectively (Note 13).

On June 27, 2017, the BOD approved the declaration of cash dividend of ₱0.70 per share or an aggregate amount of ₱969.50 million to all stockholders of record as of July 17, 2017 which was paid on August 10, 2017.

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

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

	March 31, 2018 (Uaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱15,212,852,847**	₱15,262,852,847
Appropriation	**6,157,000,000**	–
Reversal of appropriation	**–**	(50,000,000)
Balance at end of year	**₱21,369,852,847**	₱15,212,852,847

On February 20, 2018, the Group’s BOD approved the appropriation of RRHI amounting to ₱2.80 billion. The appropriated retained earnings shall be used to augment new stores with the Group’s nationwide expansion.

On March 7, 2018, the Group’s BOD approved the appropriation of ₱3.22 billion. The appropriated retained earnings shall be used to augment new stores with the Group’s nationwide expansion.

Entity	Amount
RSC	₱1,250,000,000
RHMI	553,000,000
RI	400,000,000
SSDI	300,000,000
RAC	260,000,000
RTI	150,000,000
RHDDSI	114,000,000
RTSHPI	93,000,000
WHMI	50,000,000
RDDC	23,000,000
ASI	15,000,000
HEMI	7,000,000
	₱3,215,000,000

On March 8, 2018, the BOD approved the appropriation of unrestricted retained earnings of SEWI amounting to ₱180.00 million. The appropriated retained earnings shall be used to augment funds to construct new stores and renovate existing stores in line with the SEWI’s nationwide expansion.

On December 12, 2017 the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RSSI amounting to ₱50.00 million.

Declaration of Dividends of the Subsidiaries

In 2017, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RRHI-TMI	December 12, 2017	₱1,050,000,000
	May 10, 2017	1,028,400,000
TGP	February 1, 2017	300,000,000
	October 1, 2017	300,000,000
RTI	February 1, 2017	130,000,000
WHMI	March 12, 2017	40,000,000
RTSHPI	December 12, 2017	30,000,000
Chic Centre Corporation	February 1, 2017	20,000,000
Total		₱2,898,400,000

NCI

Acquisitions of NCI from Business Combinations

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

In 2016 and 2015, the Group has acquired NCI through business combinations on the acquisition of HPTDI and SEWI amounting ₱9.50 million and ₱30.54 million, respectively.

Investment from Non-controlling Interest

On December 20, 2017, the BOD of RCSI authorized the increase of capital stock from ₱1.00 billion to ₱2.00 billion of which to ₱490.00 million was subscribed and paid in full by Ministop.

In 2016, no additional investment was recognized from NCI.

In 2015, transactions relating to NCI pertain to capital call for each investee summarized as follows (Note 2):

Entity	Amount
RHIB	₱148,000,000
SEWI	35,000,000
Total	₱183,000,000

Dividends to NCI

In 2018 and 2017, dividends declared attributable to NCI amounted to nil and ₱357.80 million, respectively.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the three months ended March 31, 2018 and year ended December 31, 2017.

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Capital stock	**₱1,385,000,000**	₱1,385,000,000
Additional paid-in capital	**27,227,385,090**	27,227,385,090
Other comprehensive income	**58,620,844**	289,698,663
Equity reserve	**(1,021,894,669)**	(1,021,894,669)
Retained earnings		
Appropriated	**21,369,852,847**	15,212,852,847
Unappropriated	**3,494,720,735**	8,440,230,328
Total equity attributable to equity holders of the Parent Company	**52,513,684,847**	51,533,272,259
Non-controlling interest in consolidated subsidiaries	**3,874,823,273**	3,733,366,825
Total Equity	**₱56,388,508,120**	₱55,266,639,084

19. **Business Combinations**

Combination of Entities under Common Control

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

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

	Carrying amounts recognized on acquisition
Assets	
Current assets	₱282,006,264
Property and equipment (Note 12)	55,957,840
Deferred tax assets	2,748,968
	340,713,072
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

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

On January 4, 2016, the Parent Company acquired 100% ownership of NDV Limited for a total consideration of ₱2.35 million.

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

Acquisition of TGPPI
On May 17, 2016, SSDI acquired 51% of TGPPI for a total consideration of ₱2.26 billion. In 2016, the Group finalized the purchase price allocation and the amount of resulting goodwill. The final purchase price allocation resulted in goodwill of ₱1.28 billion.

	Fair values recognized on acquisition
Assets	
Current assets	₱1,231,511,879
Trademarks (Note 14)	1,264,098,435
Property and equipment (Note 12)	102,639,683
Other non-current assets	15,682,708
	2,613,932,705
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 14)	1,281,428,830
Acquisition cost	₱2,262,050,000

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

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

Material partly-owned subsidiary
In 2017 and 2016, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱408.86 million, ₱624.99 million and ₱426.56 million in 2017, 2016 and 2015, respectively. Profit allocated to material non-controlling interest amounted to ₱237.23 million, ₱155.08 million and ₱426.56 million in 2017, 2016 and 2015, respectively.

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

In 2016, the Group finalized the purchase price allocation and the fair value computation of goodwill. The final purchase price allocation resulted in goodwill of ₱30.00 million.

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

From the date of acquisition, HPTDI contributed ₱95.43 million revenue and ₱0.28 million income before income tax of the Group. HPTDI is incorporated on May 4, 2016 and started its commercial operation on August 1, 2016. The goodwill of ₱30.00 million comprises the expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

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

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

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

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

**Presented under trade and other payables account*

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

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

20. Sales Revenue

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

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱948.20 million and ₱660.73 million for the three months ended March 31, 2018 amd 2017, respectively.

21. Operating Expenses

This account consists of:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Rental and utilities (Notes 24, 28 and 29)	**₱2,404,150,328**	₱2,110,844,983
Personnel costs and contracted services (Notes 22 and 23)	**1,674,468,153**	1,464,251,894
Depreciation and amortization (Notes 12 and 14)	**572,437,502**	492,316,730
Transportation and travel	**293,058,501**	228,000,902
Supplies	**161,216,244**	168,669,781
Advertising	**154,004,867**	159,412,010
Bank and credit charges	**137,700,393**	121,059,965
Repairs and maintenance	**110,624,186**	106,437,627
Royalty expense (Note 29)	**39,608,624**	36,233,046
Others	**231,458,043**	184,856,306
	₱5,778,726,841	₱5,072,083,244

Depreciation and amortization expense pertains to the depreciation and amortization of property and equipment and amortization of franchise fees and license fees which amounted to ₱547.95 million and ₱24.49 million, respectively, in 2018 and ₱488.64 million and ₱3.68 million, respectively, in 2017.

Others consist mainly of taxes and licenses, insurance and professional fees, and loss on sale of AFS financial assets and allowance for impairment losses on trade and other receivables.

22. Personnel Costs and Contracted Services

This account consists of:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Salaries, allowances and benefits (Note 21)	**₱934,079,059**	₱778,950,664
Contracted services (Note 21)	**740,389,094**	685,301,230
	₱1,674,468,153	₱1,464,251,894

Details of salaries, allowances and benefits:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Salaries, wages and allowances	**₱896,159,154**	₱747,532,306
Retirement expense (Note 23)	**37,919,905**	31,418,358
	₱934,079,059	₱778,950,664

23. Employee Benefits

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

The Group computes the actuarial valuation every year by hiring the services of a professional third party qualified actuary. The latest actuarial valuation reports for retirement plan for the Group are shown below:

Business Unit	Date of Report
TGPPI	February 26, 2018
WHMI, HEMI, ASI, RHMI	March 2, 2018
RI, RVC, RTSHPI, RSSI, RGFBI, RSSI, HPTD, RHIB	March 5, 2018
RSC	March 7, 2018
RDDC	March 7, 2018
RAC, RTI, SEWI	March 11, 2018
SSDI	March 12, 2018
Chic Centre Corporation	March 15, 2018

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

However, changes or revisions in the Plan shall be approved by the Executive Retirement Committee.

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

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

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

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Current service cost	**₱36,619,352**	₱30,633,862
Net interest cost	**1,300,553**	784,496
Retirement expense	**₱37,919,905**	₱31,418,358

Net retirement obligation as of March 31, 2018 and December 31, 2017 recognized in the consolidated statements of financial position follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Present value of defined benefit obligation	**₱1,005,706,686**	₱967,786,781
Fair value of plan assets	**(421,598,614)**	(421,598,614)
Net retirement obligation	**₱584,108,072**	₱546,188,167

Remeasurement effects recognized in OCI:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Remeasurement gain (loss) on:		
Retirement obligation	**₱–**	₱28,326,843
Plan assets	**–**	(32,716,282)
	₱–	(₱4,389,439)

Movements of cumulative remeasurement effect recognized in OCI:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**(₱182,643,820)**	(₱256,530,304)
Actuarial gain (loss)	**–**	28,326,843
Return on assets excluding amount included in net interest cost	**–**	(32,716,282)
Total remeasurement	**–**	(260,919,743)
Income tax effect	**–**	(78,275,923)
	(₱182,643,820)	(₱182,643,820)

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱546,188,167**	₱609,529,248
Retirement expense	**37,919,905**	170,952,296
Remeasurement losses	**–**	4,389,439
Transfer-in	**–**	–
Actual contribution	**–**	(234,909,126)
Benefits paid from direct payments	**–**	(3,773,690)
Balance at end of year	**₱584,108,072**	₱546,188,167

Movements in the fair value of plan assets follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱421,598,614**	₱212,260,323
Actual contribution	**–**	234,909,126
Benefits paid	**–**	(9,931,597)
Interest income included in net interest cost	**–**	17,077,044
Addition arising from business combination	**–**	–
Remeasurement gain (loss)	**–**	(32,716,282)
Balance at end of year	**₱421,598,614**	₱421,598,614

Changes in the present value of defined benefit obligation follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	**₱967,786,781**	₱821,789,571
Current service cost	**36,619,352**	142,074,946
Interest cost	**1,300,553**	45,954,394
Transfer-in	**–**	–
Remeasurement loss (gain) arising from:	**–**	–
Changes in financial assumptions	**–**	(27,133,646)
Experience adjustments	**–**	(574,429)
Changes in demographic assumptions	**–**	(618,768)
Benefits paid	**–**	(13,705,287)
Balance at end of year	**₱1,005,706,686**	₱967,786,781

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash and cash equivalents		
Savings deposit	**₱388,792**	₱388,792
Time deposit	**–**	–
	388,792	388,792
Investments in government securities		
Fixed rate treasury notes	**16,877,654**	16,877,654
Retail treasury bonds	**–**	–
	16,877,654	16,877,654
Investments in UITF	**404,202,880**	404,202,880
Other receivables	**153,595**	153,595
Accrued trust fee payable	**(24,307)**	(24,307)
Others	**–**	–
	₱421,598,614	₱421,598,614

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

	December 31, 2017 (Audited)
Discount rates	4.90% - 5.60%
Salary increase rates	5.70% - 7.00%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to (₱15.64 million) and ₱22.67 million in 2017 and 2016, respectively.

The Group expects to contribute ₱387.50 million to the defined benefit plan in 2018.

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Balances at the beginning of year	**₱236,820,467**	₱240,395,120
Remeasurement losses during the year	**–**	(3,574,653)
Balances at end of year	**₱236,820,467**	₱236,820,467

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
2017	Salary increase	+1.00%	₱290,936,127
		-1.00%	(161,085,306)
	Discount rates	+1.00%	(133,966,262)
		-1.00%	328,900,041

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

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

	2017
Less than 1 year	₱47,864,692
More than 1 year but less than 5 years	148,976,023
More than 5 years but less than 10 years	416,750,644
More than 10 years but less than 15 years	562,283,554
More than 15 years but less than 20 years	808,632,826
More than 20 years	6,213,573,653

24. Related Party Disclosures

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

Significant Related Party Transactions

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

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

	Amount		Due from (Due to)	
	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
Other affiliates under common control				
a. Trade and other receivables	**₱–**	₱–	**₱191,118,739**	₱146,826,951
Sales	**755,720,356**	2,804,711,625	**–**	–
Royalty income	**315,541,722**	1,261,104,503	**–**	–
b. Trade and other payable		–	**(590,418,455)**	(543,615,340)
Purchases - net	**(705,815,593)**	(2,832,232,330)	**–**	–
Rent and utilities	**(966,640,492)**	(3,949,827,999)	**–**	–

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

a. As of March 31, 2018 and December 31, 2017, the Group has outstanding balances from its other affiliates amounting to ₱191.12 million and ₱146.83 million, respectively, arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

   For the three months ended March 31, 2018 and year ended December 31, 2017 sales of merchandise inventories to related parties amounted to ₱755.72 million and ₱2.80 billion, respectively, and royalty income amounted to ₱315.54 million and ₱1.26 billion, respectively (Note 29).

b. As of March 31, 2018 and year ended December 31, 2017, the Group has outstanding payable to its other affiliates amounting to ₱ 590.42 million and ₱543.62 million, respectively, arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year and renewable every year.

   For period ended March 31, 2018 and year ended December 31, 2017, purchases of merchandise inventories for resale to customers amounted ₱705.82 million and ₱2.83 billion, respectively while payment for rent and utilities amounted to ₱966.64 million and ₱3.95 billion, respectively.

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

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

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

The details of compensation and benefits of key management personnel for December 31, 2017 and 2016, respectively follows:

	2017	2016
Short-term employee benefits	**₱140,592,485**	₱135,091,073
Post-employment benefits	**37,004,324**	30,916,815
	₱177,596,809	₱166,007,888

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 period ended March 31, 2018 and December 31, 2017. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

25. **Income Tax**

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

	2018 (Unaudited)	2017 (Unaudited)
Current	**₱379,391,023**	₱353,293,781
Deferred	**(19,458,218)**	(25,183,601)
	₱359,932,805	₱328,110,180

The components of the net deferred tax assets of the Group as of March 31,2018 and December 31, 2017 pertain to the deferred income tax effects of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Tax effects of:		
Items recognized in profit or loss:		
Retirement expense	**₱175,232,419**	₱86,479,433
NOLCO	**128,985,888**	110,705,790
MCIT	**32,165,290**	28,014,595
Unamortized past service cost	**28,171,161**	28,200,002
Allowance for impairment losses for receivables	**14,738,300**	14,119,300
Allowance for inventory write-down	**4,801,518**	10,270,178
Unrealized forex gains	**–**	(66)
	384,094,576	277,789,232
Item recognized directly in other comprehensive income:		
Remeasurement loss on retirement obligation	–	77,377,017
	₱384,094,576	₱355,166,249

In 2017, the Parent Company recognized deferred tax assets pertaining to MCIT amounting to ₱3.92 million which was unrecognized in prior years.

The components of the net deferred tax liabilities of the Group as of March 31,2018 and December 31, 2017 represent deferred income tax effects of the following:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱959,671,939**	₱959,671,939
Asset revaluation	**55,077,067**	57,471,721
Unrealized forex gains	**220,229**	220,229
	1,014,969,235	1,017,363,889
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an Associate	**48,871,277**	(5,968,117)
	₱1,063,840,512	₱1,011,395,772

The Group has the following deductible temporary differences, NOLCO and MCIT from the Parent Company and RCSI, allowance for doubtful accounts and allowance for impairment losses from RCSI, that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	December 31, 2017 (Audited)	December 31, 2016 (Audited)
Tax effects of:		
Allowance for impairment losses	₱22,739,980	₱22,739,980
Allowance for doubtful accounts	19,151,697	16,451,697
NOLCO	6,049,390	188,485,874
MCIT	−	8,052,362
	₱47,941,067	₱235,729,913

Details of the Group's NOLCO follow:

Inception Year	Beginning Balance	Applied/ Expired	Addition	Ending Balance	Expiry Year
2017	₱–	₱–	₱170,325,860	₱170,325,860	2020
2016	113,954,603	–	−	113,954,603	2019
2015	104,903,471	–	−	104,903,471	2018
2014	33,781,531	33,781,531	–	–	2017
Total	₱252,639,605	₱33,781,531	₱170,325,860	₱389,183,934	

Details of the Group's MCIT follow:

Inception Year	Beginning Balance	Applied/ Expired	Additions	Ending Balance	Expiry Year
2017	₱–	₱–	₱16,911,569	₱16,911,569	2020
2016	16,078,512	5,445,446	–	10,633,066	2019
2015	2,155,199	1,685,239	–	469,960	2018
2014	921,678	921,678	–	–	2017
Total	₱19,155,389	₱8,052,363	₱16,911,569	₱28,014,595	

26. Earnings Per Share

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

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Net income attributable to equity holders of the Parent Company	**₱1,211,490,407**	₱995,734,720
Weighted average number of common shares	**1,385,000,000**	1,385,000,000
Adjusted weighted average number EPS	**1,385,000,000**	1,385,000,000
Basic and Diluted EPS	**₱0.87**	₱0.72

The Parent Company has no dilutive potential common shares in 2018 and 2017.

27. Risk Management and Financial Instruments

Governance Framework

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

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

Financial Risk

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

Interest Rate Risk

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

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

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's AFS financial assets.

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

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

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

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

The table below shows the maturity profile of the financial instruments of the Group as of March 31, 2018 and December 31, 2017 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

March 31, 2018

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱10,823,224,162	₱–	₱–	₱10,823,224,162
Trade receivables	48,048,780	1,328,912,476	–	1,376,961,256
Nontrade receivables	–	495,607,493	–	495,607,493
Due from franchisees	63,838,989	318,576,273	–	382,415,262
Other noncurrent assets:				
Security and other deposits	–	–	1,498,436,227	1,498,436,227
Construction bonds	–	–	18,096,326	18,096,326
AFS financial assets	–	–	20,340,508,490	20,340,508,490
	₱10,935,111,931	₱2,143,096,242	₱21,857,041,043	₱34,935,249,216
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱15,334,095,648	₱–	₱15,334,095,648
Loans payable	–	3,730,820,336	–	3,730,820,336
Other current liabilities	–	204,138,173	–	204,138,173
	₱–	₱19,269,054,157	₱–	₱19,269,054,157

**Excluding statutory liabilities amounting ₱229,616,655*

December 31, 2017

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents	₱14,565,037,906	₱–	₱–	₱14,565,037,906
Trade receivables	123,004,663	1,429,217,927	–	1,552,222,590
Nontrade receivables	356,756,690	130,828,912	–	487,405,602
Due from franchisees	–	305,376,530	–	305,376,530
Other noncurrent assets:				
Security and other deposits	–	–	1,530,655,795	1,530,655,795
Construction bonds	–	–	27,475,941	27,475,941
AFS financial assets	–	–	20,667,367,094	20,667,367,094
	₱15,044,799,259	₱1,865,423,369	₱22,225,498,830	₱39,135,541,458
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱17,626,139,310	₱–	₱17,626,139,310
Loans payable	–	6,377,954,863	–	6,377,954,863
Other current liabilities	–	240,007,838	–	240,007,838
	₱–	₱24,244,102,011	₱–	₱24,244,102,011

**Excluding statutory liabilities amounting ₱148,095,672*

Credit Risk

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

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

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

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

The tables below show the aging analysis of loans and receivables and AFS financial assets as at March 31, 2018 and December 31, 2017.

March 31, 2018

	Neither past due nor impaired	**Past due but not impaired**	**Impaired Financial Assets**	**Total**
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	**₱9,936,559,725**	**₱–**	**₱–**	**₱9,936,559,725**
Trade receivables	**1,328,912,476**	**–**	**48,048,780**	**1,376,961,256**
Nontrade receivables	**495,607,493**	**–**	–	**495,607,493**
Due from franchisees	**318,576,273**	**–**	**63,838,989**	**382,415,262**
Other noncurrent assets:		**–**		
Security and other deposits	**1,498,436,227**	**–**	–	**1,498,436,227**
Construction bond	**18,096,326**	**–**	–	**18,096,326**
	₱13,596,188,520	**₱–**	**₱111,887,769**	**₱13,708,076,289**

December 31, 2017

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
Financial Assets				
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱13,271,954,850	₱–	₱–	₱13,271,954,850
Trade receivables	1,505,673,809	–	46,548,781	1,552,222,590
Nontrade receivables	487,405,602	–	–	487,405,602
Due from franchisees	241,537,541	–	63,838,989	305,376,530
Other noncurrent assets:				
Security and other deposits	1,530,655,795	–	–	1,530,655,795
Construction bond	27,475,941	–	–	27,475,941
	₱17,064,703,538	₱–	₱110,387,770	₱17,175,091,308

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱13.71 billion and ₱17.18 billion as of March 31, 2018 and December 31, 2017, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

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

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

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

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

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

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

AFS financial assets are Grade A because these are securities placed in entities with good favorable credit standing.

The Group's financial assets considered as neither past due nor impaired amounting to ₱13.60 billion and ₱17.06 billion as of March 31, 2018 and December 31, 2017, 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 demonstrate the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (₱)**	
	2018	2017	**2018**	2017
USD	**+1.44%**	+0.85%	**₱61,170,701**	₱38,147,107
	-1.44%	-0.85%	**(61,170,701)**	(38,147,107)

The Group used foreign exchange rate of ₱52.16:USD1 and ₱49.93: USD1 as of March 31, 2018, and December 31, 2017, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.44% and 0.85% in 2018 and 2017 respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2018 and 2017 are as follows:

	March 31, 2018 (Unaudited)		December 31, 2017 (Audited)	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$2,138,848**	**₱111,562,331**	$6,112,971	₱305,220,663
Receivables	**864,251**	**45,079,336**	1,098,779	54,862,058
AFS financial assets	**78,416,768**	**4,090,218,610**	82,159,892	4,102,243,404
Total	**$81,419,867**	**₱4,246,860,277**	$89,371,642	₱4,462,326,125

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 March 31, 2018 and December 31, 2017. There is no impact on equity other than those already affecting income before income tax.

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

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.

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of March 31, 2018 and December 31, 2017.

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

	Change in variable	Effect on equity- Other comprehensive income
March 31, 2018 (Unaudited)	**+16.82%**	**₱62,624,850**
	-16.82%	**(62,624,850)**
December 31, 2017 (Audited)	+11.86%	₱15,243,594
	-11.86%	(15,243,594)

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 16.82% and 11.86% in 2018 and 2017, respectively.

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

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

Fair Values of Financial Assets and Liabilities

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

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.
- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.
- AFS financial assets amounting to ₱20.34 billion and ₱20.67 billion as at March 31, 2018 and December 31, 2017, respectively were carried at fair values. AFS investments in bonds and quoted equity securities are derived from quoted market prices in active markets.
- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

The following table provides the Company's fair value measurement hierarchy of its assets:

	March 31, 2018 (Unaudited)				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Assets Measured at Fair Value					
AFS financial assets:					
Quoted bonds	**₱16,608,808,490**	**₱16,608,808,490**	**₱16,608,808,490**	**₱–**	**₱–**
Unquoted notes	**1,683,700,000**	**1,683,700,000**	**–**	**–**	**1,683,700,000**
Quoted equity securities	**2,048,000,000**	**2,048,000,000**	**2,048,000,000**	**–**	**–**
	₱20,340,508,490	**₱20,340,508,490**	**₱18,656,808,490**	**₱–**	**₱1,683,700,000**

	December 31, 2017 (Audited)				
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets Measured at Fair Value					
AFS financial assets:					
Quoted bonds	₱16,879,667,094	₱16,879,667,094	₱16,879,667,094	₱–	₱–
Unquoted notes	1,683,700,000	1,683,700,000	–	–	1,683,700,000
Quoted equity securities	2,104,000,000	2,104,000,000	2,104,000,000	–	–
	₱20,667,367,094	₱20,667,367,094	₱18,983,667,094	₱–	₱1,683,700,000

In 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into in and out of Level 3 fair value measurement.

28. Lease Commitments

Group as Lessee
The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rental expense for the three months ended March 31, 2018 and 2017 amounted to ₱1.41 billion and ₱1.23 billion , respectively (Notes 21 and 24).

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

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

29. Agreements

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

   Royalty expense amounted to ₱19.08 million and ₱17.74 million as of March 31, 2018 and 2017, respectively (Note 21). Royalty payable to Ministop included under “Nontrade payable” as of March 31, 2018 and December 31, 2017 amounted to ₱6.68 million and ₱6.81 million, respectively (Note 16).

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱423.54 million and ₱415.54 million for the three months ended March 31, 2018 and 2017, respectively.

   As of March 31, 2018 and December 31, 2017, amounts due from franchisees amounted to ₱382.42 million and ₱305.38 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱63.84 million and ₱63.84 million as of March 31, 2018 and December 31, 2017, respectively (Note 8).

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

Royalty expenses amounted to ₱2.12 million and ₱1.71 million for the three months ended March 31, 2018 and 2017, respectively.

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

e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱16.82 million and ₱15.60 million for the three months ended March 31, 2018 and 2017, respectively.

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

The Group started Costa operations in June 2015. Royalty expenses amounted to ₱1.59 million and ₱1.18 million for the three months ended March 31, 2018 and 2017, respectively.

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

30. Changes in Liabilities Arising from Financing Activities

	January 1, 2018	**Cash Flows**	**Dividend Declaration**	**March 31, 2018**
Loans payable	**₱6,377,954,863**	**(₱2,647,134,527)**	**₱−**	**₱3,730,820,336**
Dividends payable	**14,000,000**	**−**	**−**	**14,000,000**
Total liabilities from financing activities	**₱6,391,954,863**	**(₱2,647,134,527)**	**₱−**	**₱3,744,820,336**

	January 1, 2017	Cash Flows	Dividend Declaration	December 31, 2017
Loans payable	₱6,575,698,733	(₱197,743,870)	₱−	₱6,377,954,863
Dividends payable	310,843,333	(1,624,143,333)	1,327,300,000	14,000,000
Total liabilities from financing activities	₱6,886,542,066	(₱1,821,887,203)	₱1,327,300,000	₱6,391,954,863

Interest paid in 2018 and 2017 amounted to ₱26.85 million and ₱127.38 million, respectively.

31. Contingencies

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

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

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
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. Map of the relationships of the companies within the group (Part 1, 4H)

IV. Schedule of Financial Soundness Indicators

V. Use of Proceeds from Initial Public Offering

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

March 31, 2018

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	₱16,526,763,163	₱16,608,808,490	₱16,608,808,490	₱173,970,031
Notes	1,683,700,000	1,683,700,000	1,683,700,000	21,538,421
Investment in preferred shares	2,000,000,000	2,048,000,000	2,048,000,000	27,875,000
	₱20,210,463,163	₱20,340,508,490	₱20,340,508,490	₱223,383,452

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

March 31, 2018

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

MARCH 31, 2018

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱545,066,408	₱4,403,634,370	₱–	₱4,948,700,778	₱–	₱4,948,700,778
Robinsons Toys, Inc.	197,711,461	(133,834,768)	–	63,876,693	–	63,876,693
Robinsons Convenience Stores, Inc.	39,106,088	–	–	39,106,088	–	39,106,088
Robinson's Supermarket Corporation	20,333,567	–	–	20,333,567	–	20,333,567
Robinson's, Incorporated	14,295,704	–	–	14,295,704	–	14,295,704
Robinsons Handyman, Inc.	14,767,958	(14,767,958)	–	–	–	–
RHD Daiso - Saizen, Inc.	47,229,730	–	–	47,229,730	–	47,229,730
	₱878,510,916	₱4,255,031,644	₱–	₱5,133,542,560	₱–	₱5,133,542,560

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

MARCH 31, 2018

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱3,381,413,966	₱–	₱–	₱–	₱–	₱ 3,381,413,966
Trademarks	3,195,930,460	–	–	–	–	3,195,930,460
License	60,606,062	68,749,355	(23,854,005)	–	–	105,501,412
Franchise	19,279,385	–	(636,835)	–	–	18,642,550
	₱6,657,229,873	₱ 68,749,355	(₱24,490,840)	₱–	₱–	₱6,701,488,388

See Note 14 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: SHORT TERM AND LONG TERM DEBT

MARCH 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱3,730,820,336	2.80%-3.0%	₱3,730,820,336	₱–
	₱3,730,820,336		₱3,730,820,336	₱–

See Note 17 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

MARCH 31, 2018

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	₱284,181,714	₱352,297,368
Universal Robina Corporation	238,664,324	230,078,732
JG Summit Holdings, Inc.	20,769,302	8,042,355
	₱543,615,340	₱590,418,455

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

MARCH 31, 2018

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

MARCH 31, 2018

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	–	484,749,997	380,184,503	520,065,500

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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 March 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of March 31, 2018**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of “Effective PFRSs”			✓
PFRS 2	Share-based Payment			✓
	Amendment to PFRS 2: Vesting Conditions			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Measurement of Share-based Payment Transactions			
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5 (Amended)	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7 (Amended)	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendment to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments (2010 version)		✓	
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	version)			
	Financial Instruments (2014 or final version)		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	✓		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of Financial Statements Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7 (Amended)	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12 (Amended)	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 14	Regulatory Deferral Accounts			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Benefits, Discount Rate: Regional Market Issue	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Amendments to PFRSs 2014 – 2016 Cycle)			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34 (Amended)	Interim Financial Reporting	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PAS 40 (Amended)	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members’ Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓

Standards tagged as "Not applicable" have been adopted by the Company but have no significant covered transactions for the three months ended March 31, 2018.

Standards tagged as "Not adopted" are standards issued but not yet effective as of March 31, 2018. The Company will adopt the Standards and Interpretations when these become effective.

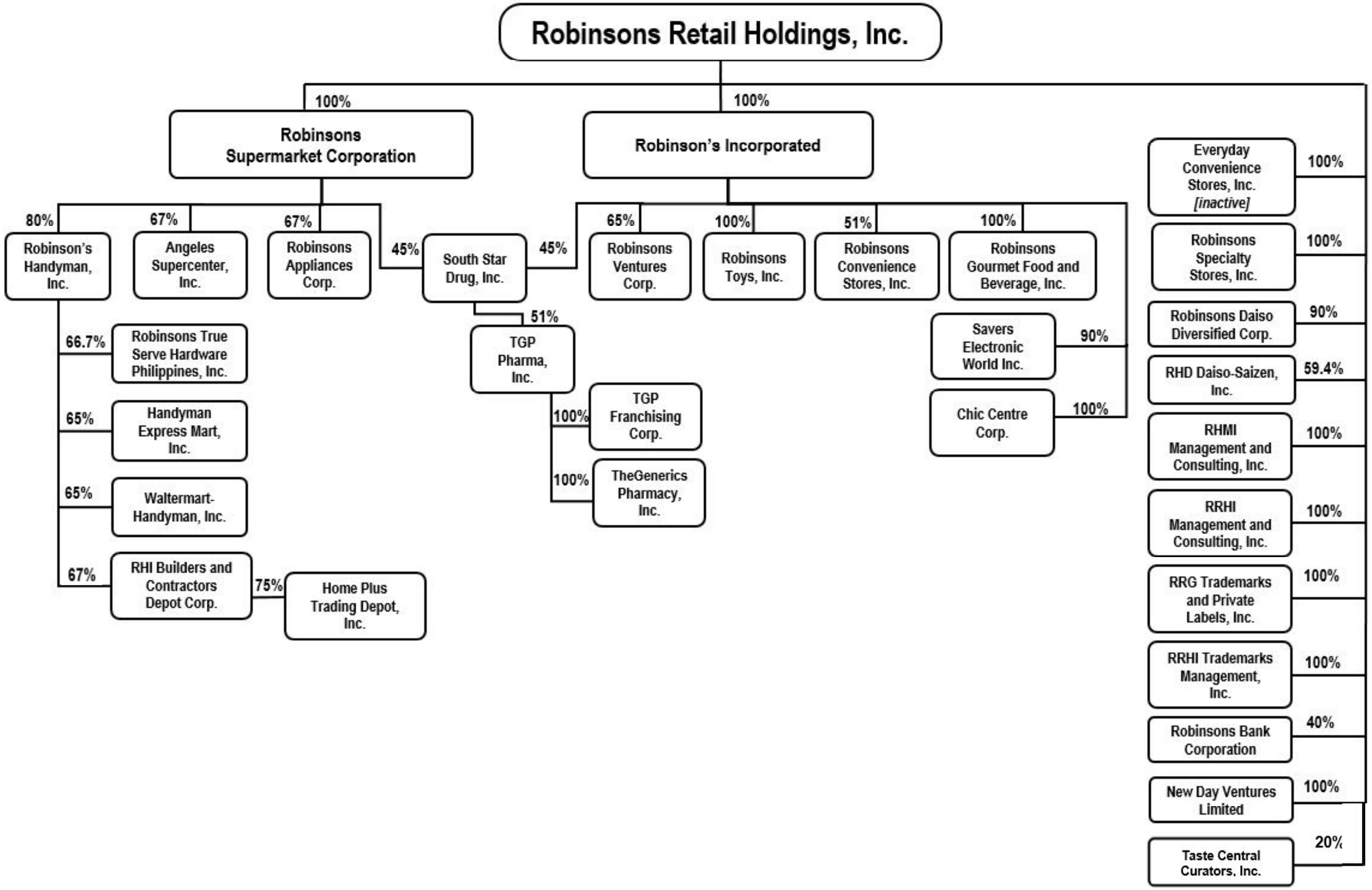
ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

MARCH 31, 2018

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2018:



ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND YEAR ENDED DECEMBER 31, 2017

Financial Soundness Indicator	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
i. Liquidity ratio:		
Current ratio	**1.48**	1.34
ii. Profitability ratio:		
Gross profit margin	**0.22**	0.22
Return on assets	**0.02**	0.07
Return on equity	**0.02**	0.11
iii. Stability ratio:		
Solvency ratio	**0.09**	0.28
Debt to equity ratio	**0.40**	0.49
Asset to equity ratio	**1.40**	1.49
Interest rate coverage ratio	**47.49**	49.50

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND YEAR ENDED DECEMBER 31, 2017

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Current assets	**₱30,597,307,019**	₱34,069,910,661
Current liabilities	**20,726,953,846**	25,356,503,809
Current ratio	**1.48**	1.34
Gross profit	**6,483,903,054**	25,792,379,591
Net sales	**28,960,685,460**	115,238,459,529
Gross profit margin	**0.22**	0.22
After tax net profit	**1,352,946,855**	5,599,353,378
Depreciation and amortization	**572,437,502**	2,073,037,176
	1,925,384,357	7,672,390,554
Total liabilities	**22,374,902,430**	26,914,087,748
Solvency ratio	**0.09**	0.28
Total liabilities	**22,374,902,430**	26,914,087,748
Total equity	**56,388,508,120**	55,266,639,084
Debt to equity ratio	**0.40**	0.49
Total assets	**78,763,410,550**	82,180,726,832
Total equity	**56,388,508,120**	55,266,639,084
Asset to equity ratio	**1.40**	1.49
Earnings before interest and taxes	**1,275,050,838**	6,305,382,182
Interest expense	**26,849,889**	127,384,471
Interest rate coverage ratio	**47.49**	49.50
Net income	**1,352,946,855**	5,599,353,378
Average total assets	**80,472,068,691**	79,437,889,231
Return on assets	**0.02**	0.07
Net income	**1,352,946,855**	5,599,353,378
Average total equity	**55,827,573,602**	52,916,092,056
Return on equity	**0.02**	0.11

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

MARCH 31, 2018

As disclosed in the Company's prospectus, gross and net proceeds were estimated at ₱26.79 billion and ₱26.27 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 3,880,330 shares, and incurred ₱745.65 million IPO-related expenses, resulting to actual net proceeds of ₱26.27 billion.

The net proceeds has not been fully disbursed as of March 31, 2018. For the period covering January 1, 2018 to March 31, 2018, the application of proceeds is broken as follows:

Use of Proceeds	Amount in Pesos
Expansion of store network	₱367,987,637
Renovation of existing stores	185,586,212
Other corporate purposes	108,112,191
Repayment of loans	12,680,074
Total	₱674,366,144

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

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

Robinsons Retail Holdings, Inc. recorded net income of ₱1,353 million for the three months ended March 31, 2018, an increase of 22.9% as compared to ₱1,101 million for the three months ended March 31, 2017. The increase was largely due to increased income from operations as a result of new store openings and the five-fold increase in foreign exchange gains coming from the US dollar denominated available for sale investments due to the weakness of the peso against the US dollar. Net income attributable to parent amounted to ₱1,211 million for the three months ended March 31, 2018, an increase of 21.7% as compared to ₱996 million for the three months ended March 31, 2017.

Consolidated revenues increased by 12.6% from ₱25,723 million for the three months ended March 31, 2017 to ₱28,961 million for the three months ended March 31, 2018. The robust revenue growth was largely due to increase in sales volume from the full year sales contribution of the stores that opened in 2017 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱512 million to ₱ 570 million or a 11.3% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the three months ended March 31, 2018 amounted to ₱6,484 million, 13.4% higher than ₱5,719 million for the three months ended March 31, 2017.

Operating expenses grew by 13.9% from ₱5,072 million to ₱5,779 million for the three months ended March 31, 2018 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 10% from ₱1,159 million to ₱1,275 million for the three months ended March 31, 2018. As a percentage of sales, EBIT is at 4.4% compared to last year of 4.5%.

Other income and charges increased by 62.2% from ₱270 million to ₱438 million for the three months ended March 31, 2018.

Earnings before interests, taxes, depreciation, amortization and other non-cash items (EBITDA) expanded by 11.9% from ₱1,651 million for the three months ended March 31, 2017 to ₱1,847 million for the three months ended March 31, 2018.

Supermarket

Robinsons Supermarket, the biggest segment, recorded ₱13,540 million net sales for the first quarter of 2018, or an increase of 13.8% year-on-year, driven by 14 new stores that opened after end of March 2017 and robust same store sales growth of 8.0%.

The cost of merchandise sold as of end of March 2018 grew by 13.6% from ₱9,658 million to ₱10,969 million for the same period last year which was relative to the increase in the volume of sales. The segment continued to benefit from increasing scale, efficiency and sustained vendor discounts. As a result, gross profit expanded by 20 bps to 19.0% this year versus 18.8% last year.

EBIT reached ₱564 million as of end of March 2018, 5.0% increase from ₱537 million in the same period last year. Accordingly, EBITDA expanded by 6.9% to ₱ 790 million this year against ₱739 million last year. However, EBITDA margin contracted by 40bps to 5.8%, as a result of the slow sales ramp up of new stores.

Department Store

Robinsons Department Store (RDS) realized net sales of ₱3,558 million for the three months ended March 31, 2018, a growth of 8.52% from ₱3,278 million for the same period last year. This increase in net sales was mainly due to the sales contribution of the new stores.

RDS' cost of sales amounted to ₱2,603 million for the three months ended March 31, 2018, an increase of 8.0% from ₱2,411 million for the same period last year which is directly attributable to the growth in net sales. This resulted to a gross margin of ₱ 974 million representing 26.8% of sales for the three months ended March 31, 2018, an improvement against the ₱868 million representing 26.5% for the same period last year.

The combined losses incurred by new stores and the escalation in operating expenses adversely affected the profitability of RDS for the period. As a result, RDS' EBIT (earnings before interests and taxes) for the period amounted to ₱60 million which is below last year's ₱76 million by 21.4%. On the other hand, RDS' EBITDA of ₱161 million for the three months ended March 31, 2018, is above by 1.74% against ₱158 million in the same period last year.

DIY Stores

Net sales grew by 10.3% from ₱ 2,813 million to ₱ 3,103 million for the period ended March 31, 2018 and 2017, respectively.

The growth was driven primarily by the strong performance of the existing stores coupled with the 15 new store additions last year.

DIY's cost of sales grew by 9.8% from ₱1,901 million for period ended March 31, 2017 to ₱2,088 million for the same period in 2018. Gross profit increased by 11.3% to ₱ 1,015 million for the period ended March 31, 2018 from ₱ 913 million in the same period last year. As a percentage to sales, gross profit was at 32.7% against 32.4% last year.

As a result, EBIT grew by 15.2% at ₱ 241 million for the period ended March 31, 2018 versus ₱209 million in same period last year. EBITDA improved by 14.9% to ₱ 293 million for the first quarter of 2018 against ₱ 255 million for the same period in 2017.

<u>Convenience Store</u>
The convenience stores segment registered a system-wide sales and merchandise sales of ₱2,190 million and ₱1,525 million, respectively for the first quarter of 2018, a 5.8% and 11.6% increase from ₱2,071 million and ₱1,367 million of the same period last year. The increase in sales can be attributed to the positive same store sales growth of 5.5% for the first quarter of 2018.

Other Income which mainly consist of Royalty Fee is at ₱421 million this year. Royalty Fee is computed as a percentage of system-wide Gross Profit and is about 85% of the total Other Income.

Cost of Sales increased by ₱215 million or 17.3%, to ₱1,455 million for the first quarter of 2018 from ₱1,241 million in 2017.

Gross Margin and Other Income is 250bps lower from 39.6% last year to 37.1% this year. Operating expenses on the other hand declined by 460bps from 42.3% last year to 37.6% this year because of the increase in the number of franchised stores at xx in 1Q2018 vs xx in 1Q2017. Convenience stores recorded EBIT gain of ₱8 million (kindly check factsheet said it is a gain not a loss) this year versus last year's EBIT loss of ₱37 million.

EBITDA generated for the first quarter of 2018 significantly increased to ₱52 million versus ₱24 million of the same period last year.

<u>Drug Store Segment</u>
The drug store segment registered net sales of ₱3,813.8 Million as of March 31, 2018, representing a growth of 9.2% from last year's net sales of ₱3,493.5 Million. The growth was mainly driven by the sales contribution of 65 net new stores that opened from April 2017 to March 2018, as well as the healthy same store sales performance at 2.4%. South Star Drug accounted for 72.8% of the drugstore segment's total sales with the balance contributed by TGP Pharma, Inc.

The segment's cost of sales as of March 31, 2018 grew in line with the sales at 9.5% from ₱2,814.8 Million to ₱3,083.0 Million. Consequently, gross profit expanded by 7.7% from ₱678.7 Million in Q1 of 2017 to ₱730.8 Million this year.

EBIT as of March 31, 2018 reached ₱304 Million, representing an increase of 15.3% from last year's ₱262 Million. Likewise, EBITDA also grew by 16.0% from ₱285 Million in 2017 to ₱330 Million this year.

<u>Specialty Segment</u>
The net sales of the Specialty Stores segment increased by 17.5% from ₱3,147 million to ₱3,698 million for the three months ended March 31, 2017 and March 31, 2018, respectively. The higher net sales were attributed to sales contribution from the new

stores and the healthy same store sales growth for the period of 10.8%. The Specialty segment added 32 net new stores after end of March 2017 bringing the store network to 341 by the end of March 2018.

The cost of merchandise sold of Specialty Stores segment outgrew net sales at 18.6% from ₱2,252 million to ₱2,670 million for the three months ended March 31, 2017 and March 31, 2018, respectively. This resulted to a gross profit increase lower than net sales at 14.7% from ₱895 million to ₱1,027 million.

For the first quarter ended March 31, 2018, the Specialty Stores segment generated an EBITDA of ₱249 million, an increase of 23.1% from last year's EBITDA of ₱203 million.

Balance Sheet

As of March 31, 2018, the Company's balance sheet showed consolidated assets of ₱78,763 million, which is 4.2% lower than the total consolidated assets of ₱82,181 million as of December 31, 2017.

Cash and cash equivalents decreased from ₱14,565 million as of December 31, 2017, to
₱10,823 million as of March 31, 2018. Net cash used in operating activities totaled ₱453 million. Net cash used in investing activities amounted to ₱615 million, ₱683 million of which was used to acquire properties and equipment and ₱220 million was used to acquire available-for-sale investments. Net cash spent from financing activities amounted to ₱2,674 million.

Trade and other receivables decreased by 4.1% from ₱2,235 million to ₱2,143 million as of March 31, 2018.

Other noncurrent assets also decreased from ₱1,558 million to ₱1,517 million due to additional security deposit for new stores.

Trade and other payables increased from ₱17,774 million to ₱15,564 million as of December 31, 2017.

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

Stockholder's equity grew from ₱55,266 million as of December 31, 2017, to ₱56,388 million as of March 31, 2018, due to higher net income during the period.