

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter

ROBINSONS RETAIL HOLDINGS, INC.

3. Province, country or other jurisdiction of incorporation or organization

Philippines

4. SEC Identification Number

A200201756

5. BIR Tax Identification Code

216-303-212-000

6. Address of principal office

43rd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas  
Center, Pasig City

Postal Code

1605

7. Registrant's telephone number, including area code

(632) 635-0751

8. Date, time and place of the meeting of security holders

June 27, 2017, 4:00 P.M., Ruby Ballroom, 4th Floor Crowne Plaza Manila Galleria,  
Ortigas Avenue corner Asian Development Bank Avenue, Quezon City, Metro Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Jun 5, 2017

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA  
(information on number of shares and amount of debt is applicable only to corporate registrants):

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

13. Are any or all of registrant's securities listed on a Stock Exchange?

Yes          No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Robinsons Retail Holdings, Inc.'s common stock is listed on the Philippine Stock Exchange

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## Robinsons Retail Holdings, Inc. RRHI

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jun 27, 2017
Type (Annual or Special)	Annual
Time	4:00 P.M.
Venue	Ruby Ballroom, 4th Floor Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Quezon City, Metro Manila
Record Date	May 23, 2017

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

#### Other Relevant Information

Please find attached Preliminary Information Statement filed with the Securities and Exchange Commission in connection with the annual meeting of the stockholders of Robinsons Retail Holdings, Inc. to be held on June 27, 2017.

#### Filed on behalf by:

Name	Rosalinda Rivera
Designation	Corporate Secretary



# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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M	A	N	I	L	A																											

(Business Address: No. Street City/Town/Province)

<b>Atty. Rosalinda F. Rivera</b>
<b>Corporate Secretary</b>

(Contact Person)

<b>633-7631</b>
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(Company Telephone Number)

1	2
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Month

(Fiscal Year)

3	1
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Day

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(Form Type)

<b>last Thursday of May</b>
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Month Day

(Annual Meeting)

## Preliminary Information Statement

**Issuer of Securities under SEC-MSRD No. 37,  
Series of 2013**

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Remarks: Please use BLACK ink for scanning purposes.

May 4, 2017

SECURITIES AND EXCHANGE COMMISSION  
PICC Secretariat Building  
Philippine International Convention Center (PICC) Complex  
Roxas Boulevard  
Pasay City

Attention : Mr. Vicente Graciano P. Felizmenio, Jr.  
Director, Markets and Securities Regulation Department

Re : **Preliminary Information Sheet**


Dear Director Felizmenio,

Please find attached the Preliminary Information Statement of Robinsons Retail Holdings, Inc. (the "Corporation") in relation to the annual meeting of the stockholders of the Corporation to be held on June 27, 2017.

We shall include a copy of the Corporation's SEC Form 17-Q for the period ended March 31, 2017 (to be filed on or before May 15, 2017) in the Definitive Information Statement which we will be filing with the Commission on or before June 5, 2017.

Thank you.

Very truly yours,



ROSALINDA F. RIVERA  
Corporate Secretary

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS****JUNE 27, 2017**

Notice is hereby given that the Annual Meeting of the Stockholders of ROBINSONS RETAIL HOLDINGS, INC. will be held on June 27, 2017 at 4:00 p.m. at the Ruby Ballroom, 4<sup>th</sup> Floor of Crowne Plaza Manila Galleria, Ortigas Avenue, corner Asian Development Bank Avenue, Quezon City, Metro Manila.

The Agenda for the meeting is as follows:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 9, 2016.
3. Presentation of annual report and approval of the financial statements for the preceding year.
4. Election of Board of Directors.
5. Appointment of External Auditor.
6. Ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting.
7. Consideration of such other matters as may properly come during the meeting.
8. Adjournment.

A brief explanation of each agenda item which requires stockholders' approval is provided herein. The Information Statement accompanying this notice contains more detail regarding the rationale and explanation for each of such agenda item.

For convenience in registering your attendance, please have available some form of identification, such as driver's license, SSS ID card, TIN card, passport, or company ID.

We are not soliciting proxies. If, however, you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the herein attached proxy form. Pursuant to Section 8, Article VI of the By-Laws of Robinsons Retail Holdings, Inc. proxies must be received by the Corporate Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, or not later than June 20, 2017. Validation of proxies shall be held on June 22, 2017, 10:00 a.m. at the Office of the Corporate Secretary, 40/F Robinsons Equitable Tower, ADB Avenue corner Poveda St., Ortigas Center, Pasig City.

Registration starts at 3:00 p.m. and will close at exactly 4:15 p.m. Only stockholders of record as of May 23, 2017 shall be entitled to vote.

By Authority of the Chairman

  
**ROSALINDA F. RIVERA**  
Corporate Secretary

**ANNUAL MEETING OF STOCKHOLDERS  
JUNE 27, 2017**

**EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL**

**Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 9, 2016**

Copies of the minutes will be distributed to the stockholders before the meeting and will be presented to the stockholders for approval.

**Presentation of annual report and approval of the financial statements for the preceding year**

The annual report and the financial statements for the preceding fiscal year will be presented to the stockholders for approval.

**Election of Board of Directors**

The incumbent members of the Board of Directors of the Corporation are expected to be nominated for re-election this year. A brief description of the business experience of the incumbent directors is provided in the Information Statement sent to the stockholders. The members of the Board of Directors of the Corporation shall be elected by plurality vote.

**Appointment of External Auditor**

The Corporation's external auditor is SyCip Gorres Velayo & Co. and will be nominated for reappointment for the current fiscal year.

**Ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting**

The acts of the Board of Directors and its committees, officers and management of the Corporation since the last annual stockholders' meeting up to the current stockholders' meeting will be presented to the stockholders for ratification.

**Consideration of such other matters as may properly come during the meeting**

The Chairman will open the floor for comments and questions by the stockholders. The Chairman will decide whether matters raised by the stockholders may be properly taken up in the meeting or in another proper forum.

**P R O X Y**

The undersigned stockholder of **ROBINSONS RETAIL HOLDINGS, INC.**  
(the "Corporation"), do hereby appoint

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as my proxy to represent me and vote all shares registered in my name in the records or books of the Corporation at the Annual Meeting of the Stockholders of the Corporation to be held on June 27, 2017 and adjournments and postponements thereof as fully to all intents and purposes as I might do if present and acting in person, hereby ratifying and confirming all that my said attorney shall lawfully do or cause to be done by virtue of these presents.

**IN CASE OF THE NON-ATTENDANCE OF MY PROXY NAMED ABOVE, I  
AUTHORIZE AND EMPOWER THE CHAIRMAN OF THE MEETING TO FULLY EXERCISE  
ALL RIGHTS AS MY PROXY AT SUCH MEETING.**

This proxy shall continue until such time as the same is withdrawn by me through notice in writing delivered to the Corporate Secretary at least three (3) working days before the scheduled meeting on June 27, 2017, but shall not apply in instances where I personally attend the meeting.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER /  
AUTHORIZED SIGNATORY

\_\_\_\_\_  
ADDRESS OF STOCKHOLDER

\_\_\_\_\_  
CONTACT TELEPHONE NUMBER

A PROXY FORM SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. IN ADDITION TO THE ABOVE REQUIREMENT FOR CORPORATIONS, A PROXY FORM GIVEN BY A BROKER OR CUSTODIAN BANK IN RESPECT OF SHARES OF STOCK CARRIED BY SUCH BROKER OR CUSTODIAN BANK FOR THE ACCOUNT OF THE BENEFICIAL OWNER MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER OR CUSTODIAN BANK HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER.



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**  
**Information Statement Pursuant to Section 20**  
**of the Securities Regulation Code**



1. Check the appropriate box:

☒ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter : **ROBINSONS RETAIL HOLDINGS, INC. ("RRHI" or the "Corporation")**

3. Province, country or other jurisdiction of incorporation or organization : **Philippines**

4. SEC Identification Number : **SEC Registration No. A200201756**

5. BIR Tax Identification Code : **TIN No. 216-303-212-000**

6. Address of principal office : **43<sup>rd</sup> Floor, Robinsons Equitable Tower, ADB corner Poveda Street, Ortigas Center, Pasig City, Metro Manila**

7. Registrant's telephone number, including area code : **(632) 635-0751**

8. Date, time and place of the meeting of security holders : **June 27, 2017  
4:00 P.M.  
Ruby Ballroom, 4<sup>th</sup> Floor  
Crowne Plaza Manila Galleria  
Ortigas Avenue corner  
Asian Development Bank Avenue  
Quezon City, Metro Manila**

9. Approximate date on which the Information Statement is first to be sent or given to security holders : **June 5, 2017**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class

Number of Shares of Common Stock  
Outstanding or Amount of Debt Outstanding  
(as of March 31, 2017)

<b>Common Stock, ₱1.00 par value</b>	<b>1,385,000,000</b>
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11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes ☒

No ☐

Robinsons Retail Holdings, Inc.'s common stock is listed on the Philippine Stock Exchange.

Date, Time and Place of Meeting of Security Holders

Date Time and Place of Meeting : **June 27, 2017  
4:00 P.M.  
Ruby Ballroom, 4<sup>th</sup> Floor  
Crowne Plaza Manila Galleria  
Ortigas Avenue corner  
Asian Development Bank Avenue  
Quezon City, Metro Manila**

Complete Mailing Address of Principal Office : **43<sup>rd</sup> Floor, Robinsons Equitable  
Tower, ADB corner Poveda Street,  
Ortigas Center, Pasig City,  
Metro Manila**

Approximate date on which the Information Statement is first to be sent or given to security holders : **June 5, 2017**

Dissenters' Right of Appraisal

**Any stockholder of the Corporation may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Corporation Code of the Philippines.**

**There are no matters to be acted upon by the stockholders at the Annual Meeting of the Stockholders to be held on June 27, 2017 which would require the exercise of the appraisal right.**

Interest of Certain Persons in or Opposition to Matters to be acted upon

**None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:**

- 1. Directors or officers of the Corporation at any time since the beginning of the last fiscal year;**
- 2. Nominees for election as directors of the Corporation;**
- 3. Associate of any of the foregoing persons.**

Voting Securities and Principal Holders Thereof

- (a) The Corporation has 1,385,000,000 outstanding shares as of March 31, 2017. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.**
- (b) All stockholders of record as of May 23, 2017 are entitled to notice and to vote at the Corporation's Annual Meeting of Stockholders.**
- (c) Section 9, Article VI of the By-Laws of the Corporation states that, for purposes of determining the stockholders entitled to notice or to vote or be voted for at any meeting of the stockholders or any adjournments thereof, or entitled to receive payment of any**

dividends or other distribution or allotment of any rights, or for the purpose of any other lawful action, or for making any other proper determination of stockholders, the Board of Directors may provide that the stock and transfer books be closed for a stated period, which shall not be more than sixty (60) days nor less than thirty (30) days before the date of such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. A determination of stockholders of record entitled to notice of or to vote or be voted for at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

#### Election of Directors

Section 1.1, Article II of the By-Laws of the Corporation provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the “Management Report”.

#### Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of March 31, 2017

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	484,749,997	35.00%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	335,169,329 (See note 3)	24.20%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City	PDTC Participants and their clients (See note 2)	Filipino	147,443,718	10.65%

Title of Class	Names and addresses of record owners and relationship with the Corporation (stockholder)	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	Lance Y. Gokongwei 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	126,727,500	9.15%
Common	Robina Y. Gokongwei-Pe 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	105,952,500	7.65%

Notes:

- JE Holdings, Inc. is a company owned by members of the Gokongwei family. Under the By-Laws of JE Holdings, Inc., the President is authorized to represent the Corporation at all functions and proceedings. The incumbent President of JE Holdings, Inc. is Mr. John L. Gokongwei, Jr.
- PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
- Out of the PCD Nominee Corporation (Non-Filipino) account, "The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct." and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of March 31, 2017:

	<u>No. of shares</u>	<u>% to Outstanding</u>
The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct.	170,454,625	12.31%
Deutsche Bank Manila-Clients A/C	103,749,399	7.49%

Voting instructions may be provided by the beneficial owners of the shares.

Security Ownership of Management as of March 31, 2017

			<u>Amount &amp; nature of beneficial ownership</u>			
<u>Title of Class</u>	<u>Name of beneficial owner</u>	<u>Position</u>	<u>Direct</u>	<u>Indirect</u>	<u>Citizenship</u>	<u>% to Total Outstanding</u>
Named Executive Officers (Note 1)						
Common	1. Lance Y. Gokongwei	Director, Chairman and Chief Executive Officer	162,044,999 (Note 2)	-	Filipino	11.70%
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Operating Officer	105,952,500	-	Filipino	7.65%
	Sub-Total		<u>267,997,500</u>	-		<u>19.35%</u>
Other Directors and Executive Officers						
Common	3. John L. Gokongwei	Director	1	-	Filipino	0
Common	4. James L. Go	Director and Vice Chairman	41,550,000	-	Filipino	3.00%
Common	5. Lisa Y. Gokongwei-Cheng	Director	35,317,500	-	Filipino	2.55%
Common	6. Faith Y. Gokongwei-Lim	Director	35,317,500	-	Filipino	2.55%
Common	7. Hope Y. Gokongwei-Tang	Director	1	-	Filipino	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership		Citizenship	% to Total Outstanding
			Direct	Indirect		
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President, Chief Strategy Officer and Compliance Officer	-	-	Filipino	-
-	11. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	12. Diosdado Felix A. Zapata III	Deputy Chief Financial Officer	-	-	Filipino	-
-	13. Graciela A. Banatao	Treasurer	-	-	Filipino	-
-	14. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	15. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		112,185,503	-		8.10%
All directors and executive officers as a group unnamed			380,183,003	-		27.45%

Notes:

1. As defined under Part IV (B) (1) (b) of Annex “C” of SRC Rule 12, the “named executive officers” to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of March 31, 2017.
2. Sum of the shares in the name of “Lance Y. Gokongwei” for 126,727,500 shares and “Lance Y. Gokongwei &/or Elizabeth Gokongwei” for 35,317,499 shares.

\* less than 0.01%

Shares owned by foreigners

**The total number of shares owned by foreigners as of March 31, 2017 is 335,169,329 common shares.**

Voting Trust Holders of 5% or more - as of March 31, 2017

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

Changes in Control

**Not applicable**

#### Directors and Executive Officers

**Information required hereunder is incorporated by reference to the section entitled “Board of Directors and Executive Officers of the Registrant” on Item 9, pages 41 to 46 of the Management Report.**

**The incumbent directors of the Corporation are expected to be nominated for re-election this year.**

**The incumbent members of the Nomination Committee of the Corporation are as follows:**

1. John L. Gokongwei, Jr. (Chairman)
2. James L. Go
3. Lance Y. Gokongwei
4. Robina Y. Gokongwei-Pe
5. Roberto R. Romulo

**The incumbent members of the Audit Committee of the Corporation are as follows:**

- 1. John L. Gokongwei, Jr.**
- 2. James L. Go**
- 3. Lance Y. Gokongwei**
- 4. Robina Y. Gokongwei-Pe**
- 5. Antonio L. Go (Chairman)**
- 6. Roberto R. Romulo**

**The incumbent members of the Remuneration and Compensation Committee of the Corporation are as follows:**

- 1. John L. Gokongwei, Jr. (Chairman)**
- 2. James L. Go**
- 3. Lance Y. Gokongwei**
- 4. Robina Y. Gokongwei-Pe**
- 5. Antonio L. Go**

**Information required by the SEC under SRC Rule 38 on the nomination and election of Independent Directors.**

The following criteria and guidelines shall be observed in the pre-screening, short listing, and nomination of Independent Directors:

**A. Definition**

1. An independent director is a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the corporation and includes, among others, any person who:
  - 1.1 Is not a director or officer or substantial stockholder of the corporation or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  - 1.2 Does not own more than two percent (2%) of the shares of the corporation and/or its related companies or any of its substantial shareholders;
  - 1.3 Is not a relative of any director, officer or substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  - 1.4 Is not acting as a nominee or representative of any director or substantial shareholder of the corporation, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;

- 1.5 Has not been employed in any executive capacity by the corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years.
  - 1.6 Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or
  - 1.7 Has not engaged and does not engage in any transaction with the corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.
2. No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the corporation's Manual on Corporate Governance provides.
  3. Any controversy or issue arising from the selection, nomination or election of independent directors shall be resolved by the Commission by appointing independent directors from the list of nominees submitted by the stockholders.
  4. When used in relation to a company subject to the requirements above:
    - 4.1 Related company means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and
    - 4.2 Substantial shareholder means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

## **B. Qualifications and Disqualifications of Independent Directors**

1. An independent director shall have the following qualifications:
  - 1.1 He shall have at least one (1) share of stock of the corporation;
  - 1.2 He shall be at least a college graduate or he has sufficient management experience to substitute for such formal education or he shall have been engaged or exposed to the business of the corporation for at least five (5) years;
  - 1.3 He shall be twenty-one (21) years old up to seventy (70) years old, however, due consideration shall be given to qualified independent directors up to the age of eighty (80);
  - 1.4 He shall have been proven to possess integrity and probity; and
  - 1.5 He shall be assiduous.

2. No person enumerated under Section II (5) of the Code of Corporate Governance shall qualify as an independent director. He shall likewise be disqualified during his tenure under the following instances or causes:
  - 2.1 He becomes an officer or employee of the corporation where he is such member of the board of directors/trustees, or becomes any of the persons enumerated under letter A hereof;
  - 2.2 His beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the corporation where he is such director;
  - 2.3 Fails, without any justifiable cause, to attend at least 50% of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.
  - 2.4 Such other disqualifications that the Corporate Governance Manual provides.

### **C. Number of Independent Directors**

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size.

### **D. Nomination and Election of Independent Directors**

1. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the corporation's information or proxy statement or such other reports required to be submitted to the Commission.
2. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
3. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
4. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
5. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent director/s. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting.



6. Election of Independent Director/s

- 6.1 Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.
- 6.2 It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s are elected during the stockholders' meeting.
- 6.3 Specific slot/s for independent directors shall not be filled-up by unqualified nominees.
- 6.4 In case of failure of election for independent director/s, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

**E. Termination/Cessation of Independent Directorship**

In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

The Amended By-Laws of the Corporation dated March 29, 2016 include the provisions of SRC Rule 38, as amended.

**Presented below is the Final List of Candidates for Independent Directors:**

1. **Antonio L. Go** has been an independent director of the Corporation since July 4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor of Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/ Control program at the ABA National School of Bankcard Management, Northwestern University, United States.
2. **Roberto R. Romulo** has been an independent director of the Corporation since July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc., PETNET Inc., Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Company Co. and Maxicare Healthcare Corporation. He was also a board member

of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts Degree in Political Science from Georgetown University, Washington D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

**The Certification of Independent Directors executed by Mr. Antonio L. Go and Mr. Roberto R. Romulo is attached hereto as Annex “A” and Annex “B” respectively.**

The name of the person who recommended the nomination of the foregoing candidates for Independent Directors is as follows:

**JE Holdings, Inc. recommended the nomination of the foregoing candidates for independent directors. The President of JE Holdings, Inc. is authorized under its By-Laws to represent the corporation at all functions and proceedings.**

**None of the candidates for independent directors of the Corporation are related to JE Holdings, Inc. or to its President.**

Significant Employees

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

Family Relationships

- 1. Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.**
- 2. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.**
- 3. Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.**
- 4. Ms. Hope Y. Gokongwei-Tang is the daughter of Mr. John L. Gokongwei, Jr.**
- 5. Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.**
- 6. Ms. Lisa Y. Gokongwei-Cheng is the daughter of Mr. John L. Gokongwei, Jr.**

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

## Certain Relationships and Related Party Transactions

The Corporation, in its regular conduct of business, had engaged in transactions with its ultimate parent company, its joint venture and affiliates. See Note 25 (Related Party Disclosures) of the Notes to the Consolidated Financial Statements as of December 31, 2016 on pages 65 to 66 of the audited consolidated financial statements as of December 31, 2016.

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

The Corporation rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Certain business segments of the Corporation, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from Universal Robina Corporation. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2015.

### Compensation of directors and executive officers

Key management personnel of the Corporation include the Chairman of the Board of Directors, President and Treasurer.

#### **Summary Compensation Table**

The following table sets out the Corporation's chief operating officer and four most highly compensated senior officers of certain business segments of the Corporation for the last three years and projected for the ensuing year (2017).

<b>Name</b>	<b>Position</b>
Robina Y. Gokongwei-Pe. . . . .	President and Chief Operating Officer
Dahlia T. Dy . . . . .	Managing Director - South Star Drug, Inc.
Justiniano S. Gadia . . . . .	General Manager - Robinsons Supermarket
Johnson T. Go . . . . .	General Manager - Robinsons Department Store
Roena P. Sarte. . . . .	General Manager – Ministop

The aggregate compensation of executive officers and directors of the Corporation and senior officers of certain business segments of the Corporation for the last three years and projected for the year 2017 are as follows:

(in ₱ million)

<b>ACTUAL</b>	<b>Year</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Total</b>
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation:	2014	36.61	2.52	39.13
1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer	2015	38.51	2.66	41.17
2. Dahlia T. Dy – Managing Director - South Star Drug, Inc.	2016	39.92	2.70	42.62
3. Justiniano S. Gadia – General Manager - Robinsons Supermarket				
4. Johnson T. Go – General Manager - Robinsons Department Store				
5. Roena P. Sarte – General Manager - Ministop				
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2014	48.30	3.57	51.86
	2015	55.71	4.51	60.22
	2016	76.52	5.09	81.61

(in ₱ million)

<b>PROJECTED 2016</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Total</b>
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation:	40.27	2.81	43.08
1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer			
2. Dahlia T. Dy – Managing Director - South Star Drug, Inc.			
3. Justiniano S. Gadia – General Manager - Robinsons Supermarket			
4. Johnson T. Go – General Manager - Robinsons Department Store			
5. Roena P. Sarte – General Manager - Ministop			
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	57.82	5.78	63.60

#### Standard Arrangements

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

#### Other Arrangements

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

#### Employment Contracts and Termination of Employment and Change-in-Control Arrangement

**Not applicable**

#### Warrants and Options Outstanding

**Not applicable**

### Independent Public Accountants

Sycip Gorres Velayo & Co. (SGV & Co.) has acted as the Corporation's independent public accountant. The same accounting firm will be nominated for reappointment for the current fiscal year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Corporation in 2015 and is expected to be rotated every five years.

### Action with respect to reports

The following are included in the agenda of the Annual Meeting of Stockholders for the approval of the stockholders:

1. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on June 9, 2016.
2. Presentation of annual report and approval of the financial statements for the preceding year.
3. Election of Board of Directors.
4. Appointment of External Auditor.
5. Ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting.

A summary of the matters approved and recorded in the Minutes of the Annual Meeting of the Stockholders last June 9, 2016 is as follows: (a) approval of the Minutes of the Annual Meeting of the Stockholders held on July 16, 2015; (b) presentation of annual report and approval of financial statements for the preceding year; (c) election of Board of Directors; (d) election of External Auditor; and (e) ratification of all acts of the Board of Directors and its committees, officers and management since the last annual meeting.

Brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last annual meeting of stockholders held on June 9, 2016 for ratification by the stockholders:

<u>Date of Board Approval</u>	<u>Description</u>
June 9, 2016	Declaration of a cash dividend in the amount of Sixty Three Centavos (₱0.63) per share from the unrestricted retained earnings of the Corporation as of December 31, 2015 to all stockholders of record as of June 29, 2016 and payable on July 25, 2016.
June 9, 2016	Results of the Organizational Meeting of the Board of Directors.

**Date of Board Approval****Description**

**April 24, 2016**

**Resetting of the annual meeting of the stockholders of the Corporation to June 27, 2017 and setting May 23, 2017 as the record date for the said meeting.**

**Voting Procedures**

The vote required for approval or election:

**Pursuant to Article VI, Section 6 of the By-Laws of the Corporation, a majority of the outstanding capital stock, present in person or represented by proxy, shall constitute a quorum at a stockholders' meeting for the election of directors and for the transaction of any business, except in those cases in which the Corporation Code requires the affirmative vote of a greater proportion.**

The method by which votes will be counted:

**Article VI, Section 7 of the By-Laws of the Corporation provides that at each meeting of the stockholders, every stockholder, in person or by proxy, shall be entitled to vote the number of shares registered in his name which has voting rights upon the matter in question. The votes for the election of directors, and, except upon demand by any stockholder, the votes upon any question before the meeting, except with respect to procedural questions determined by the Chairman of the meeting, shall be by viva voce or show of hands.**

**Article VI, Section 8 of the By-Laws also provides that stockholders may vote, at all meetings, the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented and received by the Secretary for inspection and recording not later than five (5) business days before the time set for the meeting, except such period shall be reduced to one (1) business day for meetings that are adjourned due to lack of quorum. No proxy bearing a signature which is not legally acknowledged by the Secretary shall be honored at the meetings. Proxies shall be valid and effective for five (5) years, unless the proxy provides for a shorter period, and shall be suspended for any meeting wherein the stockholder appears in person.**

**Article II, Section 1.1 of the By-Laws provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.**

**The Secretary shall record all the votes and proceedings of the stockholders and of the directors in a book kept for that purpose.**

Restriction that Limits the Payment of Dividends on Common Shares

**None.**

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

**Not applicable.**

Discussion on compliance with leading practices on corporate governance

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Employee Handbook, and related SEC Circulars.

On June 7, 2013, the Board of Directors approved the adoption of a Corporate Governance Manual in accordance with SEC Memorandum Circular No. 6 (Series of 2009) dated June 22, 2009. On July 15, 2014 and June 2, 2015, the Board of Directors approved the revisions made to the Corporate Governance Manual of the Corporation in accordance with SEC Memorandum Circular No. 9, Series of 2014 as well as the Round Table Discussion initiated by the Securities and Exchange Commission which discussed the Corporate Governance Guidelines for Companies Listed in the Philippine Stock Exchange and the ASEAN Corporate Governance Guidelines. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

SEC Memorandum Circular No. 5, Series of 2013 mandates all listed companies to submit an Annual Corporate Governance Report (ACGR). On May 30, 2014, the Corporation submitted its ACGR for the year 2013 to the SEC.

Beginning January 30, 2011 in accordance with PSE Memorandum No. 2010-0574, the Corporation submits every year a Corporate Governance Disclosure Report to the PSE.

The Corporation likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

**ROBINSONS RETAIL HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 40/F ROBINSONS EQUITABLE TOWER, ADB AVENUE CORNER POVEDA ST., ORTIGAS CENTER, PASIG CITY, METRO MANILA, PHILIPPINES.**

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 4, 2017

**ROBINSONS RETAIL HOLDINGS, INC.**



**ROSALINDA F. RIVERA**  
Corporate Secretary

/jcb



# **CERTIFICATION OF INDEPENDENT DIRECTORS**

I, **ANTONIO L. GO**, Filipino, of legal age and a resident of 51 Cambridge Circle, North Forbes Park, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Robinsons Retail Holdings, Inc. and have been its independent director since July 4, 2013.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period Of Service
Equitable Computer Services, Inc.	Director and President	Present
Equicom Savings Bank	Chairman	Present
ALGO Leasing and Finance, Inc.	Chairman	Present
Medilink Network, Inc.	Director	Present
Maxicare Healthcare Corporation	Director	Present
Equicom Manila Holdings, Inc.	Director	Present
Equicom Inc.	Director	Present
Equitable Development Corp.	Director	Present
United Industrial Corporation Limited (UIC)	Independent Director	Present
T32 Dental Centre Singapore	Director	Present
Dental Implant and Maxillofacial Centre Hongkong	Director	Present
Oriental Petroleum and Minerals Corporation	Independent Director	Present
Pin-An Holdings, Inc.	Director	Present
Equicom Information Technology, Inc.	Director	Present
Cebu Air, Inc.	Independent Director	Present
Steel Asia Manufacturing Corporation	Director	Present
Go Kim Pah Foundation	Trustee	Present
Equitable Foundation, Inc.	Trustee	Present
Gokongwei Brothers Foundation, Inc.	Trustee	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Robinsons Retail Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of Robinsons Retail Holdings, Inc. and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name Of Director/ Officer/ Substantial Shareholder	Company	Nature Of Relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense Charged/ Investigated	Tribunal Or Agency Involved	Status
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Robinsons Retail Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.


Done, this MAY 03 2017, at PASIG CITY.



**ANTONIO L. GO**  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 03 2017 at PASIG CITY,  
affiant personally appeared before me and exhibited to me his Philippine passport with Passport No.  
EB6537238 issued in DFA Manila on October 11, 2012 and valid until October 10, 2017.

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Page No. 54 ;  
Book No. 3 ;  
Series of 2017.



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



## CERTIFICATION OF INDEPENDENT DIRECTORS

ANNEX "B"

I, **ROBERTO R. ROMULO**, Filipino, of legal age and a resident of 9C Urdaneta Apartments, 6735 Ayala Avenue, Makati City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Robinsons Retail Holdings, Inc. and have been its independent director since July 4, 2013.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period Of Service
AIG Philippines Insurance, Inc.	Chairman	Present
PETNET, Inc.	Chairman	Present
MediLink Network	Chairman	Present
Nationwide Development Corporation	Chairman	Present
Romulo Asia Pacific Advisory, Inc.	Chairman & CEO	Present
A. Soriano Corporation	Director	Present
Equicom Savings Bank	Director	Present
Philippine Long Distance Telephone Company	Advisory Board	Present
Maxicare Healthcare Corporation	Director	Present
McLarty Associates (formerly Kissinger McLarty Associates)	Member of the Board of Counsellors	Present
Zuellig Family Foundation	Chairman	Present
Carlos P. Romulo Foundation for Peace and Development, Inc.	Chairman	Present
Foundation for Information Technology, Education and Development, Inc. (FIT-ED)	Chairman	Present
Asia Europe Foundation of the Philippines	Chairman	Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Robinsons Retail Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/ officer/ substantial shareholder of Robinsons Retail Holdings, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name Of Director/ Officer/ Substantial Shareholder	Company	Nature Of Relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not subject to any pending criminal or administrative investigation or proceeding:

Offense Charged/ Investigated	Tribunal Or Agency Involved	Status
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Robinsons Retail Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this MAY 03 2017, at PASIG CITY.



**ROBERTO R. ROMULO**

Affiant

SUBSCRIBED AND SWORN to before me this MAY 03 2017 at PASIG CITY,  
affiant personally appeared before me and exhibited to me his passport number P1967545A issued on 20  
February 2017 at Department of Foreign Affairs Manila, Philippines.

Doc No. 262 ;  
Page No. 54 ;  
Book No. 3 ;  
Series of 2017.



**ATTY. PATRICK ARNOLD P. TETANGCO**

Notary Public for Pasig City  
Commission No. 207 (2016-2017)  
40th Fl., Robinsons Equitable Tower,  
Ortigas Center, Pasig City  
IBP No. 012638; Quezon City Chapter  
Roll No. 63825; 05/08/2014  
PTR No. 2241402; 01/11/2016; Q.C.  
MCLE No. V-0014374, 02/01/2016.

## **Information Required by the SEC Pursuant to SRC Rule 20**

### **PART I – BUSINESS AND GENERAL INFORMATION**

#### **Item 1. Business**

##### **(A) Business Development**

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

Robinsons Retail Holdings, Inc. (RRHI) is one of the leading multi-format retail groups in the Philippines. With over 30 years of retail experience, it possesses a deep understanding of Philippine consumers and enjoys market leading positions across all of its business segments. Since the opening of its first Robinsons Department Store in Metro Manila in 1980, RRHI has successfully expanded into five business segments, entering into the supermarket business in 1985, the Do-It-Yourself (DIY) business in 1994, the convenience store and specialty store businesses in 2000, the drugstore business in 2012, and the coffee shop business in 2015. It also launched Robinsons Townville, a chain of community malls in 2015, which are located in residential areas to bring its products closer and its services more convenient to its customers.

RRHI operates its supermarkets, department stores, consumer electronics and appliances stores, big box hardware stores, and community malls under the Robinsons brand name, and its other store formats are under well-known international brands, which include Handyman Do it Best, True Value, Topshop, Topman, Toys “R” Us, Ministop, Daiso Japan, and Costa Coffee; and domestic brands, such as South Star Drug and, in 2016, The Generics Pharmacy. RRHI operates one of the broadest ranges of retail formats of any retail group in the Philippines and, accordingly, is well-positioned to capture emerging consumer markets and take advantage of the continuing macroeconomic growth in the Philippines, particularly the increase in disposable income and consumption of the middle-income segment, one of its key target markets.

RRHI acquired major interest in The Generics Pharmacy, adding the country’s largest drugstore chain to its portfolio. It also acquired De Oro Pacific Home Plus, a standalone builders’ hardware chain in Northern Mindanao, to be managed by Robinsons Builders. Chic Centre Corporation, a distributor of cosmetics, nail care, and healthy slush products, was likewise acquired during the year.

The Company has a loyalty program “Robinsons Reward Card” which was introduced in May 2013. The loyalty program, which allows holders to collect and redeem points across the Robinsons formats, is intended to enhance the Company’s brand image and also increase customer loyalty. It also allows the Company to gather data on customer profiles in terms of their demographics, purchasing patterns, and product preferences. As of the end of 2016, Robinsons Rewards Cards is already accepted in most of the Company’s formats except for Costa Coffee, Ministop, South Star Drug, Savers Appliances and The Generics Pharmacy.

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

Acquisitions by RRHI's subsidiaries

On October 3, 2016, Robinson's Incorporated (RI) acquired 100% ownership of Chic Centre Corporation.

On August 1, 2016, RHI Builders and Contractors Depot Corp. acquired 75% ownership of Home Plus Trading Depot, Inc., which operates three Home Plus stores in Northern Mindanao.

On May 17, 2016, South Star Drug, Inc. (SSDI) acquired 51% ownership of TGP Pharma Inc., which operates The Generics Pharmacy.

On September 1, 2015, Robinsons Inc. (RI), wholly owned subsidiary of RRHI, acquired 90% ownership of Savers Electronic World, Inc.

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

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

Subsequently, in August 26, 2015, the Securities and Exchange Commission (SEC) approved the Articles and Plan of Merger of South Star Drug, Inc. and GNC Pharma Corporation wherein the former is the surviving corporation.

In January 2014, Robinsons Supermarket Corporation (RSC) acquired 100% ownership of JAS 8 Retailing Mngt. Corporation (JRMCI), the operator of a three-store supermarket chain called Jaynith's Supermarket. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and JRMCI wherein the former is the surviving corporation.

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

In September 2013, Robinsons Supermarket Corporation, a subsidiary, acquired 100% ownership of Eurogrocer Corp. (EC), the operator of a six-store supermarket chain in Northern Luzon. Subsequently, in 2016, the SEC approved the Articles and Plan of Merger of RSC and EC wherein the former is the surviving corporation.

The percentage contribution to the Company's revenues for each of the three years ended December 2014, 2015, and 2016 by each of the Company's business segments after elimination are as follows:

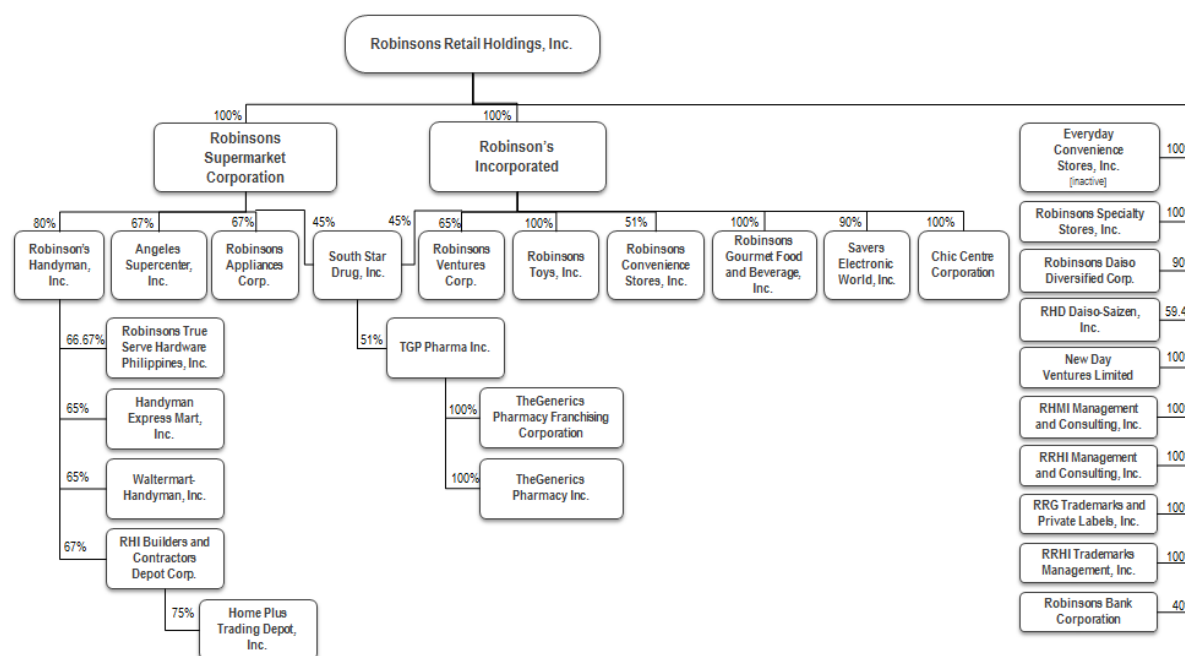
	For the years ended December 31		
	2014	2015	2016
Supermarket	48.8%	47.6%	46.0%
Department store	17.1%	16.4%	15.0%
Hardware	10.6%	10.9%	10.6%
Convenience store	5.7%	6.0%	5.4%
Drug store*	8.8%	8.9%	11.3%
Specialty segment	9.0%	10.2%	11.7%

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

The Company ended 2016 with 1,578 stores with total gross floor area of 1,045,000 square meters.

## (B) Business of Issuer

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



## (a) Description of the Registrant

(i) **Principal Products and Services.** The Company's core retail operations has six business segments — supermarkets, department stores, DIY stores, convenience stores, drug stores and specialty stores:

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

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

- *Department Stores.* The department stores are operated under the Robinsons Department Store (RDS) brand name and offer a large selection of both local and international branded products that are grouped into six categories: (i) shoes, bags and accessories (including Beauty and Personal Care), (ii) ladies' wear; (iii) men's wear, (iv) children's wear, (v) household items; and (vi) others. RDS is focused on catering to middle-income customers and approximately 91.0% of Robinsons Department Stores' sales for 2016 are on consignment basis.
- *DIY Stores.* The DIY stores are operated under the brand names Handyman Do it Best and True Value, of which the Companies are member-retailers in the Philippines and the recently acquired big box hardware A.M. Builders' Depot/Robinsons Builders/Home Plus. Each brand has its own specialized positioning, with Handyman Do it Best focused on affordable, high quality DIY and home improvement products; True Value positioned as an up market lifestyle home center; and A.M. Builders' Depot/Robinsons Builders focused on home builders. In 2016, around 64% of DIY store segment revenue was derived from sales of consigned merchandise.
- *Convenience Stores.* The Company is the exclusive Philippine master franchisee of Ministop Japan. Ministop began operations in the Philippines in 2000 and is a franchise of Ministop Co. Ltd., one of the largest convenience store chains in Japan. Revenue is primarily generated through selling of merchandise to franchisees. Ministop's key strength is its ability to provide fresh and ready-to-eat food for its customers.
- *Drug Stores.* In July 2012, RSC and Robinsons Inc. (RI), wholly-owned subsidiaries of RRHI, each acquired a 45% interest in South Star Drug, Inc.(SSDI). The acquisition represents a 90% interest on the shares of stock of SSDI. South Star Drug carries a wide range of prescription and over-the-counter pharmaceutical products together with a range of food, personal care and other products. On May 17, 2016, SSDI acquired 51.00% of TGP Pharma, Inc.
- *Specialty Stores.* Currently, the Company operates seven formats of specialty stores, namely: 1) toys and juvenile products retail under Toys "R" Us, 2) consumer electronics and appliances stores operated under Robinsons Appliances and Saver's Appliance Depot, 3) international fashion retail stores which carry brands such as Topshop, Topman, and Dorothy Perkins; 4) beauty brands Shiseido and Benefit; 5) one-price-point stores under Daiso Japan 6) coffee shops under Costa Coffee and 7) Nail care, cosmetics and healthy slush under Chic Centre.

The Company, as of end of 2016 has 1,578 stores, consisting of 140 supermarkets, 43 department stores, 178 DIY stores, 499 convenience stores, 412 drug stores and 306 specialty stores. This excludes 1,912 TGP franchised stores and 3,000 distribution outlets of Chic Centre. Of the total stores, 40.7% of these stores are located in Metro Manila, another 43.5% located in Luzon (outside Metro Manila) and with the balance situated in the Visayas and Mindanao regions.

**(ii) Significant Subsidiaries.** As of December 31, 2016, Robinsons Retail Holdings, Inc. (RRHI) has twelve wholly-owned subsidiaries and seventeen partly-owned subsidiaries in which RRHI's ownership allows it to exercise control, all of which are consolidated with the Group's financial statements.



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

1. ***Robinson's Supermarket Corporation.*** Robinson's Supermarket Corporation (RSC) was incorporated on August 21, 1990. RSC is 100% owned by RRHI. RSC's principal business is to engage in the business of buying, selling, distributing and marketing at wholesale and retail.
2. ***Angeles Supercenter, Inc.*** Angeles Supercenter, Inc. (ASI) was incorporated on December 23, 2003. ASI is 67% owned by RSC. ASI's principal business is to engage in the business of trading goods, commodities and merchandise of any kind.
3. ***Robinson's Handyman, Inc.*** Robinson's Handyman, Inc. (RHMI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on June 15, 1994 primarily to engage in the business of trading goods, commodities and merchandise of any kind. RHMI is 80% owned by RSC.
4. ***Robinsons True Serve Hardware Philippines, Inc.*** Robinsons True Serve Hardware Philippines, Inc. (RTSHPI) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 19, 2007, primarily to engage in general hardware business, both retail and wholesale. The Company started commercial operations on March 1, 2007. RTSHPI is 66.67% owned by RHMI.
5. ***Waltermart-Handyman, Inc.*** Waltermart-Handyman, Inc. (WHI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on July 15, 1996 primarily to engage in the business of trading goods, commodities and merchandise of any kind. WHI is 65% owned by RHMI.
6. ***Handyman Express Mart, Inc.*** Handyman Express Mart, Inc. (HEMI) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on April 13, 2000. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. HEMI is 65% owned by RHMI.
7. ***RHI Builders and Contractors Depot Corp.*** RHI Builders and Contractors Depot Corp. (RHIB) was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on May 7, 2014. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. RHIB is 67% owned by RHMI.
8. ***Homeplus Trading Depot, Inc.*** was incorporated in the Philippines and registered with Philippine Securities and Exchange Commission (SEC) on May 4, 2016. The Company is engaged in the business of trading goods, commodities and merchandise of any kind. RHIB is 75% owned by RHIB.
9. ***Robinson's Incorporated.*** Robinsons Incorporated (RI), a wholly owned subsidiary of RRHI, is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on April 9, 1987.
10. ***Robinson's Ventures Corporation.*** Robinsons Ventures Corporation (RVC) is a stock corporation organized under the laws of the Philippines on July 22, 1996 to engage in the business of trading goods, commodities, wares and merchandise of any kind and description. The Company was registered with the Securities and Exchange Commission (SEC) on August 5, 1996. The Company is 65% owned by RI.

11. **Robinsons Toys, Inc.** Robinsons Toys, Inc. (RTI) is a stock corporation organized under the laws of the Philippines primarily to engage in the business of selling general merchandise of all kinds, either at retail or wholesale. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on August 19, 2002. RTI is 100% owned by RI.
12. **Robinsons Appliances Corp.** Robinsons Appliances Corp. (RAC) was registered with the Philippine Securities and Exchange Commission (SEC) on August 21, 2000. RAC's principal business is to engage in the business of trading goods such as appliances on wholesale or retail basis. RAC is 67% owned by RSC.
13. **Robinsons Gourmet Food and Beverage, Inc.** Robinsons Gourmet Food and Beverage, Inc. (RGFBI), is a stock corporation organized under the laws of the Philippines primarily to engage in the business of establishing, operating and managing of retail coffee shops and espresso shops. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on July 8, 2013. RGFBI is 100% owned by RI.
14. **Robinsons Convenience Stores, Inc.** Robinsons Convenience Stores, Inc. (RCSI) was registered with the Philippine Securities and Exchange Commission (SEC) on March 15, 2000. Its primary purpose is to engage in the business of acquiring and granting licenses and/or rights to proprietary marks, trademarks, trade names, patents, copyrights, know-how, technology, processes, methods, techniques, devices, systems and the like. The Company is also engaged in the business of trading of goods, such as food and non-food, on a wholesale basis. RCSI is 51% owned by RI.
15. **South Star Drug, Inc.** South Star Drug, Inc (SSD) is a trading company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2003. Its primary purpose is to carry on the business of pharmacy, selling all kinds of drugs, medicines, medical equipments, and all other items. SSDI is 45% owned by Robinsons, Inc. and 45% owned by Robinsons Supermarket Corporation.
16. **TGP Pharma, Inc.** - TGP Pharma, Inc. (TGPI) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 15, 2010. TGPI is 51% owned by RRHI through its subsidiary South Star Drug, Inc. TGPI's principal business is to engage in the trading of goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.
17. **The Generics Pharmacy Inc.** – The generics Pharmacy Inc. (TPI) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 27, 2007. The Company is 100% owned by TGP Pharma Inc. TPI's principal business is to engage in the trading goods such as pharmaceutical products, food supplements, cosmetics and general merchandise on wholesale or retail basis.
18. **The Generics Pharmacy Franchising Corporation-** The Generics Pharmacy Franchising Corporation (TGPFC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 5, 2007. TGPFC is 100% owned by TGP Pharma Inc. TGPFC's principal business is to engage in wholesale and retail of pharmaceutical products as well as franchising the brand "The Generics Pharmacy".
19. **Everyday Convenience Stores, Inc.** Everyday Convenience Stores, Inc. (ECSI), wholly owned by RRHI and was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 8, 2000. Its primary purpose is to engage in the business of trading goods, commodities and merchandise of any kind.

20. ***Robinsons Specialty Stores, Inc.*** Robinsons Specialty Stores, Inc.(RSSI) is a stock corporation organized under the laws of the Philippines to engage in the business of trading goods, commodities and merchandise of any kind. The Company was registered with the Securities and Exchange Commission (SEC) on March 8, 2004. The Company is wholly owned by RRHI.
21. ***Robinsons Daiso Diversified Corp.*** Robinsons Daiso Diversified Corp. (RDDC) is a domestic corporation organized under the laws of the Philippines to engage in the business of retail and wholesale of goods. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 16, 2008. The Company started commercial operations on April 29, 2009. RDDC is 90% owned by RRHI.
22. ***RHD Daiso-Saizen, Inc.*** RHD Daiso-Saizen, Inc. (RHDDS) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on November 29, 2011. The primary purpose of the Company is to engage in the business of trading of goods such as food and non-food on wholesale basis and acquiring and franchising licenses, and/or rights to propriety marks. RHDDS is 59.40% owned by RRHI.
23. ***RHMI Management and Consulting, Inc.*** RHMI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
24. ***RRHI Management and Consulting, Inc.*** RRHI Management and Consulting, Inc. was incorporated on May 27, 2013. Its primary purpose is to provide client companies, individuals, businesses or organizations, professional management advise and subject matter expertise in areas of finance, taxation, information technology, human capital, procurement, supply chain and others except management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
25. ***RRG Trademarks and Private Labels, Inc.*** RRG Trademarks and Private Labels, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI. As of December 31, 2015, the Company has not yet started commercial operations.
26. ***RRHI Trademarks Management, Inc.*** RRHI Trademarks Management, Inc. was incorporated on May 23, 2013. Its primary purpose is to engage in the management and franchise of trademarks, brands and labels in the retail sector, provided, it shall not engage in the management of funds, securities, portfolios, and other similar assets of the managed company or entities. The Company is wholly owned by RRHI.
27. ***Savers Electronic World, Inc.*** Savers Electronic World, Inc. (SEWI), was incorporated on March 4, 2015. Its primary purpose is to engage in the business of trading goods such as appliances on wholesale or retail basis. Its primary competence is institutional sales. SEWI is 90% owned by RI.

28. **Chic Centre Corporation.** Chic Centre Corporation was registered with the SEC on August 1, 1977. Its primary purpose is to engage in manufacturing and trading goods. Chic Centre is 100% owned by RI.

29. **New Day Ventures Limited.** The Parent Company acquired New Day Ventures Limited to engage in business of investment holding.

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

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

The Company manages a strong and efficient supply chain that features just-in-time delivery. Many of its distribution centers employ a cross-docking system, where all non-perishable goods received from suppliers are sorted, consolidated and dispatched to the stores in Metro Manila within one to five days and in Visayas and Mindanao within three to ten days of their receipt, depending on the business segment. This reduces stocking requirements and permits faster delivery of products.

Some of its business segments, such as the supermarket, DIY and specialty stores (particularly toys and juvenile products), also employ a stock operation system equipped to handle high turnover and bulk items. For example, the supermarket segment implements a stock operation system for all top-tier vendors. An average of two weeks inventory of goods is ordered to be stocked and stored in the warehouse.

Distribution planners make daily plans for replenishment and delivery of the goods to stores to ensure that stores do not run out of the key items supplied by the top-tier vendors. With the stock operation system, the distribution centers are able to supply the stores regularly with top-selling SKUs with expediency at low inventory carrying cost.

The Company engages third-party service providers to provide trucking and shipping services to ensure timely delivery of merchandise from distribution centers to stores across the Philippines. Some suppliers also deliver products directly to the stores.

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

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

The Company also deploys a POS and Loyalty system from the National Cash Register Corporation (NCR), and has a sophisticated supplier portal system that allows them to collaborate with its suppliers. Through this system, suppliers may have access to its database providing them with the ability to manage their own inventory, ensure high service levels and facilitate more targeted marketing activities.

(v) **New Products and Services.** In May 2013, the Company introduced the Robinsons Rewards Card, a loyalty card that allows holders to redeem accrued points across its retail formats. As of end 2016, the Robinsons Rewards Card is accepted in most retail formats except for Ministop, South Star Drug, Savers Appliances, The Generics Pharmacy and Costa Coffee. The Robinsons Rewards loyalty program is a powerful tool to increase customer retention across all formats.

In 2015, RRHI, through a subsidiary, entered the coffee shop business with the opening of Costa Coffee shops in several locations in Metro Manila.

In 2016, RRHI, through a subsidiary, acquired Chic Centre Corporation, a distributor of nail care products, cosmetics, and slush and juice products. It has around 2,000 outlets for its beauty products and around 1,000 slush operators in the country.

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

- *Supermarkets.* The Philippine food retail market has become increasingly competitive in recent years. Robinsons Supermarket primarily competes with modern retail operators, including hypermarkets, supermarkets, convenience stores and local grocery stores, on the basis of location, store ambiance, presentation, price, supply chain and additional benefits such as loyalty programs. Main competitors are SM Retail, Rustan's/Dairy Farm Group, Puregold Price Club and Metro Retail Stores Group. Similar to Robinsons Supermarket, these retail chains have an established presence in the Philippines and continue to open supermarkets in the same cities, and often in the same neighborhoods where the Company has opened or intend to open its supermarkets.
- *Department stores.* The Philippines' department stores industry is dominated by a few operators. RDS competes with major department store operators such as SM Retail, Metro Retail Stores Group, Landmark and Rustan's on the basis of location, brand recognition, store image, presentation, price, understanding of fashion trends and market demand and value-added customer services. Each of the competing department store chains has an established presence in the Philippines and has the same target market of middle and upper middle income consumer segments.
- *DIY stores.* The market for DIY and related products in the Philippines is highly competitive and fragmented. Retailers are largely classified into stand-alone big-box operators, mall-based DIY retailers and traditional hardware retailers.

For the mall-based formats Handyman Do it Best and True Value, the Company believes that its direct competitor is Ace Hardware, which has a scale of operations that is comparable to theirs. They compete with Ace Hardware primarily on the basis of product selection, price, promotions and customer service.

For the big-box hardware format, Robinsons Builders and Home Plus have a strong presence in the Visayas and Cagayan de Oro and it is directly competing against Citi Hardware which has a strong foothold in Visayas and Mindanao. The Company believes that it competes well against Citi Hardware in terms of brand assortment of hardware and construction products, product sourcing,

quality merchandise, price, store location, marketing promotions and after-sales services against Citi Hardware.

Generally, the Company believes that competition in the DIY market is based broadly on pricing, delivery, brand recognition, quality and availability of products. It also believes that it competes favorably with respect to most of these factors.

- *Convenience stores.* Ministop faces direct competition from other chains of convenience stores, supermarkets and other retail outlets. With respect to their ready-to-eat products, Ministop also competes with other providers of these products, such as fast-food restaurants. The Company's primary convenience store competitors are 7-Eleven, Family Mart, and Lawson. Philippine Seven Corp, the operator of the 7-Eleven chain, is the largest convenience store chain in the Philippines. Family Mart is a Japanese convenience store franchise chain that entered the Philippine market in early 2013 under the ownership of, among others, the Ayala Corporation. The Company competes for customers primarily on the basis of store location and product assortment and quality.
- *Drug stores.* The drug store industry in the Philippines is intensely competitive. South Star Drug primarily competes with other retail drug store chains, such as Mercury Drug, Watson's, and Rose Pharmacy. The Generics Pharmacy likewise competes with Generika Drugstore. Increasingly, as well, the Company faces competition from discount stores, convenience stores and supermarkets as they increase their offerings of non-pharmaceuticals items, such as food and personal care products.
- *Specialty stores.*  
*Toys "R" Us.* Toys "R" Us is the second largest toys retailer after Toy Kingdom. Toys "R" Us competes with Toy Kingdom on the basis of its strong brand name. With its line of affordable but quality private labels and exclusive products, Toys "R" Us offers a complete and differentiated product offering to its shoppers.

*Robinsons Appliances and Savers Appliances.* Robinsons Appliances competes with SM Appliances, Abenson and Anson's primarily on the basis of price. It provides credit card payment services to support its customers' purchasing needs offering them longer payment options at interest free installment terms.

On the otherhand, Savers Appliances' strength is in its institutional sales, competing with Imperial Appliances and other stand-alone appliance stores in Northern Luzon in servicing corporate appliance needs. It offers various industrial and building solution products such as system air-conditioning, refrigeration and ventilating equipment and security system supported by its delivery, installation and after sales services.

*Daiso Japan.* Daiso Japan and Japan Home Center are currently the major players in the one-price discount stores operators in the Philippines. New competitors include Miniso and Mumuso. With the company's exclusive partnership with Daiso Industries Co. Ltd. of Japan, the stores are able to offer a broad range of authentic Daiso merchandise that boasts of product quality and aesthetic appeal at affordable prices starting at P88.

*International Fashion Specialty Retail.* The retail apparel market in the Philippines is fragmented and highly competitive, with a large number of single and multi-brand clothing and apparel companies, both foreign and domestic, competing with each other. H&M, Fast Retailing Philippines, Inc. (Uniqlo), Forever Agape and Glory, Inc. (Forever 21), Stores Specialists, Inc. (Zara, Gap, etc), Suyen Corporation (Cotton On, American Eagle Outfitters, etc) and Vogue Concepts, Inc. (Promod) are the major competitors of the Company's high-street fashion retail business.

*Beauty Division.* The Beauty Market (cosmetics and skin care) in the Philippines is very dynamic, with each retailer racing against each other for variety and a strong commercial presence. Competition is likewise coming from large international beauty companies which are setting up stand-alone stores in major malls aside from locating inside department stores (for example, MAC, Clinique, Lancome, Dior).

*Costa Coffee.* Costa Coffee competes with a large number of established international and local coffee chains. The British coffee chain competes with Starbucks, The Coffee Bean & Tea Leaf, Seattle's Best and a growing number of artisanal coffee shops such as, Toby's Estate, Bo's Coffee, Craft Coffee Revolution and Kuppia Roastery & Café amongst others. It competes primarily on the entire store experience from the creation of quality coffee, store ambiance and food offering.

*Chic Centre.* Chic Centre competes with a number of locally available cosmetic brands and suppliers of slush and juice ready mixes. For its nail care category, competing nail polish brands include Caronia, OMG and Klik while for make-up, it directly competes with Ever Bilena and Nichido brands. For its semi-frozen beverage line, the company potentially competes with local distributors of similar products, such as Family Mart's Slushy and KFC's Krushers brands. The company competes primarily on target markets based on product portfolio, placement and price range.

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

*Supermarkets.* With over 2,000 regular suppliers as of 2016, Robinsons Supermarket's supplier base is diversified between local suppliers such as San Miguel Corp. and Universal Robina Corporation (URC) and multinational corporations such as Nestle Philippines, Unilever and Procter & Gamble. Robinsons Supermarket's top five suppliers together accounted for 23.1%, 23.4% and 23.5% of the net sales in 2014, 2015 and 2016, respectively

*Department Stores.* For outright sales, Robinson Department s=Store sources and sells its own direct-purchase merchandise in its stores. Most of its outright sales consist of beauty and personal care, household merchandise and children's apparel. RDS' outright sales include a private label named Essentials that carries paper products. It has also strengthened sourcing for home and children's departments, thus adding more offerings to customers. As of 2016, Unilever, L'Oreal, Mondelez Phils. (Kraft Foods), Procter & Gamble, Brandlines (Nivea) and Johnson & Johnson were some of RDS' largest outright sales suppliers.

*DIY Stores.* For outright sales, the Company sources the DIY and other products at favorable terms primarily from large-scale local suppliers and from over 500 foreign vendors accredited by Do it Best Corporation and True Value. For the big-box format, it also sources its tiles, sanitary wares, wood, among others, from foreign vendors based in the Asia-Pacific region. The Company does not believe that it relies on any single supplier or group of suppliers for any of its products.

*Convenience Stores.* To effectively satisfy customer preferences, the Company has established working relationships with over 200 regular suppliers as of 2016. The supplier base is diversified from large local suppliers such as Globe, URC and San Miguel Corp; smaller local suppliers for Ministop's ready-to-eat and private label products; to multinational corporations such as Coca Cola, Phillip Morris Phils and Unilever Phils. Ministop selects its suppliers using a number of criteria, including customer preferences,

suppliers' capacity to serve all Ministop stores, product assortment and quality, brand reputation, business plans and budgets and compliance with Ministop's commercial principles. The Company believes that the business as a whole is not dependent on any single supplier.

*Drug Stores.* South Star Drug sources pharmaceutical products from over 380 suppliers, such as United Laboratories, Pfizer Inc, Pascual Laboratories, Natrapharm, GSK, Abbot Nutrition, Boehringer, Intermed Marketing and Sanofi. SSD's top five largest pharmaceutical suppliers accounted for 31.0% of the total purchases in 2016 and 31.0% in 2015 and 25.4% in 2014. The Company only accepts products which are FDA-certified in the Philippines and ensures that the products it carries come from reputable and known manufacturers and companies. The Company sources non-pharmaceutical products from over 300 established suppliers and providers, such as Unilever, P&G, Nestle, Wyeth Nutritional and Mead Johnson.

*The Generics Pharmacy.* TGP sources generic and branded medicines from established distributors and toll-manufacturers that produce private label generic medicines for the Company. TGP selects its partners using a number of criteria, including quality, affordability and capacity to serve the Company's demands. All products are FDA-certified in the Philippines to ensure that the medicines are compliant with the prescribed standards of the regulatory agency. As of 2016, Eurohealth Group of Companies, Sandoz Philippines, Kylemed Group of Companies and Zuellig Pharma were among TGP's largest suppliers.

*Specialty stores.*

*Toys "R" Us.* The Toys "R" Us private labels and exclusives, as well as importations (done through indentors/consolidators, which provide a differentiated offering), are directly sourced through the Toys "R" Us regional buying office where orders are consolidated to ensure that products are sourced at the lowest costs and margins are maximized. The Company also partners with local suppliers for locally developed merchandise both on outright or consignment.

*Robinsons Appliances and Savers Appliances.* Reliability and strong service network are some of the top requirements of customers in choosing consumer electronics and home appliances. That is why Robinsons Appliances and Savers Appliances partner with reputable suppliers such as Samsung Electronics, LG Electronics, Sony Philippines and Sharp Philippines in providing the best home entertainment solutions. Aesthetically appealing, functional and user-friendly home appliances are offered in partnership with Concepcion-Carrier Airconditioning, G.E., Panasonic Corporation, Electrolux Philippines and Whirlpool Home Appliances, among others.

*Fashion and Beauty Division.* As the country's exclusive franchisee of the international brands it carries, RRHI-Fashion and RRHI-Beauty stores source their physical merchandise from legitimate distributors of its labels, which include Topshop, Topman, Warehouse, Dorothy Perkins, G2000, Miss Selfridge, Burton's Menswear, and Benefit and Shiseido. The fashion division carries a broad portfolio on fashion under the categories urban lifestyle, young and mainstream fashion, and corporate apparel, while the beauty division offers a wide range of cosmetics, fragrances, and beauty products and services. The beauty division's services include facials from Shiseido and facial waxing from Benefit.

*Daiso Japan.* Daiso's one price point merchandise is composed of various items that have been evaluated and manufactured with the Japanese standards of Daiso Industries Co., Ltd. The stores are supplied primarily by the principal company, as well as approved international and local partners/suppliers that carry the Daiso brand. This ensures quality and the authenticity of the store's diverse product range. Grounded on the pillars of variety, quality, and uniqueness, Daiso stores are home to practical and collectible home and kitchen ornaments, office knick-knacks, snacks, and beauty essentials.



*Costa Coffee.* With sustainability and exquisite quality in mind, Costa Coffee exclusively sources its coffee beans from farms with certification from Rain Forest Alliance, an organization that advocates sustainable and socially inclusive industries. The seal of approval assures that products are produced with minimal environmental impact and with maximized social benefits to communities, particularly in the agricultural sector. Ingredients and food items, such as sandwiches, baked goods, and salads, come from various suppliers that adhere to basic food safety standards of the FDA, from its production to delivery and storage in the Costa Coffee shops.

*Chic Centre.* Chic Center is the market leader of nail care products in the Philippines with a commanding 75% of the market share. With over 2,000 outlets, the product range includes Bobbie, Chic, Colortrends, and Rain for Nails. The company's latest endeavor was the establishment of its Food Division in May 2015, which distributes innovative slush and juice products for Ministop, Petron, BPOs, schools, and Movieworld. It has over 1,000 outlets and conducts manpower training for slush operations and technical servicing.

**(viii) Dependence upon single or few suppliers or customers.** The Company believes that its business as a whole is not dependent on any single supplier. The Company's five largest suppliers accounted for 12.90% of consolidated net sales in 2016, 13.3% in 2015, and 11.90% in 2014. The Company does not rely a single or few customers but to the buying public in general.




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





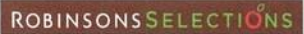


The Company rents a significant number of its stores, commercial centers and office buildings from RLC and its affiliates. Members of the Company, including primarily Robinsons Supermarket and Ministop, sourced significant amount of their products from URC. Consolidated Global Imports Inc., an entity owned by members of the Gokongwei Family, is the largest franchisee of Ministop stores as of 2016.

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












Following are the marks of the subsidiaries of RRHI as of December 31, 2016:

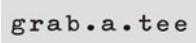

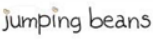











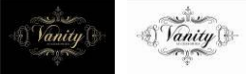






#### Supermarket Trademarks

Name of Trademark	Symbol of Trademark
1. ROBINSONS SUPERMARKET	
2. HEALTHY YOU	
3. ROBINSONS SUPERMARKET FIT & FUN WELLNESS BUDDY RUN	

Name of Trademark	Symbol of Trademark
4. NATURE`S PURE	
5. BREEDER`S CHOICE DOG FOOD	
6. ROBINSONS SUPERSAVERS	
7. ROBINSONS EASYMART	
8. ROBINSONS SELECTIONS	
9. JAYNITH`S SUPERMART	
10. Robinsons Townville	

#### Department Store Trademarks




Name of Trademark	Symbol of trademark
1. ROBINSONS DEPARTMENT STORE	
2. EXECUTIVE BY ROBINSONS	
3. PLAYGROUND	
4. PORTSIDE	
5. NITELITES	
6. BRIDGET`S CLOSET	
7. HOME ESSENTIALS	
8. ESSENTIALS	
9. B+ACTIVE	
10. ALL ABOUT KIDS	
11. RAFAEL	

Name of Trademark	Symbol of trademark
12. GRAB A TEE	
13. NEVER BEEN KISSED	
14. JUMPING BEANS	
15. DAZED & CONFUSED	
16. SIMPLY ME	
17. PUNKBERRY	
18. PRIVILEGED	
19. HIP ACTIVE WEAR	
20. FELICITY	
21. SUN KISSED	
22. MARJOLAINE	
23. LIBERTE	
24. STELLA	
25. TED MOSS	
26. VANITY	
27. ICANDY	
28. PORTSIDE ACTIVE	
29. MALEBOX	
30. BELLA	
31. BOTTOMS UP	
32. Workshop	








Name of Trademark	Symbol of trademark
33. Julia	

### DIY Store Trademarks





Name of Trademark	Symbol of trademark
1. ROBINSONS HANDYMAN	
2. THUNDER	
3. HIGH GEAR	
4. WISHY WASHY	
5. BOW WOW	
6. SUPER CHOW	
7. BATH BASICS	
8. ROBINSONS BUILDERS	
9. TRUE HOME	
10. BIANCA	
11. BLANCO	
12. BON GIORNO	
13. Home Plus Trading Depot	
14. A.M Builders Depot	
15. Icono	



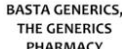
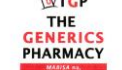



Name of Trademark	Symbol of trademark
16. Icono Premio	
17. Icono Classico	
18. Imago	

#### Convenience Store Trademarks





Name of Trademark	Symbol of trademark
1. CHILLZ	
2. UNCLE JOHN'S FRIED CHICKEN	
3. MY SUNDAE	
4. MY CHOICE	
5. TOPPERS YUMMY RICE TOPPINGS ON THE GO	
6. KARIMAN	
7. Hotchix	

#### Drug Store Trademarks

Name of Trademark	Symbol of trademark
1. SOUTH STAR DRUG	
2. SOUTH STAR DRUG MAPAGKAKATIWALAANG TUNAY	
3. MANSON DRUG TUNAY AT MURA ANG GAMOT	
4. TGP – The Generics Pharmacy	

Name of Trademark	Symbol of trademark
5. The Generics Pharmacy	
6. The Generics Pharmacy Mabisa Na, Matipid Pa	
7. Basta Generics, The Generics Pharmacy	
8. TGP The Generics Pharmacy Mabisa Na, Matipid Pa!	 
9. TGP with LOGO	 





### Specialty Store Trademarks

Name of Trademark	Symbol of trademark
1. ROBINSONS APPLIANCES	
2. ROBINSONS SPECIALTY STORES, INC.	
3. SAIZEN	
4. Saver's Appliances	

### Others

Name of Trademark	Symbol of trademark
1. R	
2. R ROBINSONS RETAIL HOLDINGS, INC	

Name of Trademark	Symbol of trademark
3. ROBINSONS REWARDS	
4. ROBINSONS SHOP CARD	
5. CHIC CENTRE CORPORATION	
6. Nails by Chic Centre	
7. Bobbie Cosmetics	
8. Bobbie Nails	
9. Bobbie Tweens	
10. Smooch-Certified	
11. Be-you-tiful	
12. Chica Must-have	
13. Chic Conditioner	
14. GoNaturals	
15. Chic Nail Color	
16. Chic Shampoo	
17. Rain by Colortrends	
18. Chic	
19. Rain by Chic	

Name of Trademark	Symbol of trademark
20. Mwah! By Chic	
21. Freezy	
22. Bobbie Shop	
23. Sippy	

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

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

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

**(xiii) Research and Development**

None during the year.

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

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



(xv) **Employees.** As of December 31, 2016, the Group had 10,804 employees. The following table sets out certain details of the Company's employees by business segment, as follows:

<b>Supermarket.....</b>	<b>2,916</b>
<b>Department stores.....</b>	<b>844</b>
<b>DIY stores.....</b>	<b>1,525</b>
<b>Convenience stores.....</b>	<b>366</b>
<b>Drug stores.....</b>	<b>3,252</b>
<b>Specialty stores.....</b>	<b>1,901</b>

The Company anticipates that it will have approximately 17,075 employees within the next 12 months for the planned store openings in 2017. The Company's management believes that good labor relations generally exist throughout the operating companies. The Company has experienced no material work stoppages or strikes in the past three years. The Company currently has no labor union or any collective bargaining agreement with any group of employees.

(xvi) **Risks**

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

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

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

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

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

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

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

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

## Item 2. Properties.

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

Region	Rental Scheme	Lease Rate	Term
Metro Manila	Fixed	P100 to P5,793 per sqm	1-20 years
	% to sales	2.0% to 7.2% of sales	1-20 years
	Fixed or % to sales, whichever is higher	P220 to P2,335 per sqm or 1.5% to 6% of sales	1-20 years
	Fixed plus % to sales	P260 to P3,322 per sqm plus 1.5% to 6% of sales	1-20 years
Luzon (outside Metro Manila)	Fixed	P49.87 to P2,132 per sqm	1-25 years
	% to sales	2.0% to 7.20% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P110 to P680 per sqm or 3.0% to 6% of sales	1-25 years
	Fixed plus % to Sales	P100 to P3,020 per sqm plus 2% to 6% of sales	1-5 years
Visayas	Fixed	P57.57 to P1,405 per sqm	1-25 years

Region	Rental Scheme	Lease Rate	Term
Mindanao	% to sales	2.0% to 7.2% of sales	1-5 years
	Fixed or % to sales, whichever is higher	P300 to P1,067 per sqm or 2.0% to 6% of sales	1-3 years
	Fixed plus % to Sales	P300 to P1,980 per sqm plus 1.5% to 6.0% of sales	1-5 years
	Fixed	P151 to P2,563 per sqm	1-25 years
	% to sales	2.0% to 7.2% of sales	1-25 years
	Fixed or % to sales, whichever is higher	P554 to P1,067 per sqm or 2% to 3% of sales	1-10 years
	Fixed plus % to sales	P300 to P990 per sqm plus 1.5% to 4% of sales	1-5 years

*Supermarket.* The following table sets out the location, number of stores and gross selling space of the Company's supermarkets that are leased as of December 31, 2016.

	No. of stores	Gross Selling Area in sqm
<i>Metro Manila</i>	47	124,099
<i>Luzon</i>	62	160,172
<i>Visayas</i>	20	55,954
<i>Mindanao</i>	11	36,039
<b>Total</b>	<b>140</b>	<b>376,264</b>

*Department stores.* The following table sets out the location, number of stores and gross selling space of the Company's department stores that are leased as of December 31, 2016.

	No. of stores	Gross Selling Area in sqm
<i>Metro Manila</i>	12	111,639
<i>Luzon</i>	17	90,201
<i>Visayas</i>	8	62,751
<i>Mindanao</i>	6	42,305
<b>Total</b>	<b>43</b>	<b>306,896</b>

*DIY Stores.* The following table sets out the location, number of stores and gross selling space of DIY stores as of December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	50	47,627
<i>Luzon</i>	74	53,362
<i>Visayas</i>	35	37,560
<i>Mindanao</i>	19	22,983
<b>Total</b>	<b>178</b>	<b>161,532</b>

*Convenience Stores.* The following table sets out the location, number of stores and gross selling space of Ministop stores as December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	319	31,500
<i>Luzon</i>	152	15,325
<i>Visayas</i>	28	2,241
<i>Mindanao</i>	—	—
<b>Total</b>	<b>499</b>	<b>49,066</b>

*Drug Stores.* The following table sets out the number of South Star Drug stores by region as December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	86	6,867
<i>Luzon</i>	273	30,436
<i>Visayas</i>	35	2,431
<i>Mindanao</i>	18	1,219
<b>Total</b>	<b>412</b>	<b>40,953</b>

*Specialty Stores.* The following table sets out the number of stores of *Robinsons Appliances and Savers Appliances* stores, *Toys “R” Us* stores (including the *Toy “R” Us Toybox* sections located in RDS stores), *Daiso Japan* stores, international fashion specialty retail and beauty brand formats, and *Costa Coffee* Stores as of December 31, 2016, all of which are under a lease agreement:

	No. of stores	Gross Selling Area in
<i>Metro Manila</i>	129	45,892
<i>Luzon</i>	109	50,615
<i>Visayas</i>	43	15,354
<i>Mindanao</i>	25	8,664
<b>Total</b>	<b>306</b>	<b>120,525</b>

### Item 3. Legal Proceedings.

As of March 31, 2017, neither the Company nor any of its subsidiaries or affiliates or any of their properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on its financial position and the Company is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

## **PART II – OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 4. Market for Registrant’s Common Equity and Related Stockholder Matters**

#### **(A) Principal Market or Markets Where the Registrant’s Common Equity is Traded**

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

#### **STOCK PRICES**

##### **2017**

	High	Low
January 2017	₱78.95	₱72.70
February 2017	83.95	77.90
March 2017	83.00	73.80

##### **2016**

	High	Low
First Quarter	₱74.65	₱56.00
Second Quarter	86.60	72.00
Third Quarter	89.00	75.00
Fourth Quarter	81.00	71.00

##### **2015**

	High	Low
First Quarter	₱90.10	₱74.50
Second Quarter	88.50	70.20
Third Quarter	80.00	63.80
Fourth Quarter	79.20	61.20

##### **2014**

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

##### **2013**

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

As of May 4, 2017, the latest trading date prior to the completion of this report, sales price of the common stock of the Company is ₱79.50.

**(B) Holders**

The number of shareholders of record as of March 31, 2017 was 31. Common shares outstanding as of March 31, 2017 were 1,385,000,000.

List of Top 20 stockholders as of March 31, 2017

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JE Holdings, Inc.	484,749,997	35.00%
2. PCD Nominee Corporation (Non-Filipino)	335,169,329	24.20%
3. PCD Nominee Corporation (Filipino)	147,443,718	10.65%
4. Lance Y. Gokongwei	126,727,500	9.15%
5. Robina Y. Gokongwei-Pe	105,952,500	7.65%
6. James L. Go	41,550,000	3.00%
7. Lisa Y. Gokongwei-Cheng	35,317,500	2.55%
7. Faith Y. Gokongwei-Lim	35,317,500	2.55%
7. Marcia Y. Gokongwei	35,317,500	2.55%
8. Lance Y. Gokongwei &/or Elizabeth Gokongwei	35,317,499	2.55%
9. Wilfred T. Co	2,027,936	0.15%
10. Lucio W. Yan &/or Clara Y. Yan	100,000	0.01%
11. Pacifico B. Tacub	2,000	0.00%
11. Stephen T. Teo &/or Teresita R. Teo	2,000	0.00%
12. Vicente Piccio Mercado	1,000	0.00%
12. John T. Lao	1,000	0.00%
12. David L. Kho	1,000	0.00%
12. Miguel P. Guerrero or Alice T. Guerrero	1,000	0.00%
13. Maria Lourdes Medroso Mercado	600	0.00%
14. Julius Victor Emmanuel D. Sanvictores	100	0.00%
14. Hector A. Sanvictores	100	0.00%
14. Felicitas F. Tacub	100	0.00%
14. Christine F. Herrera	100	0.00%
15. Dondi Ron R. Limgenco	11	0.00%
16. Owen Nathaniel S. Au ITF: Li Marcus Au	5	0.00%
17. John L. Gokongwei, Jr.	1	0.00%
17. Hope Y. Gokongwei-Tang	1	0.00%
17. Antonio L. Go	1	0.00%
17. Roberto R. Romulo	1	0.00%
17. Joselito T. Bautista	1	0.00%
Total Outstanding	1,385,000,000	100.00%

**(C) Dividends**

On June 9, 2016, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.63 per share from the unrestricted retained earnings of the Company as of December 31, 2015 to all stockholders of record as of June 29, 2016 and payable on July 25, 2016.

On July 16, 2015, the Company's Board of Directors (BOD) approved the declaration of a cash dividend in the amount of ₱0.51 per share from the unrestricted retained earnings of the Company as of December 31, 2014 to all stockholders of record as of August 7, 2015 and payable on September 4, 2015.

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

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

None

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

None

**Item 5. Management's Discussion and Analysis or Plan of Operation**

**December 31, 2016 vs December 31, 2015**

**Consolidated Results of Operations**

*(Amounts in Million Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of ₱5,196 million for the twelve months ended December 31, 2016, an increase of 13.5% as compared to ₱4,577 million for the twelve months ended December 31, 2015. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,830 million for the twelve months ended December 31, 2016, an increase of 11.2% as compared to ₱4,342 million for the twelve months ended December 31, 2015.

Consolidated revenues increased by 15.9% from ₱90,883 million for the twelve months ended December 31, 2015 to ₱105,293 million for the twelve months ended December 31, 2016. The robust revenue growth was largely due to increase in sales volume from the 72 new stores that were added during the year, and the full year sales contribution of the stores that opened in 2015 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,863 million to ₱2,118 million, a growth of 13.7%, due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2016 amounted to ₱23,026 million, 16.6% higher than ₱19,749 million for the twelve months ended December 31, 2015. The increase was attributed to higher sales and vendor discounts.

Operating expenses grew by 16.4% from ₱16,883 million to ₱19,652 million for the twelve months ended December 31, 2016 due to higher rent and utilities expenses and the accelerated store network expansion.

Earnings before interests and taxes (EBIT) grew by 16.2% from ₱4,729 million to ₱5,493 million for the twelve months ended December 31, 2016. As a percentage of sales, EBIT is at 5.2% this year same as last year.

Other income and charges increased by 4.9% from ₱1,119 million to ₱1,174 million for the twelve months ended December 31, 2016 primarily due to the increase in equity in net earnings in associate and interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 18.1% from ₱6,376 million for the twelve months ended December 31, 2015 to ₱7,531 million for the twelve months ended December 31, 2016.

### **Segment Operations**

(i) **Supermarket.** Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA for the full year ended 2016. Supermarket hit net sales of ₱48,465 million for the twelve months ended December 31, 2016, expanding by 12.1% from ₱43,239 million sales registered in 2015. The growth was driven by the store expansion this year with net addition of 16 new stores to 140 stores boosted by sustained performance of existing stores and strong like-for-like sales of 6.2%.

Cost of sales grew by 11.8% from 35,036 million in 2015 to 39,170 million in 2016. As a result, gross profit expanded to 9,295 million, 13.3% higher than last year's 8,203 million. The Supermarket segment continued to benefit from increasing scale, sustained vendor discounts and offering of value-added services to trade partners. As a percentage to sales, gross margin improved by 20 bps to 19.2% this year versus 19.0% last year.

After keeping operating expenses steady at 14.1% of sales in 2016, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱2,707 million for the twelve months ended December 31, 2016, 13.7% growth from 2,380 in the same period last year. Likewise, EBITDA expanded by 14.7% to ₱3,453 million for the twelve months of 2016 against ₱3,009 million for the same period in 2015. As a percentage to sales, EBITDA stood at 7.1% in 2016 against 7.0% in 2015.

(ii) **Department Stores.** Robinsons Department Store (RDS) ended 2016 with an over-all sales turn-over of ₱15,828 million, expanded by 6.2% from ₱14,906 million for the year 2015. The growth in sales is primarily a result of strong sales growth from existing stores at 5.1% and additional sales from new stores.

RDS' cost of sales amounted to ₱11,714 million for the twelve months ended December 31, 2016, relatively increasing with sales at 6.7% from ₱10,980 million for the same period last year. Gross margins as a result of this year's operations amounted to ₱4,114 million while last year was at ₱3,926 million. The 4.8% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Despite the strong sales growth from existing stores, the over-all profitability of RDS was greatly affected by the underperformance of the new stores in Cebu and Tagum. The resulting EBIT (earnings before interests and taxes) of RDS for 2016 is lower at ₱839 million as against ₱919 million for 2015. RDS' EBITDA also went down to ₱1,139 million this year as compared to ₱1,153 million last year.

(iii) **Convenience stores.** The convenience stores segment registered a systemwide sales and merchandise sales of ₱8,514 million and ₱5,666 million, respectively for the twelve months ended December 31, 2016, a 6.9% and 3.1% growth from ₱7,961 million and ₱5,493 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from ₱2,070 million last year to ₱2,291 million this year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.



Cost of sales grew by ₱130 million or 2.6%, to ₱5,096 million for the twelve months ended December 31, 2015 from ₱4,966 million in 2015 due to higher sales volume. Gross margin increased from 9.6% last year to 10.1% this year on increasing scale. Convenience stores recorded a negative EBIT of ₱55 million this year versus last year's positive EBIT of ₱8 million.

EBITDA generated for the twelve months ended December 31, 2016 was ₱319 million, 17.7% higher than the ₱271 million recorded in the same period last year.

(iv) **Drug Stores.** The drug store segment registered net sales of ₱11,931 million as of December 31, 2016, representing a growth of 47.9% from last year's net sales of ₱8,069.5 million. The growth was mainly driven by strong same store sales growth of 7.4%, as well as the sales contribution of TGP Pharma Inc. in the amount of ₱2,560.0 million. South Star Drug acquired 51% share in TGP Pharma, Inc. in May 2016.

The segment's cost of sales as of December 31, 2016 grew by 45.0% from ₱6,804.5 million to ₱9,863.3 million. Consequently, gross profit expanded by 63.5% from ₱1,265.1 million in 2015 to ₱2,067.9 million this year. In terms of margins, gross profit expanded by 160bps to 17.3% in 2016 against 15.7% last year.

EBIT as of December 31, 2016 reached ₱628.1 Million, more than doubling last year's ₱311.5 million. Likewise, EBITDA also grew by 90.6% from ₱372.9 million in 2015 to ₱710.7 million this year.

(v) **DIY Stores.** The DIY segment ended the year of 2016 with healthy increases in sales and gross profit. Net sales lifted by 12.7% from ₱9,872 million to ₱11,129 million for the year ended December 31, 2015 and December 31, 2016, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the twelve new store additions for the period ended December 31, 2016.

DIY's cost of sales grew by 12.0% from ₱6,805 million for the year 2015 to ₱7,625 million for the year of 2016, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 14.2% to ₱3,503 million for the year ended December 31, 2016 from ₱3,067 million in the same period last year. As a percentage to sales, gross profit was at 31.5% against 31.1% last year. However, operating expenses as a percentage to sales was up 0.4 percentage points from 23.5% to 23.9% because the sales of the new stores are still ramping up.

As a result, EBIT jumped by 12.4% at ₱842 million for the year ended December 31, 2016 versus ₱747 million in same period last year. EBITDA improved by 12.8% to ₱1,067 million for the year 2016 against ₱945 million for the same period in 2015.

(vi) **Specialty Stores Segment.** The net sales of the Specialty Stores segment increased by 29.5% from ₱10,359 million to ₱13,416 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. The higher net sales were attributed to sales contribution from the new stores and Savers Appliance Depot with 25 stores which were acquired last September 2015. The Specialty segment added 18 net new stores after end of December 2015 bringing the store network to 306 by the end of December 2016.

The cost of merchandise sold of Specialty Stores segment grew by 30.8% from ₱7,598 million to ₱9,940 million for the twelve months ended December 31, 2015 and December 31, 2016, respectively. This resulted in gross profit rising at slightly slower clip than net sales at 25.9% from ₱2,761 million to ₱3,476 million.

For the twelve months ended December 31, 2016, the Specialty Stores segment generated an EBITDA of ₱848 million, an increase of 33.5% from last year's EBITDA of ₱635 million.

### **Financial Position**

As of December 31, 2016, the Company's balance sheet showed consolidated assets of ₱76,695 million, which is 17.7% higher than the total consolidated assets of ₱65,160 million as of December 31, 2015.

Cash and cash equivalents significantly increased from ₱9,757 million as of December 31, 2015, to ₱12,718 million as of December 31, 2016. Net cash generated from operating activities totaled ₱6,169 million. Net cash used in investing activities amounted to ₱5,924 million, ₱3,244 million of which were used to acquire properties and equipment and ₱531 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,709 million.

Trade and other receivables increased by 12.1% from ₱1,774 million to ₱1,988 million as of December 31, 2016.

Goodwill increased from ₱2,069 million to ₱3,381 million due to the acquisition of TGP Pharma, Inc.

Other noncurrent assets also increased from ₱1,328 million to ₱1,431 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,796 million to ₱16,797 million as of December 31, 2016.

Current loans payable increased due to availment of loans during the period.

Stockholder's equity grew from ₱45,505 million as of December 31, 2015, to ₱50,566 million as of December 31, 2016, due to higher net income during the period.

### **December 31, 2015 vs December 31, 2014**

#### **Consolidated Results of Operations**

*(Amounts in Million Pesos)*

Robinsons Retail Holdings, Inc. recorded net income of ₱4,577 million for the twelve months ended December 31, 2015, an increase of 16.4% as compared to ₱3,933 million for the twelve months ended December 31, 2014. The increase was largely due to increased income from operations as a result of new store openings. Net income attributable to parent amounted to ₱4,342 million for the twelve months ended December 31, 2015, an increase of 21.9% as compared to ₱3,561 million for the twelve months ended December 31, 2014.

Consolidated revenues increased by 13.0% from ₱80,401 million for the twelve months ended December 31, 2014 to ₱90,883 million for the twelve months ended December 31, 2015. The robust revenue growth was largely due to increase in sales volume from the 179 new stores that were added this year, the full year sales contribution of the stores that opened in 2014 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,433 million to ₱1,862 million or a 30% growth due to higher royalty fee income of the convenience store segment.

Gross profit for the twelve months ended December 31, 2015 amounted to ₱19,749 million, 13.3% higher than ₱17,429 million for the twelve months ended December 31, 2014. The increase was on the back of higher sales and vendor discounts.

Operating expenses grew by 17.4% from ₱14,375 million to ₱16,883 million for the twelve months ended December 31, 2015 due to higher rent and utilities expenses and the accelerated store network expansion. Earnings before interests and taxes (EBIT) grew by 5.4% from ₱4,487 million to ₱4,729 million for the twelve months ended December 31, 2015. As a percentage of sales, EBIT is at 5.2% this year as against 5.6% last year.

Other income and charges increased by 53% from ₱732 million to ₱1,119 million for the twelve months ended December 31, 2015 primarily due to the increase in interest income as a result of acquisition of AFS financial assets during the year which earned a total of ₱729 million interest income.

Earnings before interests, taxes, depreciation, amortization (EBITDA) and other non-cash items expanded by 10.6% from ₱5,768 million for the twelve months ended December 31, 2014 to ₱6,376 million for the twelve months ended December 31, 2015.

### **Segment Operations**

(i) **Supermarket.** Robinsons Supermarket continued to account for the largest share in the group's sales, EBIT and EBITDA in 2015. Supermarket registered net sales ₱43,239 million for the twelve months ended December 31, 2015, a lift of 10.3% from ₱39,199 million of the same period last year. The growth was driven by the store expansion this year with addition of 13 new stores to 124 stores coupled with strong performance of existing stores.

Cost of sales grew by 10.0% from ₱31,836 million in 2014 to ₱35,036 million in 2015. As a result, gross margin expanded to ₱8,203 million, 11.4% higher than last year's ₱7,362 million. The improvement was due to the increasing scale which gives Supermarket a leverage in negotiating for higher discounts. As a percentage to sales, gross margin was at 19.0% this year against 18.8% last year.

After keeping our operating expenses steady at 14.0% of sales in 2015, the improvement in the gross margin trickled down to the increase in EBIT and EBITDA. EBIT reached ₱2,380 million for the twelve months ended December 31, 2015, 11.8% growth from ₱2,129 million in the same period last year. Consequently, EBITDA expanded by 12.9% to ₱3,009 million for the twelve months of 2015 against ₱2,664 million for the same period in 2014. As a percentage to sales, EBITDA stood at 7.0% in 2015 against 6.8% in 2014.

(ii) **Department Stores.** Robinsons Department Store (RDS) completed the year 2015 with sales of ₱14,906 million, realizing growth of 8.5% from ₱13,738 million for the same period last year. This increase in net sales was mainly due to improved sales of existing stores and sales contribution of new and re-launched stores. RDS opened a store in RP Maxilom Cebu in December 2015.

RDS' cost of sales amounted to ₱10,975 million for the twelve months ended December 31, 2015, relatively increasing with sales at 8.3% from ₱10,132 million for the same period last year. As a result, gross profit amounted to ₱3,931 million for 2015 while last year's was at ₱3,607 million. The 8.9% YOY growth in gross margin was due to an increase in sales with improved margins coming from additional discounts.

Owing to higher sales, RDS was able to generate EBIT (earnings before interests and taxes) of ₱923 million for the twelve months ended December 31, 2015 representing 4.8% increase against ₱881 million

in the same period last year. RDS' EBITDA grew at a faster clip of 9.6% YOY to P1,157 million for the year 2015 from P1,056 million in 2014.

(iii) **Convenience Stores.** Convenience stores segment registered a systemwide sales and merchandise sales of P7,961 million and P5,493 million, respectively for the twelve months ended December 31, 2015, a 18.6% and 19.0% growth from P6,711 million and P4,615 million in the same period last year. The key driver for the increase was the higher number of operating stores from last year's 450 to this year's 519. Other income which mainly consists of Royalty Fee also posted an increase from P1,544 million this year to P1,170 million last year. Royalty Fee is computed as a percentage of systemwide gross profit and accounted for bulk of the total Other Income.

Cost of sales grew by P784 million or 18.7%, to P4,966 million for the twelve months ended December 31, 2015 from P4,182 million in 2014 due to higher sales volume. Gross margin increased from 9.4% last year to 9.6% this year on increasing scale. Convenience stores recorded an EBIT of P8 million this year versus last year's P85 million.

EBITDA generated for the twelve months ended December 31, 2015 was P271 million, 6.2% lower than the P289 million recorded in the same period last year.

(iv) **Drug Stores.** The drug store segment registered net sales of P8,070 Million as of December 31, 2015, representing a growth of 14.3% from last year's net sales of P7,061 Million. The growth was mainly driven by the strong same store sales growth of 3.3%, as well as the contribution of 47 new stores opened in 2015.

The segment's cost of sales as of December 31, 2015 reached P6,805 Million, representing an increase of 14.7% from the same period last year. Consequently, gross profit expanded by 12.1% from P1,129 Million in 2014 to P1,265 Million this year.

EBIT as of December 31, 2015 reached P311.5 Million, a 13.4% increase from last year. Likewise, EBITDA also grew by 16.2% from P321 Million in 2014 to P373 Million this year.

(v) **DIY Stores.** The DIY segment ended the year of 2015 with healthy increases in sales and gross profit. Net sales lifted by 15.9% from P8,521 million to P9,872 million for the year ended December 31, 2014 and December 31, 2015, respectively.

The improvement was driven primarily by the strong performance of the existing stores coupled with the five new store additions from period ended December 2014.

DIY's cost of sales grew by 15.7% from P5,880 million in 2014 to P6,805 million in 2015, a slight decrease versus the growth in net sales. Consequently, the gross profit increased at high teens or 16.1% to P3,067 million from P2,641 million for the year ended 2015. As a percentage to sales, gross profit was at 31.1% this year against 31.0% last year. However, operating expenses as a percentage to sales swelled by 1.7 percentage points from 21.8% to 23.5% because the sales of the new stores are still ramping-up.

Consequently, EBIT was down by 4.3% at P747 million for the year 2015 versus P781 million in the same period last year. Nonetheless, EBITDA showed a modest growth of 3.8% to P945 million for the year ended December 31, 2015 against P911 million for the same period in 2014.

(vi) **Specialty Stores.** The net sales of the Specialty Stores segment increased by 31.3% from P7,889 million to P10,359 million for the twelve months ended December 31, 2015. The higher net sales were attributed to sales contribution from the new stores. The Segment added 45 net new stores in 2015

including the 25 stores of Savers Appliance Depot through partnership with Savers Electronic World, Inc., bringing the store network to 288 by the end of December 2015.

The cost of merchandise sold of Specialty Stores segment increased by 34.7% from ₱5,642 million to ₱7,598 million in 2015. As a result, gross profit jump by 22.9% from ₱2,247 million in 2014 to ₱2,761 million in 2015.

For the twelve months ended December 31, 2015, the Specialty Stores segment generated an EBITDA of ₱635 million, an increase of 19.0% as compared to ₱533 million last year.

### **Financial Position**

As of December 31, 2015, the Company's balance sheet showed consolidated assets of ₱65,160 million, which is 13.3% higher than the total consolidated assets of ₱57,495 million as of December 31, 2014.

Cash and cash equivalents significantly decreased from ₱9,970 million as of December 31, 2014 to ₱9,757 million as of December 31, 2015. Net cash generated from operating activities totaled ₱4,449 million. Net cash used in investing activities amounted to ₱6,835 million, ₱3,099 million of which were used to acquire properties and equipment and ₱1,359 million were used to acquire available-for-sale investments. Net cash received from financing activities amounted to ₱2,172 million.

Trade and other receivables increased by 16.0% from ₱1,529 million to ₱1,774 as of December 31, 2015.

Goodwill increased from ₱1,355 million to ₱2,070 million due to the acquisition of Savers Electronic World, Inc.

Other noncurrent assets also increased from ₱1,216 million to ₱1,328 million due to additional security deposit for new stores.

Trade and other payables increased from ₱14,139 million to ₱14,796 million as of December 31, 2015.

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

Stockholder's equity grew from ₱41,237 million as of December 31, 2014 to ₱45,505 million as of December 31, 2015 due to higher net income during the period.

### **December 31, 2014 vs December 31, 2013**

#### **Consolidated Results of Operations**

*(Amounts in Million Pesos)*

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

Consolidated revenues increased by 19.5% from ₱67,254 million for the twelve months ended December 31, 2013 to ₱80,400 million for the twelve months ended December 31, 2014. The robust revenue growth was largely due to increase in sales volume from the 263 new stores that were added this year, the full

year sales contribution of the stores that opened in 2013 as well as strong same stores sales growth. Royalty, rent and other income also increased from ₱1,321 million to ₱1,433 million or an 8.5% growth due to higher royalty fee income of the convenience store segment.

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

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

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

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

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

### **Segment Operations**

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

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

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

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

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

RDS' cost of sales amounted to ₱10,132 million for the twelve months ended December 31, 2014, an increase of 15.7% from ₱8,760 million for the same period last year. This resulted to a gross margin of ₱3,607 million for the twelve months ended December 31, 2014 against ₱3,116 million for the same

period last year. The increase in gross margin was due to an increase in sales with improved margins coming from additional supplier discounts.

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

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

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

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

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

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

The segment registered net sales of ₱7,061 million as of December 31, 2014, representing a 12.3% growth from last year's ₱6,287 million. The growth was mainly attributed to the 81 stores that opened during the year, as well as the full year sales contribution of the 21 net stores that opened in 2013.

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

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

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

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

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

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

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

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

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

### **Financial Position**

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

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

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

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

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

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



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

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

**Material Changes in the 2016 Financial Statements**  
**(Increase/decrease of 5% or more versus 2015)**

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Consolidated Statements of Comprehensive Income-Year Ended December 31, 2016 versus year ended December 31, 2015

*15.9% Increase in Sales*

The robust revenue growth was largely due to increase in sales volume from the 79 new stores that were added this year, the full year sales contribution of the stores that opened in 2015 as well as strong same stores sales growth.

*16.6% increase in Gross Profit*

The increase in gross profit was on the back of higher sales and vendor discounts.

*13.7% increase in royalty, rent and other income*

Primarily due to higher royalty fee income of the convenience store segment.

*16.4% increase in operating expenses*

Primarily due to accelerated store network expansion.

*19.4% increase in foreign exchange gain*

Primarily due to the increase in foreign exchange rate between peso and dollar.

*487.9% increase in interest expense*

Increase during the year is due to loan availments during the year.

*154.8% increase in equity in net earnings of an associate*

Due to higher operating income of RBC.

*15.8% increase in provision for income tax*

Due to higher taxable income of the subsidiaries.

*13.5% increase in net income*

Largely due to increased income from operations as a result of new store openings and strong same store sales growth.

*67.8% decrease in other comprehensive income*

Primarily due to movements in remeasurement in pension liability and available-for-sale investments.

**Consolidated Statements of Financial Position - December 31, 2016 versus December 31, 2015**

*30.3% increase in cash and cash equivalents*

This is due to the loans availed during the year.

*100% decrease in short-term investments*

The short term investment matured during the year.

*12.1% increase in trade and other receivables*

Due to increase in trade receivables relative to the growth of sales.

*26.2% increase in merchandise inventories*

Due to increased volume of inventories relative to the expansion of store network.

*29.4% increase in other current assets*

Due to increase in input value added tax.

*12.7% increase in property and equipment*

Due to the Group's continuing store expansion and renovation of existing stores.

*62.4% increase in intangible assets*

Due to increase in goodwill resulting from the acquisition of TGP Pharma Inc.

*61.0% increase in deferred tax asset-net*

Primarily due to the benefit on tax from remeasurement losses on defined benefit plans.

*7.7% increase in other noncurrent assets*

Due to additional security deposit for new stores.

*13.5% Trade and other payables*

The increase pertains to purchases in relation to store expansions.

*131.1% increase in current portion of loans payable*

Increase is due to short term loans availed during the year.

*21.5% increase in income tax payable*

Increase is due to increase in taxable income during the year.

*36.6% increase Other current liabilities*

Increase in other current liabilities is due to store expansion and acquisitions.

*59.1% increase in deferred tax liability*

Movement is due to deferred tax liability recognized due to acquisition of TGP.

*28.8% increase in pension liability*

Primarily due to increase in pension expense during the year.

*39.9% increase in other comprehensive income*

Increase is due to movements in fair value of AFS.

*25.2% increase in retained earnings*

Movement is due to net income during the year, net of dividends declared.

*50.3% increase in non-controlling interest in consolidated subsidiaries*

Primarily due to non-controlling interest's share in net income and NCI in newly acquired TGP.

## **Key Performance Indicators**

A summary of RRHI's key performance indicators follows:

<b>Key Performance Indicators</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(in millions)</i>		
Net sales	₱105,293	₱90,883	₱80,400
EBIT	5,493	4,729	4,490
EBITDA	7,531	6,376	5,770
Core Net Earnings	4,120	3,624	3,422
<b>Ratios</b>			
Liquidity ratio:			
Current ratio	1.24	1.28	1.58
Profitability ratio:			
Gross profit margin	0.22	0.22	0.06
Debt to equity ratio	0.52	0.43	0.39
Asset to equity ratio	1.52	1.43	1.39
Interest rate coverage ratio	63.48	321.29	372.39

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

### **Key Performance Indicators**

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

The Company pursued its efforts in converting the proceeds from its IPO into acquisition of investments and network expansion, thus lowering its current ratio from 1.28 to 1.24 times in 2015 and 2016, respectively. The Company does not expect any liquidity problems that may arise in the near future.

## **Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues and income**

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

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

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

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

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

Not Applicable

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

Not Applicable

## **Item 6. Financial Statements**

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

## **Item 7. Changes and Disagreements with Accountants on Accounting and Financial Disclosure**

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

### **(A) External Audit Fees and Services**

#### **Audit and Audit - Related Fees**

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

	<b>Estimated 2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Audit and Audit-Related Fees</b>				
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱6,613,526	₱6,359,160	₱5,813,695	₱5,092,691
Professional Fees related to the Initial Public Offering	None	None	None	None
Tax Fees	None	None	None	None
All Other Fees	300,300	288,750	None	None
<b>Total</b>	<b>₱6,913,826</b>	<b>₱6,647,910</b>	<b>₱5,813,695</b>	<b>₱5,092,691</b>

No other service was provided by external auditors to the Company for the calendar years 2016, 2015 and 2014.

**(B) The audit committee's approval policies and procedures for the services rendered by the external auditors:**

The Corporate Governance Manual of the Company provides that the audit committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency, and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **Item 8. Directors and Executive Officers of the Registrant**

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

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

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
John L. Gokongwei, Jr.	90	Director	Filipino
James L. Go	77	Vice Chairman	Filipino
Lance Y. Gokongwei	50	Chairman and Chief Executive Officer	Filipino
Robina Y. Gokongwei-Pe	55	President and Chief Operating Officer	Filipino
Lisa Y. Gokongwei-Cheng	48	Director	Filipino

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
Faith Y. Gokongwei-Lim	46	Director	Filipino
Hope Y. Gokongwei-Tang	46	Director	Filipino
Antonio L. Go*	76	Independent Director	Filipino
Roberto R. Romulo	78	Independent Director	Filipino

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

All of the above directors have served their respective offices since June 9, 2016. There are no other directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of the stockholders for any reason whatsoever.

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

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

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Citizenship</b>
Bach Johann M. Sebastian	55	Senior Vice President, Chief Strategy Officer and Compliance Officer	Filipino
Mylene A. Kasiban	47	Chief Financial Officer	Filipino
Diosdado Felix A. Zapata III	54	Deputy Chief Financial Officer	Filipino
Graciela A. Banatao	41	Treasurer	Filipino
Rosalinda F. Rivera	46	Corporate Secretary	Filipino
Gilbert S. Millado, Jr.	43	Assistant Corporate Secretary	Filipino

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

**John L. Gokongwei, Jr.**, 90, is a director of the Company and had been Chairman and Chief Executive Officer until his retirement in March 2016. He is also the Chairman Emeritus and a director of Robinson's Incorporated, Robinsons Convenience Stores, Inc., Robinsons Supermarket Corporation, Robinsons Specialty Stores, Inc., and Robinsons Toys, Inc. He is the Chairman Emeritus and a member of the Board of Directors of JG Summit Holdings, Inc. and certain of its subsidiaries. He also continues to be a member of the Executive Committee of JG Summit Holdings, Inc. He is currently the Chairman of the Gokongwei Brothers Foundation, Inc., Deputy Chairman and Director of United Industrial Corporation Limited and a director of Cebu Air, Inc. and Oriental Petroleum and Minerals Corporation. He was elected a director of Manila Electric Company on March 31, 2014. He is also a non-executive director of A. Soriano Corporation. Mr. John L. Gokongwei, Jr. received a Masters degree in Business Administration from the De La Salle University and attended the Advanced Management Program at Harvard Business School.

**James L. Go**, 77, is the Vice Chairman of the Company. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is the Chairman of Universal Robina Corporation, Robinsons Land Corporation, JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone Company (PLDT) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. James L. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

**Lance Y. Gokongwei**, 50, is the Chairman and Chief Executive Officer of the Company. He is the Chairman and Chief Executive Officer of Robinsons Supermarket Corporation, Robinson's Incorporated, Robinsons Convenience Stores, Inc., and Robinsons Handyman, Inc., Handyman Express Mart, Inc., Robinsons Appliances Corp., Robinsons Daiso Diversified Corp., Robinsons Specialty Stores, Inc., Robinsons Toys, Inc., Robinsons Ventures Corporation, South Star Drug, Inc., Waltermart-Handyman, Inc., Angeles Supercenter, Inc., Everyday Convenience Stores, Inc., and Robinsons True Serve Hardware Philippines, Inc. He is the President and Chief Operating Officer of JG Summit Holdings, Inc. He is the President and Chief Executive Officer of Universal Robina Corporation and Cebu Air, Inc. He is the Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is the Vice Chairman and Chief Executive Officer of Robinsons Land Corporation. He is also the Chairman of Robinsons Bank Corporation, and a director of Oriental Petroleum and Minerals Corporation, and United Industrial Corporation Limited. He is a director and Vice Chairman of Manila Electric Company. He is also a trustee and secretary of the Gokongwei Brothers Foundation, Inc. Mr. Lance Y. Gokongwei received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

**Robina Y. Gokongwei-Pe**, 55, is the President and Chief Operating Officer of the Company. She is a Director of JG Summit Holdings, Inc., Robinsons Land Corporation, Cebu Air, Inc., and Robinsons Bank Corporation. She is a Trustee of the Gokongwei Brothers Foundation Inc. and the Immaculate Conception Academy Scholarship Fund. She was also a member of the University of the Philippines Centennial Commission and was a former Trustee of the Ramon Magsaysay Awards Foundation. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. Ms. Pe joined the group in 1984 as a management trainee. She is a daughter of Mr. John L. Gokongwei, Jr.

**Lisa Y. Gokongwei-Cheng**, 48, is a Director of the Company. She is also the President of Summit Media, Director and President of Summit Media Informatix Holdings, Inc. and General Manager of GBFI. She graduated from Ateneo de Manila University with a Bachelor of Arts degree (Communications) in 1990 and obtained a Master of Science degree (Journalism) from Columbia University in 1993. She is the daughter of Mr. John L. Gokongwei, Jr.

**Faith Y. Gokongwei-Lim**, 46, is a Director of the Company. She is currently the General Manager of Costa Coffee and was the Vice President- Merchandising for Ministop. She is also currently the General Manager of Chic Centre Corporation, a cosmetics business and also an official distributor of Universal Robina Corporation's slush and juice drinks. Ms. Faith graduated from the De La Salle University with a Bachelor of Arts degree (English Literature). She started out as a management trainee and has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

**Hope Y. Gokongwei-Tang**, 46, is a Director of the Company. She is also the General Manager of Robinsons Appliances, effective as of April 1, 2012. She had been with the Robinsons Department Store for 21 years, starting out management trainee. She then became Vice President of the merchandising department of the Department Store. Ms. Hope graduated from De La Salle University with a Bachelor of Arts degree (English Literature). She has over 24 years of retail experience obtained from the Company. She is a daughter of Mr. John L. Gokongwei, Jr.

**Antonio L. Go**, 76, has been an independent director of the Company since July 4, 2013. He also currently serves as Director and President of Equitable Computer Services, Inc. and is the Chairman of Equicom Savings Bank and ALGO Leasing and Finance, Inc. He is also a director of Medilink Network, Inc., Maxicare Healthcare Corporation, Equicom Manila Holdings, Equicom Inc., Equitable Development Corporation, United Industrial Corporation Limited, T32 Dental Centre Singapore, Dental Implant and Maxillofacial Centre HongKong, Oriental Petroleum and Minerals Corporation, Pin-An Holdings, Inc., Equicom Information Technology, Cebu Air, Inc., and Steel Asia Manufacturing Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

**Roberto R. Romulo**, 78, has been an independent director of the Company since July 4, 2013. He is the Chairman of AIG Philippines Insurance Inc. , PETNET, Inc, Medilink Network Inc., Nationwide Development Corporation, and Romulo Asia Pacific Advisory. He is currently a board member of A. Soriano Corporation, Equicom Savings Bank, Philippine Long Distance Telephone Co. and Maxicare Healthcare Corporation. He was also a board member of United Industrial Corporation Limited from January 2003 to April 2010 and of Singapore Land Limited from January 2003 to August 2014. He is a Member of the Board of Counselors of McLarty Associates (formerly Kissinger McLarty Associates). He is also the Chairman of several non-profit organizations, namely, Zuellig Family Foundation, Carlos P. Romulo Foundation for Peace and Development, Foundation for Information Technology Education and Development and Asia Europe Foundation of the Philippines. He graduated with a Bachelor of Arts degree (Political Science) from Georgetown University, Washington, D.C. and a Bachelor of Laws degree from Ateneo de Manila University.

**(i) Officers**

*John L. Gokongwei Jr., see “i. Directors”.*

*James L. Go, see “i. Directors”.*

*Robina Y. Gokongwei-Pe, see “i. Directors”.*

**Bach Johann M. Sebastian**, 55, is Senior Vice President and Chief Strategy Officer of the Company. In addition, he is also Senior Vice President and Chief Strategy Officer of JG Summit Holdings Inc., Universal Robina Corporation, Robinsons Land Corporation and Cebu Air, Inc. Prior to joining JG Summit in 2002, he was Senior Vice President and Chief Corporate Strategist of RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received a Bachelor of Arts in Economics from the University of the Philippines in 1981, and a Master in Business Administration degree from the Asian Institute of Management in 1986.



***Mylene Kasiban***, 47, is the Chief Financial Officer (CFO) of the Company since May 2016. She has more than 15 years of experience as a CFO in country and regional capacities for multinational companies such as Mondelez, The Hershey Company and Johnson and Johnson. Mylene is a Certified Public Accountant and graduated Cum Laude with a Bachelor of Science in Accounting and Economics from St. Scholastica's College. She has a Masters in Business Administration from the University of Bath, UK and a Post Graduate Diploma in Financial Strategy from the Said Business School, University of Oxford.

***Diosdado Felix A. Zapata III***, 54, is the Deputy Chief Financial Officer for the Company and all of its subsidiaries. He joined the group in 1991. He started his career as a junior auditor of SGV in 1983. He graduated Cum Laude with a Bachelor of Accountancy degree from Polytechnic University of the Philippines. He became a Certified Public Accountant in 1983. He has more than 24 years of experience in the retail industry, all of which were obtained from the Company.

***Graciela A. Banatao***, 41, is the Company Treasurer. She graduated Cum Laude with a Bachelors Degree in Accountancy from St. Paul University (Tuguegarao City) in 1996 and became a Certified Public Accountant in the same year. She started her career in Sycip, Gorres and Velayo (SGV) as account-in-charge in 1996 and has a total of 19 years experience in treasury and accounting from companies such as SGV, Questronix Corporation, Abbott Laboratories and Universal Robina Corporation. She joined the Robinsons Retail group in 2014.

***Rosalinda Rivera***, 46, is the Corporate Secretary of the Company. She is also the Corporate Secretary of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc., JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. Prior to joining the Company, she was a Senior Associate at Puno and Puno Law Offices. She received a degree of Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law.

***Atty. Gilbert S. Millado Jr.***, 43, is the General Counsel and Assistant Corporate Secretary of the Company and the General Counsel and Corporate Secretary of all subsidiaries under the Company. He was previously the Corporate Legal Counsel of RLC from 2003 to 2012. He also served as the Corporate Legal Counsel of the Araneta Properties from 2000 to 2003. He received a Bachelor of Laws degree from Far Eastern University and was admitted to the Philippine Bar in 2000.

#### **(B) Significant Employees**

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

#### **(C) Family Relationships**

Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.  
Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr.  
Ms. Robina Y. Gokongwei-Pe is the daughter of Mr. John L. Gokongwei, Jr.  
Ms. Hope Y. Gokongwei-Tang is the daughter of Mr. John L. Gokongwei, Jr.  
Ms. Faith Y. Gokongwei-Lim is the daughter of Mr. John L. Gokongwei, Jr.  
Ms. Lisa Y. Gokongwei-Cheng is the daughter of Mr. John L. Gokongwei, Jr.

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

As of December 31, 2016, and to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officers, in the past five years up to the date of this report: (i) have had any petition filed by or against any business of which such

person was a general partner or executive officer either at the time of the bankruptcy or within a three-year period of that time; (ii) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

## Item 9. Executive Compensation

Key management personnel of the Group include the President and Chief Operating Officer.

### (A) Summary Compensation Table

The following table sets out the Company's chief operating officer and four most highly compensated senior officers of certain business segments of the Corporation for the last three years and projected for the ensuing year (2017).

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

The aggregate compensation of executive officers and directors of the Company and senior officers of certain business segments of the Company for the last three years and projected for the year 2017 are as follows:

ACTUAL	(in ₱ million)			
	Year	Salaries	Bonuses	Total
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation: 1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer 2. Dahlia T. Dy – Managing Director - South Star Drug, Inc. 3. Justiniano S. Gadia – General Manager - Robinsons Supermarket 4. Johnson T. Go – General Manager - Robinsons Department Store 5. Roena P. Sarte – General Manager - Ministop	2014	36.61	2.52	39.13
	2015	38.51	2.66	41.17
	2016	39.92	2.70	42.62
	2017			
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	2014	48.30	3.57	51.86
	2015	55.71	4.51	60.22
	2016	76.52	5.09	81.61
	2017			

(in ₱ million)			
<b>PROJECTED 2017</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Total</b>
President and Chief Operating Officer and four (4) most highly compensated senior officers of certain business segments of the Corporation: 1. Robina Y. Gokongwei-Pe – President and Chief Operating Officer 2. Dahlia T. Dy – Managing Director - South Star Drug, Inc. 3. Justiniano S. Gadia – General Manager - Robinsons Supermarket 4. Johnson T. Go – General Manager - Robinsons Department Store 5. Roena P. Sarte – General Manager - Ministop	40.27	2.81	43.08
Aggregate compensation paid to all other general managers, heads for shared services and directors as a group unnamed	57.82	5.78	63.60

**(B) Standard Arrangements**

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

**(C) Other Arrangements**

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

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

Not applicable.

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

Not applicable.

**Item 10. Security Ownership of Certain Record and Beneficial Owners and Management**

**(A) Security Ownership of Certain Record and Beneficial Owners holding more than 5% of the Company's voting securities as of March 31, 2017**

As of March 31, 2017, the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Company	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	JE Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	484,749,997	35.00%
Common	PCD Nominee Corporation (Non-Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	335,169,329 (See note 3)	24.20%
Common	PCD Nominee Corporation (Filipino) 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	147,443,718	10.65%
Common	Lance Y. Gokongwei 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	126,727,500	9.15%
Common	Robina Y. Gokongwei-Pe 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City	Same as record owner	Filipino	105,952,500	7.65%

Notes:

1. JE Holdings, Inc. is a company owned by members of the Gokongwei family. Under the By-Laws of JE Holdings, Inc., the President is authorized to represent the Corporation at all functions and proceedings. The incumbent President of JE Holdings, Inc. is Mr. John L. Gokongwei, Jr.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
3. Out of the PCD Nominee Corporation (Non-Filipino) account, "The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct." and "Deutsche Bank Manila-Clients A/C" hold for various trust accounts the following shares of the Corporation as of March 31, 2017:

	<u>No. of shares</u>	<u>% to Outstanding</u>
The Hongkong and Shanghai Banking Corp. Ltd. –Clients’ Acct.	170,454,625	12.31%
Deutsche Bank Manila-Clients A/C	103,749,399	7.49%

Voting instructions may be provided by the beneficial owners of the shares.

## (B) Security Ownership of Management as of March 31, 2017

Title of Class	Name of beneficial owner	Position	Amount & nature of beneficial ownership		Citizenship	% to Total Outstanding
			Direct	Indirect		
Named Executive Officers (Note 1)						
Common	1. Lance Y. Gokongwei	Director, Chairman and Chief Executive Officer	162,044,999 (Note 2)	-	Filipino	11.70%
Common	2. Robina Y. Gokongwei-Pe	Director, President and Chief Operating Officer	105,952,500	-	Filipino	7.65%
	Sub-Total		267,997,499	-		19.35%
Other Directors and Executive Officers						
Common	3. John L. Gokongwei, Jr.	Director	1	-	Filipino	*
Common	4. James L. Go	Director and Vice Chairman	41,550,000	-	Filipino	3.00%
Common	5. Lisa Y. Gokongwei-Cheng	Director	35,317,500	-	Filipino	2.55%
Common	6. Faith Y. Gokongwei-Lim	Director	35,317,500	-	Filipino	2.55%
Common	7. Hope Y. Gokongwei-Tang	Director	1	-	Filipino	*
Common	8. Antonio L. Go	Director (Independent)	1	-	Filipino	*
Common	9. Roberto R. Romulo	Director (Independent)	1	-	Filipino	*
-	10. Bach Johann M. Sebastian	Senior Vice President, Chief Strategy Officer and Compliance Officer	-	-	Filipino	-
-	11. Mylene A. Kasiban	Chief Financial Officer	-	-	Filipino	-
-	12. Diosdado Felix A. Zapata III	Deputy Chief Financial Officer	-	-	Filipino	-
-	13. Graciela A. Banatao	Treasurer	-	-	Filipino	-
-	14. Rosalinda F. Rivera	Corporate Secretary	-	-	Filipino	-
Common	15. Gilbert S. Millado, Jr.	Assistant Corporate Secretary	500	-	Filipino	*
	Sub-Total		112,185,504	-		8.10%
All directors and executive officers as a group unnamed			380,183,003	-		27.45%

Notes:

- As defined under Part IV (B) (1) (b) of Annex “C” of SRC Rule 12, the “named executive officers” to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of March 31, 2017.
- Sum of the shares in the name of “Lance Y. Gokongwei” for 126,727,500 shares and “Lance Y. Gokongwei &/or Elizabeth Gokongwei” for 35,317,499 shares.

\* less than 0.01%

## (C) Voting Trust Holders of 5% or more - as of March 31, 2017

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

## (D) Changes in Control

As of March 31, 2017, there has been no change in the control of the Corporation since the beginning of its last fiscal year.

### **Item 11. Use of Proceeds from Initial Public Offering**

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

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

For the year ended December 31, 2016, the application of the net proceeds is broken as follows:

<b>Use of Proceeds</b>	<b>Amount in Pesos</b>
Expansion of store network	₱4,050,755,671
Renovation of existing stores	800,094,080
Repayment of bank loans	68,044,997
Other corporate purposes	264,038,488
Total	₱5,182,933,236



# ROBINSONS RETAIL

HOLDINGS, INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENT

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

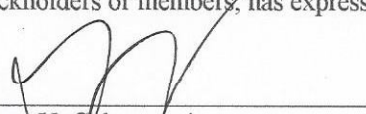
The management of **Robinsons Retail Holdings, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, 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 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.

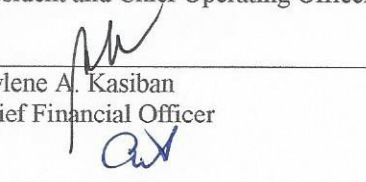
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip, Gorres, Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
\_\_\_\_\_  
Lance Y. Gokongwei  
Chairman

  
\_\_\_\_\_  
Lance Y. Gokongwei  
Chief Executive Officer

\_\_\_\_\_  
Robina Y. Gokongwei-Pe  
President and Chief Operating Officer

  
\_\_\_\_\_  
Mylene A. Kasiban  
Chief Financial Officer

\_\_\_\_\_  
Graciela A. Banatao  
Treasurer

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017


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 APR 06 2017 day of April, 2017.

Doc. No. 155 ;  
Page No. 32 ;  
Book No. 3 ;  
Series of 2017.

  
**ATTY. PATRICK ARNOLD P. TETANGCO**  
Notary Public for Pasig City  
Commission No. 207 (2016-2017)  
40th Fl., Robinsons Equitable Tower,  
Ortigas Center, Pasig City  
IBP No. 012638; Quezon City Chapter  
Roll No. 63825; 05/08/2014  
PTR No. 2241402; 01/11/2016; Q.C.  
MCLF No. V001577 02/01/2017



# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

R	O	B	I	N	S	O	N	S		R	E	T	A	I	L		H	O	L	D	I	N	G	S	,		I	N	C
.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S												

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

4	3	r	d		F	l	o	o	r	,		R	o	b	i	n	s	o	n	s		E	q	u	i	t	a	b	l
e		T	o	w	e	r	,		A	D	B		A	v	e	n	u	e		c	o	r	n	e	r		P	o	v
e	d	a		S	t	s	.	,		O	r	t	i	g	a	s		C	e	n	t	e	r	,		P	a	s	i
g		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a										

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

**info@robinsonsbretailholdings.com.ph**

Company's Telephone Number

**635-0751**

Mobile Number

**N/A**

No. of Stockholders

**29**

Annual Meeting (Month / Day)

**Last Thursday of May**

Fiscal Year (Month / Day)

**December 31**

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

**Mylene A. Kasiban**

Email Address

**Mylene.Kasiban@robinsonsbretail.ph**

Telephone Number/s

**635-0751 local 214**

Mobile Number

**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.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Robinsons Retail Holdings, Inc.  
43rd Floor, Robinsons Equitable Tower  
ADB Avenue corner Poveda Sts., Ortigas Center  
Pasig City, Metro Manila

### Opinion

We have audited the consolidated financial statements of Robinsons Retail Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Existence and completeness of inventory***

The Group's inventories comprise 17% of its total assets as of December 31, 2016, as disclosed in Note 10 of the consolidated financial statements. The Group has 1,578 company-owned stores and warehouses throughout the country as of December 31, 2016. We focused on this area since inventories are material to the consolidated financial statements and are located in various sites across the country.

#### ***Audit Response***

We obtained an understanding of the inventory management process which includes inventory count procedures. We assessed and tested the relevant inventory controls, and observed the conduct of the inventory count procedures for selected stores and warehouses and performed test counts. We traced test counts to the inventory compilation to determine if the inventory compilation reflects actual inventory count results. We reviewed the reconciliation of the valued physical inventory compilation with the general ledger account balances and evaluated the disposition of the reconciling items. We tested the roll forward procedures on inventory quantities from the date of inventory count to reporting date on a sample basis.

### ***Accounting for acquisition of a subsidiary***

As disclosed in Note 20 of the consolidated financial statements, the Group acquired 51% of TGP Pharma, Inc. (TGPPI) for a total consideration of ₱2.26 billion. The Group recognized the related assets, including trademarks, and liabilities of its acquired subsidiary based on the valuation performed by an external appraiser. We considered the accounting for this acquisition to be a key audit matter because it required significant management judgment in identifying intangible assets and significant management estimates in determining the fair values of acquired assets and liabilities, specifically the trademarks amounting to ₱1.26 billion.

#### ***Audit Response***

We reviewed the related purchase agreement covering the acquisition of TGPPI, the consideration paid and the purchase price allocation. We reviewed the identification of the subsidiary's underlying assets and liabilities, specifically the trademarks, based on our understanding of the subsidiary's business and management's explanations on the rationale for the acquisition. We assessed the competence, capabilities and objectivity of the external appraiser who prepared the valuation by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in evaluating the methodology and assumptions used to determine the fair value of the trademarks. We also tested the main assumptions used such as revenue growth rate, long-term growth rate and royalty rate by reference to existing contractual terms, historical trends and relevant external information. We tested the parameters used in determining the discount rate against market data. Furthermore, we reviewed the disclosures in the consolidated financial statements regarding the acquisition of TGPPI.



### ***Impairment assessment of trademarks and goodwill***

As of December 31, 2016, the Group's trademarks and goodwill arising from business combinations amounted to ₱3.20 billion and ₱3.38 billion, respectively, which are considered significant to the consolidated financial statements. Under PFRS, the Group is required to annually test the amount of trademarks with indefinite useful lives and goodwill for impairment. The recoverability of trademarks and goodwill is considered a key audit matter as the balances of these assets are considered material to the consolidated financial statements. In addition, the management's assessment process requires significant judgment and is based on assumptions, specifically gross margins, revenue growth and discount rates for value-in-use calculation and selected comparable entities for EV/EBITDA (enterprise value/earnings before interest, taxes, depreciation and amortization) multiple. The Group's disclosures about trademarks and goodwill are included in Note 15 of the consolidated financial statements.

### ***Audit Response***

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used and performed a recalculation of the value-in-use and EV/EBITDA multiples provided. For value-in-use, these assumptions include gross margins, revenue growth and discount rates. We compared the key assumptions used against the historical performance of the subsidiaries, industry or market outlook and other relevant external data. We tested the parameters used in determining the discount rate against market data. For EV/EBITDA, we assessed if the selected comparable entities obtained by the Group closely represent each cash generating unit from which goodwill was acquired. We also reviewed the Group's disclosures about the assumptions that have the most significant effect in determining the recoverable amounts of trademarks and goodwill.

### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are



inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wenda Lynn M. Loyola.

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola

Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

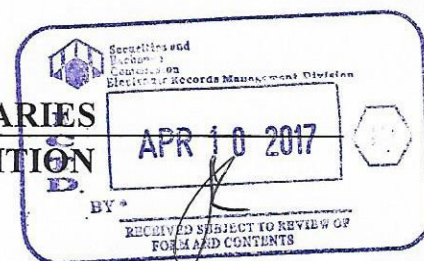
February 15, 2016, valid until February 14, 2019

PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7 and 28)	₱12,718,000,227	₱9,757,351,816
Short-term investments (Notes 8 and 28)	---	7,059,000
Trade and other receivables (Notes 9, 25 and 28)	1,987,889,900	1,773,723,242
Merchandise inventories (Note 10)	13,341,684,985	10,575,687,802
Other current assets (Note 11)	2,184,712,107	1,688,402,315
<b>Total Current Assets</b>	<b>30,232,287,219</b>	<b>23,802,224,175</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets (Notes 12 and 28)	20,430,029,363	19,511,313,846
Property and equipment (Note 13)	12,562,161,367	11,149,374,301
Investments in an associate (Note 14)	5,077,911,984	5,079,302,654
Intangible assets (Notes 15 and 20)	6,671,898,429	4,109,178,069
Deferred tax assets - net (Note 26)	290,042,638	180,129,573
Other noncurrent assets (Notes 16 and 28)	1,430,720,629	1,328,102,855
<b>Total Noncurrent Assets</b>	<b>46,462,764,410</b>	<b>41,357,401,298</b>
	<b>₱76,695,051,629</b>	<b>₱65,159,625,473</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 17, 25 and 28)	₱16,796,597,482	₱14,795,536,011
Short-term loans payable (Notes 18 and 28)	6,575,698,733	2,844,872,558
Income tax payable	835,648,327	687,844,946
Other current liabilities (Note 28)	269,927,089	197,583,490
<b>Total Current Liabilities</b>	<b>24,477,871,631</b>	<b>18,525,837,005</b>
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 26)	1,042,105,721	655,165,987
Net pension liabilities (Notes 23 and 24)	609,529,248	473,346,631
<b>Total Noncurrent Liabilities</b>	<b>1,651,634,969</b>	<b>1,128,512,618</b>
<b>Total Liabilities</b>	<b>26,129,506,600</b>	<b>19,654,349,623</b>
<b>Equity (Note 19)</b>		
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 12, 14 and 24)	352,393,412	251,829,138
Equity reserve	(1,021,894,669)	(1,027,402,846)
Retained earnings		
Appropriated	15,262,852,847	12,997,451,453
Unappropriated	4,381,691,262	2,689,501,691
<b>Total equity attributable to equity holders of the Parent Company</b>	<b>47,587,427,942</b>	<b>43,523,764,526</b>
Non-controlling interest in consolidated subsidiaries	2,978,117,087	1,981,511,324
<b>Total Equity</b>	<b>50,565,545,029</b>	<b>45,505,275,850</b>
	<b>₱76,695,051,629</b>	<b>₱65,159,625,473</b>

See accompanying Notes to Consolidated Financial Statements.





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

	Years Ended December 31		
	2016	2015	2014
<b>SALES</b> - Net of sales discounts and returns (Notes 6, 21 and 25)	<b>₱105,293,324,032</b>	<b>₱90,882,627,706</b>	<b>₱80,400,962,302</b>
<b>COST OF MERCHANDISE SOLD</b> (Notes 6 and 10)	<b>82,267,043,806</b>	<b>71,133,585,364</b>	<b>62,971,862,522</b>
<b>GROSS PROFIT</b> (Note 6)	<b>23,026,280,226</b>	<b>19,749,042,342</b>	<b>17,429,099,780</b>
<b>ROYALTY, RENT AND OTHER REVENUE</b> (Notes 6, 25 and 30)	<b>2,118,478,594</b>	<b>1,862,672,949</b>	<b>1,433,203,123</b>
<b>GROSS PROFIT INCLUDING OTHER REVENUE</b> (Note 6)	<b>25,144,758,820</b>	<b>21,611,715,291</b>	<b>18,862,302,903</b>
<b>OPERATING EXPENSES</b> (Notes 22, 23, 24, 29 and 30)	<b>(19,651,873,741)</b>	<b>(16,882,874,569)</b>	<b>(14,374,863,748)</b>
<b>OTHER INCOME (CHARGES)</b>			
Interest income (Notes 6, 7, 8 and 12)	827,274,627	798,712,436	634,184,861
Foreign currency exchange gain – net	219,216,013	183,603,976	25,063,690
Dividend income (Notes 6 and 12)	111,500,000	111,500,591	27,875,000
Equity in net earnings of an associate (Note 14)	102,659,711	40,292,934	56,549,947
Interest expense (Notes 6 and 18)	(86,533,530)	(14,718,429)	(12,057,390)
	<b>1,174,116,821</b>	<b>1,119,391,508</b>	<b>731,616,108</b>
<b>INCOME BEFORE INCOME TAX</b> (Note 6)	<b>6,667,001,900</b>	<b>5,848,232,230</b>	<b>5,219,055,263</b>
<b>PROVISION FOR INCOME TAX</b> (Note 26)			
Current	1,540,728,580	1,288,917,348	1,313,560,861
Deferred	(69,454,983)	(17,851,404)	(27,789,611)
	<b>1,471,273,597</b>	<b>1,271,065,944</b>	<b>1,285,771,250</b>
<b>NET INCOME</b>	<b>5,195,728,303</b>	<b>4,577,166,286</b>	<b>3,933,284,013</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</b>			
Changes in fair value of available-for-sale (AFS) financial assets (Note 12)	182,711,279	282,224,234	(12,131,857)
Share in change in fair value of AFS financial assets of an associate (Note 14)	(103,174,500)	(102,121,503)	137,681,608
Share in change in translation adjustment of an associate (Note 14)	(3,420,011)	(184,945)	(7,145,197)
Income tax effect	31,978,353	30,691,934	(39,160,923)
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</b>			
Share in actuarial losses on pension liability of an associate (Note 14)	2,544,130	(4,141,797)	–
Remeasurement gain (losses) on net pension liabilities (Note 24)	(27,307,738)	106,485,548	(205,700,823)
Income tax effect	7,429,082	(30,703,125)	61,710,247
	<b>90,760,595</b>	<b>282,250,346</b>	<b>(64,746,945)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱5,286,488,898</b>	<b>₱4,859,416,632</b>	<b>₱3,868,537,068</b>

(Forward)





Years Ended December 31			
	2016	2015	2014
Net income attributable to:			
Equity holders of the Parent Company	<b>₱4,830,140,965</b>	₱4,341,794,218	₱3,560,636,968
Non-controlling interest in consolidated subsidiaries	<b>365,587,338</b>	235,372,068	372,647,045
	<b>₱5,195,728,303</b>	₱4,577,166,286	₱3,933,284,013
Total comprehensive income attributable to:			
Equity holders of the Parent Company	<b>₱4,930,705,239</b>	₱4,617,264,617	₱3,509,284,825
Non-controlling interest in consolidated subsidiaries	<b>355,783,659</b>	242,152,015	359,252,243
	<b>₱5,286,488,898</b>	₱4,859,416,632	₱3,868,537,068
<b>Basic/Diluted Earnings Per Share (Note 27)</b>	<b>₱3.49</b>	₱3.13	₱2.60

*See accompanying Notes to Consolidated Financial Statements.*



# ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Total Equity Attributable to Equity Holders of the Parent Company									
For the Year Ended December 31, 2016									
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Other Comprehensive Income (Loss) (Notes 12,14 and 24)	Equity Reserve (Note 19)	Retained Earnings		Treasury Stock (Note 19)	Total	Non-controlling Interest in Consolidated Subsidiaries
					Appropriated (Note 19)	Unappropriated (Note 19)			Total
For the Year Ended December 31, 2016									
Balance at beginning of year	P1,385,000,000	P27,227,385,090	P251,829,138	(P1,027,402,846)	P12,997,451,453	P2,689,501,691	P-	P43,523,764,526	P1,981,511,324
Acquisition of subsidiaries (Notes 2, 19 and 20)	-	-	-	5,508,177	-	-	-	5,508,177	951,665,437
Dividends (Note 19)	-	-	-	-	-	(872,550,000)	-	(872,550,000)	(310,843,333)
Appropriation	-	-	-	-	3,709,000,000	(3,709,000,000)	-	-	-
Reversal of appropriation	-	-	-	-	(1,443,598,606)	1,443,598,606	-	-	-
Net income	-	-	-	-	-	4,830,140,965	-	4,830,140,965	365,587,338
Other comprehensive income	-	-	100,564,274	-	-	-	-	100,564,274	(9,803,679)
Total comprehensive income	-	-	100,564,274	-	-	4,830,140,965	-	4,930,705,239	355,783,659
Balance at end of year	P1,385,000,000	P27,227,385,090	P352,393,412	(P1,021,894,669)	P15,262,852,847	P4,381,691,262	P-	P47,587,427,942	P2,978,117,087
For the Year Ended December 31, 2015									
Balance at beginning of year	P1,385,000,000	P27,227,385,090	(P23,641,261)	(P991,931,906)	P10,311,451,453	P1,740,057,473	P-	P39,648,320,849	P1,588,776,294
Acquisition of a subsidiary (Notes 2, 19 and 20)	-	-	-	-	-	-	-	-	30,544,015
Additional investment in a subsidiary (Notes 2 and 19)	-	-	-	-	-	-	-	-	183,000,000
Investment from non-controlling interest (Notes 2 and 19)	-	-	-	(35,470,940)	-	-	-	(35,470,940)	-
Dividends (Note 19)	-	-	-	-	-	(706,350,000)	-	(706,350,000)	(62,961,000)
Appropriation	-	-	-	-	2,813,000,000	(2,813,000,000)	-	-	-
Reversal of appropriation	-	-	-	-	(127,000,000)	127,000,000	-	-	-
Net income	-	-	-	-	-	4,341,794,218	-	4,341,794,218	235,372,068
Other comprehensive income	-	-	275,470,399	-	-	-	-	275,470,399	6,779,947
Total comprehensive income	-	-	275,470,399	-	-	4,341,794,218	-	4,617,264,617	242,152,015
Balance at end of year	P1,385,000,000	P27,227,385,090	P251,829,138	(P1,027,402,846)	P12,997,451,453	P2,689,501,691	P-	P43,523,764,526	P1,981,511,324
For the Year Ended December 31, 2014									
Balance at beginning of year	P1,385,000,000	P27,026,913,866	P27,710,882	P116,459,430	P4,340,251,453	P4,710,692,005	(P1,100,373,100)	P36,506,654,536	P1,475,814,190
Acquisition of a subsidiary (Notes 2, 19 and 20)	-	-	-	-	-	-	-	-	27,259,320
Sale of treasury shares (Note 19)	-	200,471,224	-	-	-	-	1,100,373,100	1,300,844,324	-
Additional investment in a subsidiary (Notes 2 and 19)	-	-	-	-	-	-	-	-	90,600,000
Investment from non-controlling interest (Notes 2 and 19)	-	-	-	(1,108,391,336)	-	-	-	(1,108,391,336)	(336,916,914)
Dividends (Note 19)	-	-	-	-	-	(560,071,500)	-	(560,071,500)	(27,232,545)
Appropriation	-	-	-	-	5,986,200,000	(5,986,200,000)	-	-	-
Reversal of appropriation	-	-	-	-	(15,000,000)	15,000,000	-	-	-
Net income	-	-	-	-	-	3,560,636,968	-	3,560,636,968	372,647,045
Other comprehensive loss	-	-	(51,352,143)	-	-	-	-	(51,352,143)	(13,394,802)
Total comprehensive income	-	-	(51,352,143)	-	-	3,560,636,968	-	3,509,284,825	359,252,243
Balance at end of year	P1,385,000,000	P27,227,385,090	(P23,641,261)	(P991,931,906)	P10,311,451,453	P1,740,057,473	P-	P39,648,320,849	P1,588,776,294

See accompanying Notes to Consolidated Financial Statements



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱6,667,001,900</b>	₱5,848,232,230	₱5,219,055,263
Adjustments for:			
Depreciation and amortization (Notes 6, 13, 15, 16 and 22)	<b>2,038,230,133</b>	1,647,365,077	1,280,140,229
Movement in pension liability (Notes 23 and 24)	<b>107,695,997</b>	(54,869,257)	67,818,953
Interest expense (Notes 6 and 18)	<b>86,533,530</b>	14,718,429	12,057,390
Equity in net earnings of an associate (Note 14)	<b>(102,659,711)</b>	(40,292,934)	(56,549,947)
Dividend income (Notes 6 and 12)	<b>(111,500,000)</b>	(111,500,591)	(27,875,000)
Unrealized foreign currency exchange gain - net (Note 6)	<b>(219,216,013)</b>	(183,603,976)	(25,063,690)
Interest income (Notes 6, 7, 8 and 12)	<b>(827,274,627)</b>	(798,712,436)	(634,184,861)
Operating income before working capital changes	<b>7,638,811,209</b>	6,321,336,542	5,835,398,337
Decrease (increase) in:			
Trade and other receivables	<b>358,961,221</b>	(64,361,935)	(278,401,287)
Merchandise inventories	<b>(2,133,924,422)</b>	(1,582,276,365)	(1,964,601,148)
Other current assets	<b>(475,308,637)</b>	(278,822,234)	(358,975,045)
Increase (decrease) in:			
Trade and other payables	<b>1,138,625,087</b>	614,674,862	2,037,714,421
Other current liabilities	<b>72,343,599</b>	(478,867)	(5,589,921)
Net cash flows generated from operations	<b>6,599,508,057</b>	5,010,072,003	5,265,545,357
Interest received	<b>962,121,605</b>	706,942,413	502,867,570
Income tax paid	<b>(1,392,925,199)</b>	(1,267,771,819)	(1,384,616,702)
Net cash flows provided by operating activities	<b>6,168,704,463</b>	4,449,242,597	4,383,796,225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Investment in an associate (Note 14)	—	(3,155,222,080)	—
Available-for-sale (AFS) financial assets (Note 12)	<b>(530,826,255)</b>	(1,359,337,228)	(17,704,262,593)
Property and equipment (Note 13)	<b>(3,243,894,010)</b>	(3,099,102,132)	(3,713,158,755)
Franchise (Note 15)	<b>(1,790,188)</b>	(9,877,677)	(13,805,165)
Proceeds from transfers/disposals of:			
Property and equipment (Note 13)	—	—	17,506,064
Proceeds from (acquisition of) short-term investments (Note 8)	<b>7,059,000</b>	1,845,667,333	(1,535,631,934)
Dividends received (Note 12)	<b>111,500,000</b>	83,625,591	—

(Forward)



	Years Ended December 31		
	2016	2015	2014
Acquisition through business combination-net of cash received (Note 20)	(P2,179,553,090)	(P988,350,000)	(P462,093,163)
Purchase of non-controlling interest	—	(35,470,940)	(1,300,844,324)
Increase in other noncurrent assets	(86,935,071)	(116,469,758)	(253,302,449)
Net cash flows used in investing activities	(5,924,439,614)	(6,834,536,891)	(24,965,592,319)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Additional investments from non-controlling interest (Notes 2 and 19)	—	183,000,000	90,600,000
Proceeds from loan availments (Note 18)	4,398,000,000	2,939,000,000	—
Dividends paid (Note 19)	(935,511,000)	(728,516,025)	(561,271,381)
Payment of loans (Note 18)	(667,173,825)	(205,814,439)	(395,728,711)
Interest paid (Note 18)	(86,533,530)	(15,698,621)	(12,057,390)
Proceeds from sale of treasury shares, net of transaction cost (Note 19)	—	—	1,300,844,324
Net cash flows provided by financing activities	2,708,781,645	2,171,970,915	422,386,842
<b>EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>			
	7,601,917	852,031	430,402
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	2,960,648,411	(212,471,348)	(20,158,978,850)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	9,757,351,816	9,969,823,164	30,128,802,014
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>			
	P12,718,000,227	P9,757,351,816	P9,969,823,164

See accompanying Notes to Consolidated Financial Statements.



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

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

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

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

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

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

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the 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 (PFRS).

#### Basis of Consolidation

The consolidated financial statements as of December 31, 2016, 2015 and 2014 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.



Investee Companies	Effective Percentages of Ownership					
	2016		2015		2014	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Robinson's, Incorporated. (RI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Ventures Corporation (RVC)	—	65.00%	—	65.00%	—	65.00%
Robinsons Toys, Inc. (RTI)	—	100.00%	—	100.00%	—	100.00%
Robinsons Convenience Stores, Inc. (RCSI)	—	51.00%	—	51.00%	—	51.00%
South Star Drug, Inc. (SSDI)	—	45.00%	—	45.00%	—	45.00%
TGP Pharma, Inc. (TGPPi)	—	45.90%	—	—	—	—
TGP Franchising Corp. (TFC)	—	45.90%	—	—	—	—
TheGenerics Pharmacy Inc. (TPI)	—	45.90%	—	—	—	—
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	—	100.00%	—	100.00%	—	100.00%
Savers Electronic World, Inc. (SEWI)	—	90.00%	—	90.00%	—	—
Chic Centre Corporation	—	100.00%	—	—	—	—
Robinson's Supermarket Corporation (RSC)	100.00%	—	100.00%	—	100.00%	—
Eurogrocer Corp. (EC)	—	—	—	100.00%	—	100.00%
JAS 8 Retailing Mngt. Corporation (JPMC)	—	—	—	100.00%	—	100.00%
Angeles Supercenter, Inc. (ASI)	—	67.00%	—	67.00%	—	67.00%
Robinsons Appliances Corp. (RAC)	—	67.00%	—	67.00%	—	67.00%
South Star Drugs, Inc. (SSDI)	—	45.00%	—	45.00%	—	45.00%
Robinsons Handyman, Inc. (RHMI)	—	80.00%	—	80.00%	—	80.00%
Handyman Express Mart, Inc. (HEMI)	—	52.00%	—	52.00%	—	52.00%
Walmart-Handyman, Inc. (WHI)	—	52.00%	—	52.00%	—	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	—	53.33%	—	53.33%	—	53.33%
RHI Builders and Contractors Depot Corp (RHIB)	—	53.60%	—	53.60%	—	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	—	40.20%	—	—	—	—
Everyday Convenience Stores, Inc. (ECSI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Specialty Stores, Inc. (RSSI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	—	90.00%	—	90.00%	—
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	—	59.40%	—	59.40%	—
RHMI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRG Trademarks and Private Labels, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Trademarks Management, Inc.	100.00%	—	100.00%	—	100.00%	—
New Day Ventures Limited (NDV)	100.00%	—	—	—	—	—

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

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

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

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

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



consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

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

#### *Additional Investments and Acquisitions*

On October 3, 2016, RI acquired 100% ownership of Chic Centre Corporation, a company engaged in the business of manufacturing and distributing cosmetics products (Note 20). Chic Center Corporation is under common control. Accordingly, the Group accounted the business combination of Chic Center Corporation using the prospective pooling of interest method.

On August 1, 2016, RHIB acquired 75.00% ownership of HPTDI, a company engaged in the business of hardware retailing (Note 20). 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 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱942.17 million.

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

On January 4, 2016, the Parent Company acquired 100% ownership of NDV for the purpose of carrying on the business of investment holding (Note 20).



On September 18, 2015, RRHI made additional investments to RSSI amounting to ₱390.97 million.

On September 18, 2015, additional capital amounting to ₱315.00 million to SEWI was made by RI. Corresponding additional investment coming from NCI of SEWI amounted to ₱35.00 million (Note 19).

On September 1, 2015, RI acquired 90.00% ownership of SEWI, a company engaged in the business of consumer electronics and home appliances (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱30.54 million.

On June 8, 2015, capital call amounting to ₱202.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱98.00 million (Note 19).

On March 6, 2015, the Subscription Contract between RRHI and RSC was executed. RRHI subscribed 108,370,796 shares of common stock of RSC with a par value of ₱1.00 per share for a total consideration of ₱2.86 billion or at ₱26.4051 per share.

On February 23, 2015, capital call amounting to ₱100.00 million to RHIB was made by RHMI. Corresponding additional investment coming from NCI of RHIB amounted to ₱50.00 million (Note 19).

On December 17, 2014 and July 3, 2014, capital call amounting to ₱295.00 million and ₱59.40 million, respectively to RSSI and RHDDS was made by RRHI. Corresponding additional investments coming from NCI of RHDDS amounted to ₱40.60 million (Note 19).

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

In 2014, RHMI acquired 67.00% ownership of RHIB, a company engaged in the business of hardware retailing (Note 20). The NCI is measured based on the proportionate share in fair values of the net assets acquired amounting to ₱27.26 million. Also in 2014, RHMI and NCI made additional investments amounting to ₱100.00 million and ₱50.00 million, respectively.

On June 2, 2014, SSDI acquired 100% ownership of GNC Pharma Corporation, a company engaged in the business of pharmaceutical retailing (Note 20).

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

### *Mergers*

#### Merger of EC and JRMC to RSC

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





#### Merger of GPC to SSDI

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

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

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### 3. **Changes in Accounting Policies**

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

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

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

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

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

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



- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

These amendments do not have any impact to the Group.

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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

- PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The



amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements* (Amendments)

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

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

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

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

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

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment has no significant impact on the Group's financial position or performance.

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

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no significant impact on the Group's financial position or performance.

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

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent



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

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

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has no significant impact of the Group's financial position or performance.

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

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment has no significant impact on the Group's financial position or performance.

#### Standards issued but not yet effective

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

#### *Effective January 1, 2017*

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

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

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

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

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



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

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

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

*Effective January 1, 2018*

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

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

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

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

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

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

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



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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

- PFRS 9, *Financial Instruments*

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

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

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

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



should be applied retrospectively, with earlier application permitted. The amendments will have no significant impact on the Group's financial position or performance.

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

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

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

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

*Effective January 1, 2019*

- PFRS 16, *Leases*

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

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

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15, *Revenue from Contracts with Customers*. When adopting PFRS 16, an entity is permitted to use either a full



retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

#### *Deferred Effectivity*

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

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

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

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

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#### **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 short-term cash investments and AFS financial assets is recognized as the interest accrues using the effective interest method.

#### *Dividend Income*

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

#### Cost of Merchandise Sold

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

#### Operating Expenses

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

#### Financial Instruments

##### *Date of Recognition*

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

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

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

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

##### *Determination of Fair Value*

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

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

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

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



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

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

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

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

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

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

As of December 31, 2016 and 2015, the financial instruments of the Group are classified as cash and cash equivalents, short-term investment, loans and receivables, AFS financial assets and other financial liabilities.

#### *'Day 1' Difference*

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

#### *AFS Financial Assets*

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

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



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

This accounting policy relates primarily to the Group's AFS investments in equity and debt securities (Note 12).

#### *Loans and Receivables*

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

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

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

#### *Financial Liabilities*

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

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

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

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

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

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or



- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

#### Offsetting of Financial Instruments

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

#### Impairment of Financial Assets

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

#### *AFS Financial Assets*

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

In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income, is removed from the consolidated statements of changes in equity and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

#### *Loans and Receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective



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

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

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

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial Asset*

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

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of guarantee over the transferred asset is



measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liability*

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

#### Embedded Derivative

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

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

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or liabilities at FVPL. Changes in fair values are included in the profit and loss.

As of December 31, 2016 and 2015, the Group's interest rate swap is assessed as clearly and closely related and no bifurcation is required to recognize either gain or loss on embedded derivative.

#### Cash and Cash Equivalents

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

#### Short-term Investments

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

#### Merchandise Inventories

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

NRV is the estimated selling price in the ordinary course of business, less estimated costs



necessary to make the sale. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statements of comprehensive income.

#### Investment in an Associate

Investment in an associate is accounted for under the equity method of accounting.

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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

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

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

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

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

#### Business Combination and Goodwill

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows:

- (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized



or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

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

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

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

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

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

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

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

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the





portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

#### Combination of Entities under Common Control

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

#### Property and Equipment

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

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

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

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

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

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



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

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

#### Intangible Assets

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

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

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

#### *Licenses*

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

#### *Trademarks*

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

#### *Franchise*

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

#### Impairment of Nonfinancial Assets

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

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required,



the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell, and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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

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

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

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

#### *Investment in an Associate*

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

#### *Impairment Testing of Goodwill and Trademarks*

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

The Group performed its annual impairment test for the years ended December 31, 2016 and 2015. The cash generating units (CGU) are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.



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

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

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

#### Pension Cost

##### *Defined Benefit Plan*

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

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

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly



to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

#### 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. Input VAT is recorded under other current assets in the consolidated statement of financial position.

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

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

#### Creditable Withholding Taxes (CWT)

Creditable withholding taxes are attributable to taxes withheld by third parties arising from the sale of goods, rental fees and other services and will be applied against future taxes payable.

#### Income Tax

##### *Current Tax*

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

##### *Deferred Tax*

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the



period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

#### Capital Stock

Capital stock is measured at par value for all shares issued. When the Group issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC) (Note 19). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC. If APIC is not sufficient, the excess is charged against retained earnings.

#### Retained Earnings

Retained earnings represent accumulated earnings of the Group less dividends declared and any adjustment arising from application of new accounting standards, policies or correction of errors applied retroactively. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by subsidiaries (Note 19).

#### Treasury Shares

Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. Any gain or loss on the purchase, sale, issue or cancellation or re-issuance is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC to the extent of the specific or average APIC when the shares were issued and to retained earnings for the remaining balance. The retained earnings account is restricted to payment of dividends to the extent of the cost of treasury shares (Note 19).

#### Leases

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

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

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

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



*Group as Lessee*

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

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

*Group as Lessor*

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

Foreign Currency Transactions

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

Earnings Per Share (EPS)

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

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

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

The Parent Company does not have any potential dilutive ordinary shares for the years ended December 31, 2016, 2015 and 2014 (Note 27).

Provisions

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



#### Contingencies

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

#### Segment Reporting

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

#### Events After the Reporting Date

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

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

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

#### Judgments

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

##### *Operating Lease Commitments - Group as Lessee*

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

##### *Revenue Recognition*

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

#### Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel





handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

The Group has contingent assets arising from an ongoing damage claims pending final assessment. The outcome of certain cases is not presently determinable in the opinion of the management, eventual asset, if any, will not have material or adverse effect on the Group's financial position and results of operations (Note 31).

#### *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 15). These assets have indefinite useful lives. Below are the business segments from which goodwill and trademarks arise:

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

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



### *Value in Use*

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

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

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

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

### *Gross Margins*

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

### *Discount Rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in pre-tax discount rate of 11.00% to 16.89% and 11.00% to 14.61%, in 2016 and 2015, respectively, would result in impairment.

### *Price Inflation*

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

### *Growth Rate Estimates*

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



#### EV/EBITDA Multiple

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

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

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

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

#### *Allowance for Impairment Losses on Trade and Other Receivables*

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

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

As of December 31, 2016 and 2015, the carrying value of the Group's trade and other receivables amounted to ₱1.99 billion and ₱1.77 billion, respectively (Note 9).

#### *Impairment of AFS Financial Assets*

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

The carrying value of AFS financial assets amounted to ₱20.43 billion and ₱19.51 billion as of December 31, 2016 and 2015, respectively (Note 12).

#### *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 2016 and 2015.

Merchandise inventories amounted to ₱13.34 billion and ₱10.58 billion as of December 31, 2016 and 2015, respectively (Note 10).

#### *Evaluation of Impairment of Nonfinancial Assets*

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

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

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

Based on management assessment as of December 31, 2016 and 2015, there are no additional impairment provision required for property and equipment other than those already recorded in the books while there are none for investment in an associate and intangible assets with definite useful lives.

As of December 31, 2016 and 2015, the carrying value of the Group's property and equipment amounted to ₱12.56 billion and ₱11.15 billion (Note 13), investment in an associate amounted to ₱5.08 billion (Note 14), licenses amounted to ₱72.73 million and ₱84.85 million, and franchise amounted to ₱21.83 million and ₱22.51 million, respectively (Note 15).

#### *Pension and Other Retirement Benefits*

The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24, and include, among others, discount rate and salary rates increase.

As of December 31, 2016 and 2015, the carrying value of the net pension liabilities amounted to ₱609.53 million and ₱473.35 million, respectively (Note 24).

#### *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 December 31, 2016, and 2015, the Group has deferred tax assets amounting ₱290.04 million and ₱180.13 million, respectively (Note 26).

*Revenue Recognition - Points for Loyalty Programme*

The Group estimates the fair value of points awarded under the Robinsons Rewards Card programme by determining the equivalent peso earned for a particular level of points. These points expire after a specified period and the Group has adjusted its liability for the estimated portion that will not be redeemed, such estimates are subject to significant uncertainty. As at December 31, 2016 and 2015, the estimated liability for unredeemed points was approximately ₱123.8 million and ₱81.96 million, respectively.

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## 6. Operating Segments

### Business Segment

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*  
Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices. RSC actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to consumers.
- *Department Store Division*  
Robinsons Department Store offers a large selection of local and international brands that are grouped into categories such as shoes, bags and accessories (including beauty and personal care), ladies' and men's wear, children's wear, household items and others. RDS is focused on catering to middle-income customers.



- *DIY Division*

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

- *Convenience Store Division*

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

- *Drug Store Division*

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

- *Specialty Store Division*

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



**2016**

	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	₱48,465,116,481	₱15,827,461,781	₱11,128,587,163	₱5,665,537,500	₱11,934,225,572	₱12,272,395,535	₱—	₱—	₱105,293,324,032
Intersegment net sales	—	—	—	—	—	1,143,728,881	—	(1,143,728,881)	—
Total net sales	48,465,116,481	15,827,461,781	11,128,587,163	5,665,537,500	11,934,225,572	13,416,124,416	—	(1,143,728,881)	105,293,324,032
Segment cost of merchandise sold	39,170,260,834	10,569,752,771	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	—	—	82,267,043,806
Intersegment cost of merchandise sold	—	1,143,728,881	—	—	—	—	—	(1,143,728,881)	—
Total cost of merchandise sold	39,170,260,834	11,713,481,652	7,625,043,317	5,095,641,448	9,866,337,140	9,940,008,296	—	(1,143,728,881)	82,267,043,806
Gross profit	9,294,855,647	4,113,980,129	3,503,543,846	569,896,052	2,067,888,432	3,476,116,120	—	—	23,026,280,226
Segment other income	106,656,358	98,757,999	—	1,720,834,220	174,335,416	17,894,601	—	—	2,118,478,594
Intersegment other income	128,124,168	29,683,939	—	—	—	—	—	(157,808,107)	—
Total other income	234,780,526	128,441,938	—	1,720,834,220	174,335,416	17,894,601	—	(157,808,107)	2,118,478,594
Gross profit including other income	9,529,636,173	4,242,422,067	3,503,543,846	2,290,730,272	2,242,223,848	3,494,010,721	—	(157,808,107)	25,144,758,820
Segment operating expenses	6,054,208,278	3,050,249,733	2,405,685,246	1,971,334,998	1,502,734,344	2,620,352,265	9,078,744	—	17,613,643,608
Intersegment operating expenses	22,820,930	48,943,207	31,315,216	—	28,760,952	25,967,802	—	(157,808,107)	—
Total operating expenses	6,077,029,208	3,099,192,940	2,437,000,462	1,971,334,998	1,531,495,296	2,646,320,067	9,078,744	(157,808,107)	17,613,643,608
Earnings before interest, taxes and depreciation and amortization	3,452,606,965	1,143,229,127	1,066,543,384	319,395,274	710,728,552	847,690,654	(9,078,744)	—	7,531,115,212
Depreciation and amortization	745,747,598	299,129,254	224,579,663	374,183,611	82,617,606	311,972,401	—	—	2,038,230,133
Earnings before interest and taxes	2,706,859,367	844,099,873	841,963,721	(54,788,337)	628,110,946	535,718,253	(9,078,744)	—	5,492,885,079
Interest expense	(10,985,079)	(30,285,417)	—	(19,897,917)	(28,399,575)	(35,002,583)	—	38,037,041	(86,533,530)
Interest income	12,386,680	11,032,919	19,731,969	565,635	1,522,313	14,118,790	805,953,362	(38,037,041)	827,274,627
Dividend income	—	—	—	—	—	—	111,500,000	—	111,500,000
Foreign exchange gain - net	—	—	—	—	—	—	219,216,013	—	219,216,013
Equity in net earnings of an associate	—	—	—	—	—	—	102,659,711	—	102,659,711
Income before income tax	₱2,708,260,968	₱824,847,375	₱861,695,690	(₱74,120,619)	₱601,233,684	₱514,834,460	₱1,230,250,342	₱—	₱6667,001,900
Assets and liabilities									
Segment assets	₱15,803,668,694	₱5,557,509,989	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱28,984,865,255	₱3,124,618,587	₱76,695,051,629
Investment in subsidiaries - at cost	2,790,607,224	3,267,600,374	—	—	—	—	5,286,030,763	(11,344,238,361)	—
Total segment assets	₱18,594,275,918	₱8,825,110,363	₱5,565,837,555	₱2,425,702,607	₱7,919,258,103	₱7,313,590,839	₱34,270,896,018	(₱8,219,619,774)	₱76,695,051,629
Total segment liabilities	₱ 7,911,480,443	₱4,834,741,519	₱2,586,621,793	₱1,720,762,806	₱4,997,176,622	₱4,906,292,693	₱135,892,348	(₱963,461,624)	₱26,129,506,600
Other segment information:									
Capital expenditures	₱1,462,874,334	₱582,218,387	₱346,015,870	₱223,721,798	₱274,982,883	₱546,606,832	₱—	₱—	₱3,436,420,104



**2015**

	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	₱43,238,713,800	₱14,906,017,159	₱9,871,828,234	₱5,493,047,709	₱8,069,514,406	₱9,303,506,398	₱—	₱—	₱90,882,627,706
Intersegment net sales	—	—	—	—	—	1,055,054,341	—	(1,055,054,341)	—
Total net sales	43,238,713,800	14,906,017,159	9,871,828,234	5,493,047,709	8,069,514,406	10,358,560,739	—	(1,055,054,341)	90,882,627,706
Segment cost of merchandise sold	35,035,520,292	9,924,617,998	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	—	—	71,133,585,364
Intersegment cost of merchandise sold	—	1,055,054,341	—	—	—	—	—	(1,055,054,341)	—
Total cost of merchandise sold	35,035,520,292	10,979,672,339	6,805,032,645	4,966,339,987	6,804,453,344	7,597,621,098	—	(1,055,054,341)	71,133,585,364
Gross profit	8,203,193,508	3,926,344,820	3,066,795,589	526,707,722	1,265,061,062	2,760,939,641	—	—	19,749,042,342
Segment other income	95,236,386	70,737,049	—	1,543,542,368	137,465,802	15,691,344	—	—	1,862,672,949
Intersegment other income	123,270,064	22,495,629	—	—	—	—	—	(145,765,693)	—
Total other income	218,506,450	93,232,678	—	1,543,542,368	137,465,802	15,691,344	—	(145,765,693)	1,862,672,949
Gross profit including other income	8,421,699,958	4,019,577,498	3,066,795,589	2,070,250,090	1,402,526,864	2,776,630,985	—	(145,765,693)	21,611,715,291
Segment operating expenses	5,396,919,234	2,812,033,191	2,091,104,618	1,799,517,640	1,004,500,602	2,122,094,802	9,339,405	—	15,235,509,492
Intersegment operating expenses	15,733,953	54,753,690	30,252,481	—	25,050,746	19,974,823	—	(145,765,693)	—
Total operating expenses	5,412,653,187	2,866,786,881	2,121,357,099	1,799,517,640	1,029,551,348	2,142,069,625	9,339,405	(145,765,693)	15,235,509,492
Earnings before interest, taxes and depreciation and amortization	3,009,046,771	1,152,790,617	945,438,490	270,732,450	372,975,516	634,561,360	(9,339,405)	—	6,376,205,799
Depreciation and amortization	628,825,976	233,690,307	197,712,915	264,625,181	61,492,482	261,018,216	—	—	1,647,365,077
Earnings before interest and taxes	2,380,220,795	919,100,310	747,725,575	6,107,269	311,483,034	373,543,144	(9,339,405)	—	4,728,840,722
Interest expense	(4,351,646)	(9,393,750)	(2,944,139)	(21,448,063)	(4,510,075)	(31,831,485)	—	59,760,729	(14,718,429)
Interest income	7,506,766	10,088,526	14,822,184	388,143	1,429,460	10,044,124	814,193,962	(59,760,729)	798,712,436
Dividend income	—	—	—	—	—	—	111,500,591	—	111,500,591
Foreign exchange gain - net	—	—	—	—	—	—	183,603,976	—	183,603,976
Equity in net earnings of an associate	—	—	—	—	—	—	40,292,934	—	40,292,934
Income before income tax	₱2,383,375,915	₱919,795,086	₱759,603,620	(₱14,952,651)	₱308,402,419	₱351,755,783	₱1,140,252,058	₱—	₱5,848,232,230
Assets and liabilities									
Segment assets	₱12,785,801,296	₱4,417,187,627	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱28,197,962,656	₱3,399,444,445	₱65,159,625,473
Investment in subsidiaries - at cost	2,790,607,224	3,139,770,374	—	—	—	—	5,283,780,763	(11,214,158,361)	—
Total segment assets	₱15,576,408,520	₱7,556,958,001	₱4,744,132,190	₱2,446,038,333	₱3,316,212,493	₱5,852,846,433	₱33,481,743,419	(₱7,814,713,916)	₱65,159,625,473
Total segment liabilities	₱6,240,313,159	₱4,020,326,369	₱2,001,318,203	₱1,672,560,681	₱1,738,143,197	₱3,767,679,622	₱62,801,062	₱151,207,330	₱19,654,349,623
Other segment information:									
Capital expenditures	₱1,327,432,037	₱398,969,051	₱301,090,124	₱427,582,091	₱128,974,866	₱559,912,678	₱—	₱—	₱3,143,960,847





2014

	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	₱39,198,503,300	₱13,738,401,021	₱8,521,191,398	₱4,615,481,381	₱7,060,667,849	₱7,266,717,353	₱—	₱—	₱80,400,962,302
Intersegment net sales	—	—	—	—	—	622,344,641	—	(622,344,641)	—
Total net sales	39,198,503,300	13,738,401,021	8,521,191,398	4,615,481,381	7,060,667,849	7,889,061,994	—	(622,344,641)	80,400,962,302
Segment cost of merchandise sold	31,829,500,305	9,509,234,689	5,878,262,588	4,182,100,283	5,931,854,413	5,640,910,244	—	—	62,971,862,522
Intersegment cost of merchandise sold	6,580,467	622,344,641	1,888,478	—	—	1,121,323	—	(631,934,909)	—
Total cost of merchandise sold	31,836,080,772	10,131,579,330	5,880,151,066	4,182,100,283	5,931,854,413	5,642,031,567	—	(631,934,909)	62,971,862,522
Gross profit	7,362,422,528	3,606,821,691	2,641,040,332	433,381,098	1,128,813,436	2,247,030,427	—	9,590,268	17,429,099,780
Segment other income	89,081,203	56,674,760	—	1,170,395,135	100,483,482	16,568,543	—	—	1,433,203,123
Intersegment other income	114,510,761	9,590,268	—	—	—	—	—	(124,101,029)	—
Total other income	203,591,964	66,265,028	—	1,170,395,135	100,483,482	16,568,543	—	(124,101,029)	1,433,203,123
Gross profit including other income	7,566,014,492	3,673,086,719	2,641,040,332	1,603,776,233	1,229,296,918	2,263,598,970	—	(114,510,761)	18,862,302,903
Segment operating expenses	4,899,590,616	2,557,749,781	1,710,665,288	1,314,952,139	887,995,514	1,717,650,328	6,119,853	—	13,094,723,519
Intersegment operating expenses	2,190,004	59,651,260	19,856,668	—	20,303,635	12,509,194	—	(114,510,761)	—
Total operating expenses	4,901,780,620	2,617,401,041	1,730,521,956	1,314,952,139	908,299,149	1,730,159,522	6,119,853	(114,510,761)	13,094,723,519
Earnings before interest, taxes and depreciation and amortization	2,664,233,872	1,055,685,678	910,518,376	288,824,094	320,997,769	533,439,448	(6,119,853)	—	5,767,579,384
Depreciation and amortization	535,683,759	174,667,903	129,257,270	203,400,315	46,331,598	190,799,384	—	—	1,280,140,229
Earnings before interest and taxes	2,128,550,113	881,017,775	781,261,106	85,423,779	274,666,171	342,640,064	(6,119,853)	—	4,487,439,155
Interest expense	—	—	(1,591,150)	(7,111,597)	(4,406,929)	(19,784,223)	—	20,836,509	(12,057,390)
Interest income	6,703,881	4,963,063	11,464,086	742,508	1,731,360	4,200,051	625,216,421	(20,836,509)	634,184,861
Dividend income	—	—	—	—	—	—	27,875,000	—	27,875,000
Foreign exchange gain - net	—	—	—	—	—	—	25,063,690	—	25,063,690
Equity in net earnings of an associate	—	—	—	—	—	—	56,549,947	—	56,549,947
Income before income tax	₱2,135,253,994	₱885,980,838	₱791,134,042	₱79,054,690	₱271,990,602	₱327,055,892	₱728,585,205	₱—	₱5,219,055,263
Assets and liabilities									
Segment assets	₱10,924,736,561	₱3,717,280,449	₱4,087,924,263	₱2,285,354,461	₱2,835,218,028	₱4,192,432,860	₱30,993,276,665	(₱1,540,253,336)	₱57,495,969,951
Investment in subsidiaries - at cost	2,771,636,283	1,834,770,374	—	—	—	—	2,031,274,134	(6,637,680,791)	—
Total segment assets	₱13,696,372,844	₱5,552,050,823	₱4,087,924,263	₱2,285,354,461	₱2,835,218,028	₱4,192,432,860	₱33,024,550,799	(₱8,177,934,127)	₱57,495,969,951
Total segment liabilities	₱6,301,266,770	₱2,802,810,941	₱1,946,091,733	₱1,512,863,649	₱1,456,282,356	₱2,678,479,603	₱83,064,840	(₱521,987,084)	₱16,258,872,808
Other segment information:									
Capital expenditures	₱1,616,215,223	₱513,996,144	₱436,570,364	₱582,710,117	₱135,609,024	₱590,429,057	₱—	₱—	₱3,875,529,929



The revenue of the Group consists mainly of sales to external customers. Inter-segment revenue arising from purchase arrangements amounting ₱1.14 billion, ₱1.06 billion and ₱0.62 billion in 2016, 2015 and 2014, respectively, were eliminated on consolidation.

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

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

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

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## 7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and short-term investments amounting to ₱12.72 billion and ₱9.76 billion as of December 31, 2016, and 2015, 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 0.88% to 2.5%, 0.24% to 2.75% and 0.20% to 3.20% in 2016, 2015 and 2014, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱73.04 million, ₱66.87 million and ₱177.89 million in 2016, 2015 and 2014, respectively.

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## 8. Short-Term Investments

This account consists of dollar-denominated money market investments amounting to nil and ₱7.06 million as of December 31, 2016, and 2015, respectively.

Short-term investments are made for varying periods of up to one (1) year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates based on annual interest rates ranging from 0.40% and 2.04% to 2.31% in 2016 and 2015, respectively.

Interest income arising from short-term investments amounted to nil, ₱2.90 million and ₱31.65 million in 2016, 2015 and 2014, respectively.

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## 9. Trade and Other Receivables

This account consists of:

	2016	2015
Trade (Notes 25 and 28)	<b>₱1,377,955,042</b>	₱905,655,683
Nontrade (Notes 10, 25 and 28)	<b>432,096,725</b>	601,820,649
Due from franchisees (Notes 28 and 30)	<b>257,548,511</b>	296,289,011
	<b>2,067,600,278</b>	1,803,765,343
Less: allowance for impairment losses (Notes 22 and 30)	<b>79,710,378</b>	30,042,101
	<b>₱1,987,889,900</b>	₱1,773,723,242



Movement in the allowance for impairment losses is as follows:

	2016	2015
Balance at beginning of year	<b>₱30,042,101</b>	₱30,042,101
Additional provision for impairment losses	<b>49,668,277</b>	—
Balance at end of year	<b>₱79,710,378</b>	₱30,042,101

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

Nontrade receivables include receivable from insurance companies amounting to ₱106.22 million and ₱112.25 million as of December 31, 2016, and 2015, respectively. Receivable from insurance companies represents amounts recoverable within one year from the reporting period for insured properties that were damaged due to fire and typhoon (Notes 10 and 13). The remaining balance consists of operational advances and interest receivable arising from short-term investments.

As of December 31, 2016, and 2015, allowance for impairment losses on trade receivables and due from franchisees amounted to ₱79.71 million and ₱30.04 million, respectively (Note 30).

#### 10. Merchandise Inventories

The rollforward analysis of this account follows:

	2016	2015
Balance at beginning of year	<b>₱10,575,687,802</b>	₱8,993,411,437
Add: purchases - net of purchase discounts and allowances	<b>85,033,040,989</b>	72,715,861,729
Cost of goods available for sale	<b>95,608,728,791</b>	81,709,273,166
Cost of merchandise sold	<b>82,267,043,806</b>	71,133,585,364
Balance at end of year	<b>₱13,341,684,985</b>	₱10,575,687,802

In 2015, the Group had disposed inventories amounting to ₱69.9 million which were damaged during a fire. These amounts are recoverable from the insurance companies (Note 9).

There are no merchandise inventories pledged as security for liabilities as of December 31, 2016 and 2015.

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱82.27 billion, ₱71.13 billion and ₱62.97 billion in 2016, 2015 and 2014, respectively.

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



## 11. Other Current Assets

This account consists of:

	2016	2015
Input VAT – net	<b>₱1,797,941,781</b>	₱1,387,283,936
Creditable withholding taxes (CWT)	<b>240,105,308</b>	174,606,863
Prepayments	<b>136,491,387</b>	110,645,602
Others	<b>10,173,631</b>	15,865,914
	<b>₱2,184,712,107</b>	₱1,688,402,315

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

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

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

Others consist mainly of deferred input VAT on capital goods.

## 12. Available-for-Sale (AFS) Financial Assets

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

	2016	2015
Debt securities	<b>₱18,310,029,363</b>	₱17,429,313,846
Equity securities	<b>2,120,000,000</b>	2,082,000,000
	<b>₱20,430,029,363</b>	₱19,511,313,846

### Debt Securities

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

Roll-forward analysis of debt securities for the years ended December 31, 2016 and 2015 follow:

	2016	2015
Cost:		
At beginning of year	<b>₱17,063,599,821</b>	₱15,704,262,593
Additions	<b>530,826,255</b>	1,359,337,228
At end of year	<b>17,594,426,076</b>	17,063,599,821
Amortization of premium on debt securities	<b>(35,548,578)</b>	(29,112,466)
Change in fair value of AFS financial assets:		
At beginning of year	<b>188,092,377</b>	(28,131,857)
Changes in fair value during the year	<b>144,711,279</b>	216,224,234
At end of year	<b>332,803,656</b>	188,092,377
Foreign exchange gains	<b>418,348,209</b>	206,734,114
	<b>₱18,310,029,363</b>	₱17,429,313,846



As of December 31, 2016 and 2015, investments in AFS financial assets (debt) amounted to ₱18.31 billion and ₱17.43 billion, respectively.

Interest income arising from AFS financial assets amounted to ₱754.23 million, ₱728.94 million and ₱424.64 million in 2016, 2015 and 2014, respectively.

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

#### Equity Securities

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

Roll-forward analysis of equity securities for the years ended December 31, 2016 and 2015 follow:

	2016	2015
Cost	<b>₱2,000,000,000</b>	₱2,000,000,000
Change in fair value of AFS financial assets:		
At beginning of year	<b>82,000,000</b>	16,000,000
Changes in fair value during the year	<b>38,000,000</b>	66,000,000
At end of year	<b>120,000,000</b>	82,000,000
	<b>₱2,120,000,000</b>	₱2,082,000,000

As of December 31, 2016 and 2015, investments in AFS financial assets (equity) amounted to ₱2.12 billion and ₱2.08 billion, respectively.

Dividend income earned by the Group amounted to ₱111.50 million, ₱111.50 million and ₱27.88 million in 2016, 2015 and 2014, respectively.



### 13. Property and Equipment

#### 2016

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
<b>Cost</b>								
At beginning of year	₱10,443,772,361	₱7,635,219,254	₱1,166,650,417	₱148,608,875	₱1,592,152,864	₱1,889,939,378	₱1,737,563	₱22,878,080,712
Additions through business combination (Note 20)	85,238,315	21,221,511	1,104,079	34,681,109	41,487,800	8,793,280	–	192,526,094
Additions	1,587,528,804	791,004,515	440,930,797	3,913,454	68,511,889	351,060,219	944,332	3,243,894,010
Disposals and derecognition	(195,784,596)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,053)
At end of year	11,920,754,884	8,420,080,407	1,608,399,579	187,203,438	1,702,152,553	2,246,842,007	2,681,895	26,088,114,763
<b>Accumulated Depreciation and Amortization</b>								
At beginning of year	5,200,301,916	4,314,599,834	238,834,811	84,511,884	657,431,659	1,157,226,375	–	11,652,906,479
Depreciation and amortization (Note 22)	1,007,817,842	598,804,122	147,657,705	27,573,182	46,050,813	195,729,376	–	2,023,633,040
Disposals and derecognition	(195,784,598)	(27,364,873)	(285,714)	–	–	(2,950,870)	–	(226,386,055)
At end of year	6,012,335,160	4,886,039,083	386,206,802	112,085,066	703,482,472	1,350,004,881	–	13,450,153,464
<b>Allowance for impairment losses</b>								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱5,858,852,051	₱3,508,158,338	₱1,222,192,777	₱75,118,372	₱998,670,081	₱896,487,853	₱2,681,895	₱12,562,161,367

#### 2015

	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Building and Other Equipment	Computer Equipment	Construction in Progress	Total
<b>Cost</b>								
At beginning of year	₱8,991,092,550	₱6,939,918,610	₱820,876,405	₱114,971,723	₱1,483,565,334	₱1,577,978,948	₱518,599	₱19,928,922,169
Additions through business combination (Note 20)	11,151,701	–	19,431,520	14,275,494	–	–	–	44,858,715
Additions	1,555,906,189	765,119,424	326,795,089	19,361,658	107,535,209	317,925,045	6,459,518	3,099,102,132
Transfers	2,380,575	1,717,801	–	–	1,052,321	89,857	(5,240,554)	–
Disposals and derecognition	(116,758,654)	(71,536,581)	(452,597)	–	–	(6,054,472)	–	(194,802,304)
At end of year	10,443,772,361	7,635,219,254	1,166,650,417	148,608,875	1,592,152,864	1,889,939,378	1,737,563	22,878,080,712
<b>Accumulated Depreciation and Amortization</b>								
At beginning of year	4,527,417,236	3,833,452,256	138,533,034	73,194,357	618,094,076	1,005,045,974	–	10,195,736,933
Depreciation and amortization (Note 22)	780,951,752	541,141,399	100,551,484	11,317,527	39,337,583	156,693,106	–	1,629,992,851
Disposals and derecognition	(108,067,072)	(59,993,821)	(249,707)	–	–	(4,512,705)	–	(172,823,305)
At end of year	5,200,301,916	4,314,599,834	238,834,811	84,511,884	657,431,659	1,157,226,375	–	11,652,906,479
<b>Allowance for impairment losses</b>								
At beginning and end of year	49,567,673	25,882,986	–	–	–	349,273	–	75,799,932
	₱5,193,902,772	₱3,294,736,434	₱927,815,606	₱64,096,991	₱934,721,205	₱732,363,730	₱1,737,563	₱11,149,374,301



There are no items of property and equipment as of December 31, 2016 and 2015 that are pledged as security for liabilities.

In 2015, the Group had disposed property and equipment with net book values amounting ₱21.98 million which were damaged due to fire. These amounts are recoverable from the insurance company (Note 9).

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

Cost of fully depreciated property and equipment still in use amounted to ₱6.06 billion and ₱3.51 billion as at December 31, 2016 and 2015, respectively.

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#### 14. Investments in an Associate

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

	2016	2015
Investment in preferred stock	<b>₱1,654,364,339</b>	₱1,654,364,339
Investment in common stock	<b>3,423,547,645</b>	3,424,938,315
	<b>₱5,077,911,984</b>	₱5,079,302,654

The preferred stock has the following features:

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

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

	2016	2015
At beginning of year	<b>₱1,654,364,339</b>	₱1,470,083,439
Additional investment	—	184,280,900
At end of year	<b>₱1,654,364,339</b>	₱1,654,364,339

In 2015, the Parent Company made additional investments in the preferred stock of RBC for a total consideration of ₱184.28 million which was paid in cash.



The details of the investment in an associate follow:

	2016	2015
Shares of stock - at equity:		
Acquisition cost	<b>₱3,095,874,563</b>	₱124,933,383
Additional investment	–	2,970,941,180
Balance at end of year	<b>3,095,874,563</b>	3,095,874,563
Accumulated equity in net earnings:		
Balance at beginning of year	<b>608,386,399</b>	568,093,465
Equity in net earnings	<b>102,659,711</b>	40,292,934
Balance at end of year	<b>711,046,110</b>	608,386,399
Share in fair value changes of AFS financial assets of RBC:		
Balance at beginning of year	<b>(224,679,587)</b>	(122,558,084)
Share in fair value changes of AFS investments	<b>(103,174,500)</b>	(102,121,503)
Balance at end of year	<b>(327,854,087)</b>	(224,679,587)
Share in translation loss adjustments:		
Balance at beginning of year	<b>(41,314,642)</b>	(41,129,697)
Share in translation adjustments	<b>(3,420,011)</b>	(184,945)
Balance at end of year	<b>(44,734,653)</b>	(41,314,642)
Share in remeasurement loss on pension liability:		
Balance at beginning of year	<b>(13,328,418)</b>	(9,186,621)
Share in remeasurement gain (loss) on pension liability	<b>2,544,130</b>	(4,141,797)
Balance at end of year	<b>(10,784,288)</b>	(13,328,418)
	<b>₱3,423,547,645</b>	₱3,424,938,315

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

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

No dividends have been declared and paid by RBC in 2016, 2015 and 2014.

Summarized financial information of RBC follows:

	2016	2015
Total assets	<b>₱78,038,589,262</b>	₱57,949,720,628
Total liabilities	<b>66,059,186,457</b>	46,069,908,888
Net income	<b>256,649,278</b>	100,732,335
Other comprehensive loss	<b>(260,125,953)</b>	(266,120,613)





The consolidated statements of comprehensive income follow:

	2016	2015	2014
Total operating income	<b>₱2,900,613,609</b>	₱3,172,291,682	₱2,439,100,476
Total operating expenses and tax	<b>2,643,964,331</b>	3,071,559,347	2,297,725,609
Net income	<b>256,649,278</b>	100,732,335	141,374,867
Other comprehensive loss	<b>(260,125,953)</b>	(266,120,613)	326,314,028
Total comprehensive income	<b>(₱3,476,675)</b>	(₱165,388,278)	₱467,688,895

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

	2016	2015
Net assets of RBC	<b>₱7,836,794,548</b>	₱7,840,271,223
Proportionate ownership in the associate	<b>40%</b>	40%
Carrying amount of the investment	<b>3,134,717,819</b>	3,136,108,489
Total share in net assets	<b>3,423,547,645</b>	3,424,938,315
Difference	<b>₱288,829,826</b>	₱288,829,826

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

## 15. Intangible Assets

This account consists of:

	2016	2015
Goodwill (Note 20)	<b>₱3,381,413,966</b>	₱2,069,985,136
Trademarks (Note 20)	<b>3,195,930,460</b>	1,931,832,025
Licenses	<b>72,727,274</b>	84,848,486
Franchise	<b>21,826,729</b>	22,512,422
	<b>₱6,671,898,429</b>	₱4,109,178,069

### Trademarks

The trademarks were acquired through business combinations in 2016, 2015 and 2012 and were recognized at fair value at the date of acquisition (Note 20) as follow:

	2016	2015
SSDI	<b>₱1,566,917,532</b>	₱1,566,917,532
TGPPI	<b>1,264,098,435</b>	—
SEWI	<b>364,914,493</b>	364,914,493
	<b>₱3,195,930,460</b>	₱1,931,832,025



*Goodwill*

The Group's goodwill pertains to the excess of the acquisition cost over the fair value of the net assets of TGPPI, SEWI, SSDI, EC, RHIB, HPTDI, RTSHPI, BSRI, JRMC and GPC as follows (Note 20):

	2016	2015
TGPPI	<b>₱1,281,428,830</b>	₱—
SSDI	<b>745,887,131</b>	745,887,131
SEWI	<b>715,103,869</b>	715,103,869
EC	<b>199,870,222</b>	199,870,222
RHIB	<b>145,655,320</b>	145,655,320
RTSHPI	<b>85,161,468</b>	85,161,468
BSRI	<b>83,324,691</b>	83,324,691
JRMC	<b>71,732,435</b>	71,732,435
HPTDI	<b>30,000,000</b>	—
GPC	<b>23,250,000</b>	23,250,000
	<b>₱3,381,413,966</b>	₱2,069,985,136

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

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

*Licenses*

*Acquisition of Trademark by RSSI to Secure a Franchise/License*

On September 21, 2012, RSSI acquired a local trademark registered in the Philippine Intellectual Property Rights Office which is similar to a known international mark for ₱121.21 million. Due to such acquisition, RSSI was able to secure a franchise/license to exclusively use the similar known international mark in the Philippines. The franchise/license agreement is for an initial period of five (5) years which can be renewed for another five (5) years upon mutual agreement of the parties. Amortization amounted to ₱12.12 million for the years ended December 31, 2016 and 2015 (Note 22).

The rollforward analysis of this account follows:

	2016	2015
Beginning balance	<b>₱84,848,486</b>	₱96,969,698
Less: Amortization (Note 22)	<b>12,121,212</b>	12,121,212
	<b>₱72,727,274</b>	₱84,848,486



### *Franchise*

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

As of December 31, 2016 and 2015, the Group has franchise amounting to ₱21.83 million and ₱22.51 million, respectively.

The rollforward analysis of the franchise follows:

	2016	2015
Beginning Balance	₱22,512,422	₱13,805,165
Additions	1,790,188	9,877,677
Amortization (Note 22)	(2,475,881)	(1,170,420)
	<b>₱21,826,729</b>	<b>₱22,512,422</b>

In 2015, the Group started recording amortization relating to franchise, following the commencement of the Group's Costa operations. Amortization amounted to ₱2.48 million and ₱1.17 million in 2016 and 2015, respectively.

## 16. Other Noncurrent Assets

This account consists of:

	2016	2015
Security and other deposits	₱1,396,875,108	₱1,292,797,568
Construction bond	33,845,521	35,305,287
	<b>₱1,430,720,629</b>	<b>₱1,328,102,855</b>

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

## 17. Trade and Other Payables

This account consists of:

	2016	2015
Trade	₱12,609,547,221	₱11,046,137,736
Nontrade (Note 25)	3,864,064,225	3,469,168,376
Others	322,986,036	280,229,899
	<b>₱16,796,597,482</b>	<b>₱14,795,536,011</b>

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.

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#### 18. Short-term Loans Payable

Details of short-term loans follow:

	2016	2015
Balance at beginning of year	<b>₱2,844,872,558</b>	₱111,686,997
Availments	<b>4,398,000,000</b>	2,939,000,000
Payments	<b>(667,173,825)</b>	(205,814,439)
Current portion	<b>₱6,575,698,733</b>	₱2,844,872,558

The balances of loans of the subsidiaries follow:

	2016	2015
SSDI	<b>₱2,319,698,733</b>	₱55,872,558
RI	<b>1,856,000,000</b>	1,206,000,000
RSC	<b>1,030,000,000</b>	1,023,000,000
RCSI	<b>660,000,000</b>	410,000,000
RHDDS	<b>300,000,000</b>	150,000,000
RAC	<b>290,000,000</b>	—
RSSI	<b>120,000,000</b>	—
	<b>₱6,575,698,733</b>	₱2,844,872,558

- a.) SSDI obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.
- b.) RI loans payable consists of loans from local banks which will mature within three (3) months and with interest rate at 2.50% per annum. The proceeds of loans were used in the acquisition of SEWI (Note 20).
- c.) RSC settled portion of last year's promissory notes amounting to ₱586.00 million during the year and obtained additional short-term loan notes amounting to ₱593.00 million from a local bank with interest rate of 2.50% per annum which is renewable every three (3) months at the option of RSC. The short-term notes were obtained to support working capital requirements of RSC. Total loans as of December 31, 2016 amounted to ₱1.03 billion.
- d.) RCSI loans payable pertains to short-term loans from a local bank amounting to ₱660.00 million. Interest on the loans is computed at prevailing market interest rates. The Parent Company acts as the guarantor of RCSI.
- e.) RHDDS obtained a short-term loan from a local commercial bank which will mature within three (3) months and with interest rate at 2.50% per annum. The Parent Company acts as the guarantor of RHDDS.
- f.) RAC obtained a short-term loan from a local commercial bank with interest rate at 2.50% per annum.



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

Total interest expense charged to operations amounted to ₱86.53 million, ₱14.72 million and ₱12.06 million in 2016, 2015 and 2014, respectively.

The above loans are not subject to any loan covenants.

## 19. Equity

### *Capital Stock*

The details of this account follow:

	2016		2015		2014	
	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value						
Authorized shares	<b>₱2,000,000,000</b>	<b>2,000,000,000</b>	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	<b>1,385,000,000</b>	<b>1,385,000,000</b>	1,385,000,000	1,385,000,000	1,385,000,000	1,385,000,000

### Registration Track Record

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

### Equity Reserve

#### *Acquisition of a Subsidiary under Common Control*

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

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

#### *Acquisition of Additional Shares from a Non-Controlling Shareholder*

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

The Group recognized equity reserve from the acquisition amounting to ₱1.11 billion included in “Equity reserve” in the consolidated statement of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

In 2015, the total consideration was adjusted from ₱1.45 billion to ₱1.48 billion. The difference is recognized as an adjustment to equity reserve. Of the total amount, ₱1.31 billion was received



and settled in 2014. As a result, outstanding balance from ₱136.44 million increased to ₱171.91 million. This was fully settled in cash in 2015.

#### Treasury Shares

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

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

#### Retained Earnings

The income of the subsidiaries and accumulated equity in net income of the associate that are recognized in the consolidated statement of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱15.5 billion and ₱12.38 billion as at December 31, 2016 and 2015, respectively, while the accumulated equity in net income of the associate amounted to ₱711.05 million and ₱608.4 million as at December 31, 2016 and 2015, respectively

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.

On July 16, 2015, the BOD approved the declaration of cash dividend of ₱0.51 per share or an aggregate amount of ₱706.35 million to all stockholders of record as of August 7, 2015 which was paid on September 4, 2015.

On June 25, 2014, the BOD approved the declaration of cash dividend of ₱0.41 per share or an aggregate amount of ₱560.07 million to all stockholders of record as of July 17, 2014 which was paid on August 12, 2014.

#### Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2016	2015	2014
Balance at beginning of year	<b>₱12,997,451,453</b>	₱10,311,451,453	₱4,340,251,453
Appropriation	<b>3,709,000,000</b>	2,813,000,000	5,986,200,000
Reversal of appropriation	<b>(1,443,598,606)</b>	(127,000,000)	(15,000,000)
Balance at end of year	<b>₱15,262,852,847</b>	₱12,997,451,453	₱10,311,451,453



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

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

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

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

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

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



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

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

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

Entity	Amount
WHMI	₱70,000,000
RHMI	50,000,000
HEMI	7,000,000
	<u>₱127,000,000</u>

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

Entity	Amount
RAC	₱140,000,000
WHMI	78,000,000
ASI	13,000,000
RVC	9,000,000
HEMI	9,000,000
	<u>₱249,000,000</u>

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





Details follow:

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

On November 25, 2014, the Group's BOD approved the additional appropriation of ₱2.72 billion. The appropriated retained earnings shall be used to augment funds in construction, renovation and strategic acquisitions in the next two (2) years in line with the Group's nationwide expansion.

Details follow:

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

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

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

#### Declaration of Dividends of the Subsidiaries

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



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

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

The dividends are to be paid in 2017.

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

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

The cash dividends above were paid in 2016.

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

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

The cash dividends were paid early 2015.

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



## NCI

### *Acquisitions of NCI from Business Combinations*

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

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

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

### *Investment from Non-controlling Interest*

In 2015 and 2014, transactions relating to NCI pertain to capital call for each investee summarized as follows (Note 2):

Entity	2015	2014
RHIB	<b>₱148,000,000</b>	₱50,000,000
SEWI	<b>35,000,000</b>	—
RHDDS	—	40,600,000
<b>Total</b>	<b>₱183,000,000</b>	<b>₱90,600,000</b>

### *Dividends to NCI*

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

## Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015.

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

	2016	2015
Capital stock	<b>₱1,385,000,000</b>	₱1,385,000,000
Additional paid-in capital	<b>27,227,385,090</b>	27,227,385,090
Other comprehensive income	<b>352,393,412</b>	251,829,138
Equity reserve	<b>(1,021,894,669)</b>	(1,027,402,846)
Retained earnings		
Appropriated	<b>15,262,852,847</b>	12,997,451,453
Unappropriated	<b>4,381,691,262</b>	2,689,501,691
Total equity attributable to equity holders of the Parent Company	<b>47,587,427,942</b>	43,523,764,526
Non-controlling interest in consolidated subsidiaries	<b>2,978,117,087</b>	1,981,511,324
<b>Total Equity</b>	<b>₱50,565,545,029</b>	<b>₱45,505,275,850</b>



## 20. 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 13)	55,957,840
Deferred tax assets	2,748,968
Liabilities	(307,374,895)
Net asset	33,338,177
Acquisition cost	(27,830,000)
	₱5,508,177

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

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

### Business Combination and Goodwill

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

### *Acquisition of TGPPI*

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

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



	Fair values recognized on acquisition
Current assets	₱1,231,511,879
Trademarks (Note 15)	1,264,098,435
Property and equipment (Note 13)	102,639,683
Other non-current assets	15,682,708
Liabilities	(311,916,567)
Deferred tax liability	(379,229,531)
Net assets before non-controlling interest	1,922,786,607
Non-controlling interest measured at share of net assets (49%)	942,165,437
Net assets (51%)	980,621,170
Goodwill arising on acquisition (Note 15)	1,281,428,830
Acquisition cost	₱2,262,050,000

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

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

#### *Acquisition of HPTDI*

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

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

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱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 15)	30,000,000
Acquisition cost	₱58,500,000

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

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



*Acquisition of SEWI*

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

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

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

	Fair values recognized on acquisition
Assets	
Cash	₱1,650,000
Other current assets	5,393,352
Property and equipment (Note 13)	44,858,715
Trademarks arising on acquisition (Note 15)	364,914,493
	416,816,560
Liabilities	
Advances from stockholders*	1,902,066
Deferred tax liability	109,474,348
Net assets before non-controlling interest	305,440,146
Non-controlling interest measured at share of net assets (10%)	30,544,015
Net assets (90%)	274,896,131
Goodwill arising on acquisition (Note 15)	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.

*Acquisition of GPC*

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

Below are the fair values of the identifiable assets acquired:

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱1,250,000
Net assets	1,250,000
Goodwill (Note 15)	23,250,000
Acquisition cost	₱24,500,000



In 2015, 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 ₱23.25 million.

GPC is incorporated on December 6, 2013 and started its commercial operation on May 17, 2014.

The goodwill of ₱23.25 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

*Acquisition of JRMC*

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

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

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱84,617,057
Liability	
Deferred tax liability	24,635,117
Net assets	59,981,940
Goodwill (Note 15)	71,732,435
Acquisition cost	₱131,714,375

As of December 31, 2014, 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 ₱71.73 million.

JRMC is incorporated on November 25, 2013 and started its commercial operation on January 29, 2014.

The goodwill of ₱71.73 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.



*Acquisition of RHIB*

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

In 2015, RHIB finalized the purchase price allocation of the acquisition. Below are the fair values of the identifiable assets acquired:

	Fair values recognized on acquisition
Assets	
Property and equipment (Note 13)	₱80,224,117
Security deposits	3,495,883
Liability	
Deferred tax liability	1,116,000
Net assets before non-controlling interest	82,604,000
Non-controlling interest measured at share of net assets (33.00%)	27,259,320
Net assets (67.00%)	55,344,680
Goodwill (Note 15)	145,655,320
Acquisition cost	₱201,000,000

As a result, property and equipment and non-controlling interest increased by ₱3.72 million and ₱0.86 million, respectively. The final purchase price allocation resulted in goodwill of ₱145.66 million from the previously determined provisional amount of ₱147.40 million.

RHIB is incorporated on May 7, 2014 and started its commercial operation on July 14, 2014.

The goodwill of ₱145.66 million comprises the fair value of expected synergies arising from acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

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## 21. Sales Revenue

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

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱2.74 billion, ₱2.44 billion and ₱1.86 billion in 2016, 2015 and 2014, respectively.





## 22. Operating Expenses

This account consists of:

	2016	2015	2014
Rental and utilities (Notes 25, 29 and 30)	<b>₱8,381,892,384</b>	₱7,486,059,989	₱6,549,331,059
Personnel costs and contracted services (Notes 23 and 24)	<b>5,563,169,739</b>	4,805,172,335	3,965,911,963
Depreciation and amortization (Notes 13 and 15)	<b>2,038,230,133</b>	1,647,365,077	1,280,140,229
Transportation and travel	<b>1,005,549,080</b>	783,566,283	670,446,779
Supplies	<b>622,054,994</b>	567,911,150	524,512,802
Advertising	<b>573,330,970</b>	375,111,113	349,916,490
Bank and credit charges	<b>488,281,599</b>	435,424,983	378,374,220
Repairs and maintenance	<b>347,870,477</b>	321,903,797	252,087,822
Royalty expense (Note 30)	<b>159,815,306</b>	141,661,674	119,630,395
Others	<b>471,679,059</b>	318,698,168	284,511,989
	<b>₱19,651,873,741</b>	₱16,882,874,569	₱14,374,863,748

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 ₱2,023.63 million and ₱14.60 million, respectively, in 2016, ₱1,629.99 million and ₱17.38 million, respectively, in 2015, and ₱1,267.36 million and ₱12.78 million, respectively, in 2014.

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

## 23. Personnel Costs and Contracted Services

This account consists of:

	2016	2015	2014
Salaries, allowances and benefits (Note 22)	<b>₱2,660,727,005</b>	₱2,303,012,409	₱1,976,074,249
Contracted services (Note 22)	<b>2,902,442,734</b>	2,502,159,926	1,989,837,714
	<b>₱5,563,169,739</b>	₱4,805,172,335	₱3,965,911,963

Details of salaries, allowances and benefits:

	2016	2015	2014
Salaries, wages and allowances	<b>₱2,544,088,072</b>	₱2,187,111,921	₱1,905,290,885
Pension expense (Note 24)	<b>116,638,933</b>	115,900,488	70,783,364
	<b>₱2,660,727,005</b>	₱2,303,012,409	₱1,976,074,249



## 24. Employee Benefits

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

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

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

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

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2016	2015	2014
Current service cost	<b>₱93,186,487</b>	₱88,276,155	₱51,528,036
Net interest cost	<b>23,452,446</b>	27,624,333	19,255,328
Pension expense	<b>₱116,638,933</b>	₱115,900,488	₱70,783,364

Net pension liability:

	2016	2015
Present value of defined benefit obligation	<b>₱821,789,571</b>	₱661,736,412
Fair value of plan assets	<b>(212,260,323)</b>	(188,389,781)
Net pension liability	<b>₱609,529,248</b>	₱473,346,631

Remeasurement effects recognized in OCI:

	2016	2015
Remeasurement gains (losses) in pension liability	<b>₱41,268,668</b>	₱107,094,186
Remeasurement losses in pension assets	<b>(13,960,930)</b>	(608,638)
	<b>₱27,307,738</b>	₱106,485,548



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

	2016	2015
Balance at beginning of year	<b>₱473,346,631</b>	₱634,701,436
Pension expense	<b>116,638,933</b>	115,900,488
Remeasurement (gains) losses	<b>27,307,738</b>	(106,485,548)
Transfer-in	<b>1,178,882</b>	—
Actual contribution	—	(170,769,745)
Benefits paid from direct payments	<b>(8,942,936)</b>	—
Balance at end of year	<b>₱609,529,248</b>	₱473,346,631

Movements in the fair value of plan assets follow:

	2016	2015
Balance at beginning of year	<b>₱188,389,781</b>	₱17,425,365
Actual contribution	—	170,769,745
Addition arising from business combination	<b>1,197,654</b>	—
Interest income included in net interest cost	<b>8,711,958</b>	803,309
Remeasurement gains (losses)	<b>13,960,930</b>	(608,638)
Balance at end of year	<b>₱212,260,323</b>	₱188,389,781

Changes in the present value of defined benefit obligation follow:

	2016	2015
Balance at beginning of year	<b>₱661,736,412</b>	₱652,126,801
Current service cost	<b>93,186,487</b>	88,276,155
Interest cost	<b>32,164,404</b>	28,427,642
Transfer-in	<b>2,376,536</b>	—
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	<b>78,361,831</b>	(174,709,623)
Experience adjustments	<b>12,140,567</b>	66,556,851
Changes in demographic assumptions	<b>(49,233,730)</b>	1,058,586
Benefits paid	<b>(8,942,936)</b>	—
Balance at end of year	<b>₱821,789,571</b>	₱661,736,412



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

	2016	2015
Cash and cash equivalents		
Savings deposit	<b>₱11,650,536</b>	₱170,789,617
Time deposit	<b>51,206,449</b>	1,100,611
	<b>62,856,985</b>	171,890,228
Investments in government securities		
Fixed rate treasury notes	<b>15,417,367</b>	9,573,392
Retail treasury bonds	<b>904,565</b>	6,055,657
	<b>16,321,932</b>	15,629,049
Investments in UITF	<b>130,798,659</b>	891,530
Other receivables	<b>2,259,538</b>	—
Accrued trust fee payable	<b>(26,983)</b>	(21,026)
Others	<b>50,192</b>	—
	<b>₱212,260,323</b>	₱188,389,781

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

	2016	2015
Discount rates	<b>4.90%-5.60%</b>	5.00%-5.99%
Salary increase rates	<b>5.70%-7.00%</b>	5.70%

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

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

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

		Increase (Decrease)	Effect in Defined Benefit Obligation
<b>2016</b>	<b>Salary increase</b>	<b>+1.00%</b>	<b>₱457,814,920</b>
		<b>-1.00%</b>	<b>(225,527,731)</b>
	<b>Discount rates</b>	<b>+1.00%</b>	<b>(227,933,624)</b>
		<b>-1.00%</b>	<b>457,252,429</b>
 2015	 Salary increase	 +1.00%	 ₱123,209,060
		-1.00%	(163,963,824)
	Discount rates	+1.00%	(135,581,554)
		-1.00%	95,932,180

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



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

	2016	2015
Less than 1 year	<b>₱33,797,916</b>	₱28,803,690
More than 1 year but less than 5 years	<b>134,068,111</b>	85,482,842
More than 5 years but less than 10 years	<b>449,279,913</b>	290,966,650
More than 10 years but less than 15 years	<b>700,112,262</b>	390,789,771
More than 15 years but less than 20 years	<b>1,003,630,395</b>	524,268,277
More than 20 years	<b>7,570,703,049</b>	4,718,387,484

## 25. Related Party Disclosures

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

### Significant Related Party Transactions

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

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

Category	Amount		Due from (Due to)		Terms and Conditions
	2016	2015	2016	2015	
<b>Other affiliates under common control</b>					
a. Trade and other receivables	<b>₱-</b>	<b>₱-</b>	<b>₱185,552,190</b>	₱223,015,830	Noninterest bearing and due in 30 days, not impaired
Sales	<b>3,002,659,968</b>	2,657,101,055	-	-	
Royalty income	<b>1,250,377,301</b>	1,029,055,789	-	-	
b. Trade and other payable			<b>(536,842,332)</b>	(408,827,740)	Noninterest bearing and payable in 30 days, unsecured
Purchases - net	<b>(2,731,155,634)</b>	(2,345,176,138)	-	-	
Rent and utilities	<b>(3,571,891,299)</b>	(3,366,122,925)	-	-	

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

- As of December 31, 2016, and 2015, the Group has outstanding balances from its other affiliates amounting to ₱185.6 million and ₱223.02 million arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

In 2016 and 2015, sales of merchandise inventories to related parties amounted to ₱3.00 billion and ₱2.66 billion, respectively, and royalty income amounted to ₱1.25 billion and ₱1.03 billion, respectively (Note 30).

- As of December 31, 2016, and 2015, the Group has outstanding payable to its other affiliates amounting to ₱536.8 million and ₱408.83 million arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements are cancellable and normally have terms of 5 to 20 years with escalation



clauses ranging from 5% to 10% every year and renewable every year.

In 2016 and 2015, purchases of merchandise inventories for resale to customers amounted to ₱2.73 billion and ₱2.35 billion, respectively while payment for rent and utilities amounted to ₱3.57 billion and ₱3.37 billion, respectively.

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

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

The details of compensation and benefits of key management personnel for 2016, 2015 and 2014 follow:

	2016	2015	2014
Short-term employee benefits	<b>₱135,091,073</b>	₱111,913,098	₱101,192,066
Post-employment benefits	<b>30,916,815</b>	43,264,776	8,671,635
	<b>₱166,007,888</b>	₱155,177,874	₱109,863,701

*Terms and Conditions of Transactions with Related Parties*

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2016, 2015 and 2014. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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## 26. Income Tax

Provision for income tax for the years ended December 31 follows:

	2016	2015	2014
Current	<b>₱1,540,728,580</b>	₱1,288,917,348	₱1,313,560,861
Deferred	<b>(69,454,983)</b>	(17,851,404)	(27,789,611)
	<b>₱1,471,273,597</b>	₱1,271,065,944	₱1,285,771,250



The components of the net deferred tax assets of the Group as of December 31, 2016 and 2015 pertain to the deferred income tax effects of the following:

	2016	2015
Tax effect of:		
Pension liability	<b>₱182,858,774</b>	₱142,003,989
NOLCO	<b>75,791,881</b>	41,785,925
MCIT	<b>11,103,027</b>	4,900,088
Allowance for impairment losses	<b>10,528,096</b>	25,241
Allowance for inventory write-down	<b>5,111,498</b>	2,052,550
Accrued rent	<b>4,652,569</b>	4,518,461
Unrealized forex gains	<b>(3,207)</b>	(8,075,859)
Fair value adjustments on investment in an Associate	—	(7,226,451)
Derivative liability	—	145,629
	<b>₱290,042,638</b>	<b>₱180,129,573</b>

The components of the net deferred tax liabilities of the Group as of December 31, 2016 and 2015 represent deferred income tax effects of the following:

	2016	2015
Tax effect of:		
Business combination (Note 20)	<b>₱959,671,939</b>	₱655,165,987
Asset revaluation	<b>74,500,379</b>	—
Fair value adjustments on investment in an Associate	<b>10,649,273</b>	—
Depreciation on revaluation	<b>(7,450,038)</b>	—
Unrealized forex gains	<b>4,734,168</b>	—
	<b>₱1,042,105,721</b>	<b>₱655,165,987</b>

The Group has the following deductible temporary differences, NOLCO and MCIT from the Parent Company, SSDI, ECSI, RHMI Management and Consulting, Inc., RRHI Management and Consulting, Inc., RRG Trademarks and Private Labels, Inc., RRHI Trademarks Management, Inc. that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2016	2015
Tax effects of:		
Allowance for impairment losses	<b>₱22,739,980</b>	₱22,739,980
Allowance for doubtful accounts	<b>16,451,697</b>	8,838,303
MCIT	<b>8,052,362</b>	6,943,419
NOLCO	<b>188,485,874</b>	203,456,633
	<b>₱235,729,913</b>	<b>₱241,978,335</b>



Details of the Group's NOLCO follow:

Inception Year	Beginning Balance	Applied	Addition	Ending Balance	Expiry Year
2016	P—	P—	P113,954,603	P113,954,603	2019
2015	104,903,471	—	—	104,903,471	2018
2014	61,807,181	(28,025,650)	—	33,781,531	2017
2013	650,764,543	(22,478,298)	—	628,286,245	2016
Total	P817,475,195	(P50,503,948)	P113,954,603	P880,925,850	

Details of MCIT are as follows:

Inception Year	Amount	Applied/ Expired	Ending Balance	Expiry Year
2016	P16,078,512	P—	P16,078,512	2019
2015	2,155,199	—	2,155,199	2018
2014	2,363,262	(1,441,584)	921,678	2017
2013	7,325,046	(7,325,046)	—	2016
Total	P27,922,019	(P8,766,630)	P19,155,389	

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

	2016	2015
Statutory income tax rate	30.00%	30.00%
Add (deduct) tax effects of:		
Nondeductible interest expense	0.32	1.69
Dividend income	(0.50)	(0.57)
Effect of OSD	(3.38)	(4.85)
Interest income subject to final tax	(3.88)	(4.10)
Investment income	(0.46)	(0.21)
Change in unrecognized deferred tax assets	(0.03)	(0.23)
Effective income tax rate	22.07%	21.73%

## 27. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	P4,830,140,965	P4,341,794,218	P3,560,636,968
Weighted average number of common shares	1,385,000,000	1,385,000,000	1,367,379,477
Adjusted weighted average number EPS	1,385,000,000	1,385,000,000	1,367,379,477
Basic and Diluted EPS	P3.49	P3.13	P2.60

The Parent Company has no dilutive potential common shares in 2016, 2015 and 2014.





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

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## 28. Risk Management and Financial Instruments

### Governance Framework

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

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

### Fair Value Information

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to their short-term maturities except for the AFS financial assets as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, the carrying values and fair values of AFS financial assets amounted to ₱19.56 billion and ₱20.43 billion and ₱19.03 billion and ₱19.51 billion, respectively (Note 12).

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

#### *Financial Assets*

Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end. The fair value of the AFS financial assets has been determined based on prevailing market quotes. Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

#### *Financial Liabilities*

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

### Fair Value Hierarchy

As of December 31, 2016 and 2015, the Group has AFS financial assets valued under Level 1 amounting ₱20.43 billion and ₱19.51 billion, respectively (Note 12). These financial assets are measured at fair value.

There were no financial instruments valued at levels 2 and 3 as of December 31, 2016 and 2015.

There were also no transfers among levels 1, 2 and 3 in 2016 and 2015.



### Financial Risk

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

#### *Interest Rate Risk*

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

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

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

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

#### *Liquidity Risk*

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

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

The table below shows the maturity profile of the financial instruments of the Group as of December 31, 2016 and 2015 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

### **2016**

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

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



**2015**

	On Demand	One (1) year	More than One (1) year	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	₱9,757,351,816	₱—	₱—	₱9,757,351,816
Short term investments	—	7,059,000	—	7,059,000
Trade receivables	—	905,655,683	—	905,655,683
Nontrade receivables	—	601,820,649	—	601,820,649
Due from franchisees	—	296,289,011	—	296,289,011
Other noncurrent assets:				
Security and other deposits	—	69,172,817	1,223,624,751	1,292,797,568
Construction bond	—	—	35,305,287	35,305,287
<b>AFS financial assets</b>	—	—	19,511,313,846	19,511,313,846
	<b>₱9,757,351,816</b>	<b>₱1,879,997,160</b>	<b>₱20,770,243,884</b>	<b>₱32,407,592,860</b>
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Trade and other payables*	₱—	₱14,580,321,689	₱—	₱14,580,321,689
Loans payable	—	2,844,872,558	—	2,844,872,558
Other current liabilities	—	197,583,490	—	197,583,490
	<b>₱—</b>	<b>₱17,622,777,737</b>	<b>₱—</b>	<b>₱17,622,777,737</b>

\*excluding statutory liabilities amounting ₱215,214,322.

**Credit Risk**

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

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

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

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

The tables below show the aging analysis of loans and receivables and AFS financial assets as at December 31, 2016 and 2015.

**2016**

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



2015

	Neither past due nor impaired	Past due but not impaired	Impaired Financial Assets	Total
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents (excluding cash on hand)	₱9,133,938,588	₱—	₱—	₱9,133,938,588
Short-term investment	7,059,000	—	—	7,059,000
Trade receivables	845,124,849	59,949,744	581,090	905,655,683
Nontrade receivables	597,533,345	4,287,304	—	601,820,649
Due from franchisees	266,828,000	—	29,461,011	296,289,011
Other noncurrent assets:				
Security and other deposits	1,292,797,568	—	—	1,292,797,568
Construction bond	35,305,287	—	—	35,305,287
<b>AFS financial assets</b>	19,511,313,846	—	—	19,511,313,846
	<b>₱31,689,900,483</b>	<b>₱64,237,048</b>	<b>₱30,042,101</b>	<b>₱31,784,179,632</b>

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

### *Credit Quality*

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

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

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

- Cash in banks and short-term investments are short-term placements and working cash fund placed, invested or deposited in reputable foreign and local banks in the Philippines. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.
- 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 ₱35.74 billion and ₱31.69 billion as of December 31, 2016 and 2015, 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 (₱)	
	2016	2015	2016	2015
USD	+0.44%	+1.47%	₱17,692,567	₱47,427,378
	-0.44%	-1.47%	(17,692,567)	(47,427,378)

The Group used foreign exchange rate of ₱49.72:US\$1 and ₱47.06:US\$1 as of December 31, 2016, and 2015, respectively, in converting its dollar-denominated financial assets to peso.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in 2016 and 2015 are as follows:

	2016		2015	
	USD	PHP	USD	PHP
AFS financial assets	\$73,440,000	₱3,651,436,800	\$67,004,668	₱3,153,239,676
Cash and cash equivalents	6,405,486	318,480,764	1,397,689	65,775,244
Receivables	1,028,165	51,120,364	5,914	278,313
Short-term investments	—	—	150,000	7,059,000
Total	\$80,873,651	₱4,021,037,928	\$68,558,271	₱3,226,352,233

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2016 and 2015. 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 investments.

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

Quoted equity security consists of marketable equity security that is listed and traded on the Philippine Stock Exchange (PSE). The fair market value of the listed shares is based on the quoted market price as of December 31, 2016 and 2015.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index with all other variables held constant, showing the impact on equity:

	Change in variable	Effect on equity-Other comprehensive income
2016	+2.30%	₱48,760,000
	-2.30%	(48,760,000)
2015	+4.46%	₱92,857,200
	-4.46%	(92,857,200)



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 2.30% and 4.46% in 2016 and 2015, 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 Group's statements of income.

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## 29. Lease Commitments

### *Group as Lessee*

The Group has entered into cancellable lease agreements as a lessee with terms of one (1) year up to twenty-five (25) years. Most leases contain renewal options and a clause enabling annual upward revision of the rental charges based on prevailing market conditions. Other leases provide for the percentage rent which is a certain percentage of actual monthly sales. Rent expense in 2016, 2015 and 2014 amounted to ₱4.99 billion, ₱4.50 billion and ₱3.66 billion, respectively (Notes 22 and 25).

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## 30. 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 ₱72.67 million, ₱65.83 million and ₱54.60 million in 2016, 2015 and 2014, respectively (Note 22). Royalty payable to Ministop included under "Nontrade payable" as of December 31, 2016 and 2015 amounted to ₱6.65 million and ₱6.29 million, respectively (Note 17).

- 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 ₱1.72 billion, ₱1.54 billion and ₱1.15 billion in 2016, 2015 and 2014, respectively.

As of December 31, 2016 and 2015, amounts due from franchisees amounted to ₱202.72 million and ₱266.83 million, respectively. These amounts are net of allowance for impairment losses on due from franchisees amounting to ₱54.83 million and ₱29.46 million as of December 31, 2016 and 2015, respectively (Note 9).

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

Royalty expenses amounted to ₱6.31 million, ₱4.34 million and ₱5.54 million in 2016, 2015 and 2014, respectively.



- d.) On September 21, 2012, RSSI paid ₱121.21 million in exchange for the trademarks that were duly registered in the Philippine Intellectual Rights Office. The trademark allows the Group to use the brand and operate its stores in the Philippines (Note 15).

Royalty expense amounted to ₱1.26 million and ₱2.43 million in 2016 and 2015, respectively.

- e.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱75.4 million, ₱67.80 million and ₱59.9 million in 2016, 2015 and 2014, respectively.
- f.) On July 29, 2014, Costa International Limited granted the Group the development and operating rights to carry on the Costa business in the Philippines (Note 15).

The Group started Costa operations in June 2015. Royalty expenses amounted to ₱4.17 million and ₱1.26 million in 2016 and 2015, respectively.

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

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### 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.

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### 32. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on March 24, 2017.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders  
Robinsons Retail Holdings, Inc.  
43rd Floor, Robinsons Equitable Tower  
ADB Avenue corner Poveda Sts., Ortigas Center  
Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Robinsons Retail Holdings, Inc. and Subsidiaries (the Group) as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated March 24, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic Group financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Wenda Lynn M. Loyola  
Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908712, January 3, 2017, Makati City

March 24, 2017





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

**CONSOLIDATED COMPANY FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position as of December 31, 2016 and December 31, 2015.

Consolidated Statements of Comprehensive Income for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Changes in Equity for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

Consolidated Statements of Cash flows for the periods December 31, 2016,  
December 31, 2015 and December 31, 2014.

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

- I. Supplementary schedules required by Annex 68-E
  - A. Financial Assets (Other Short-Term Cash Investments)
  - B. Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)
  - C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the  
Consolidation of Financial Statements
  - D. Intangible Assets
  - E. Short term and Long term Debt
  - F. Indebtedness to Related Parties
  - G. Guarantees of Securities of Other Issuers
  - H. Capital Stock
- II. Schedule of all of the effective standards and interpretations (Part 1, 4J)
- III. Reconciliation of Retained Earnings Available for Dividend Declaration  
(Part 1, 4C; Annex 68-C)
- IV. Map of the relationships of the companies within the group (Part 1, 4H)
- V. Schedule of Financial Soundness Indicators
- VI. Use of Proceeds from Initial Public Offering



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE A: FINANCIAL ASSETS (OTHER SHORT-TERM CASH INVESTMENTS)****DECEMBER 31, 2016**

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the balance sheet</b>	<b>Value based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
AFS Financial Assets				
Various bonds	₱15,801,030,050	₱16,626,329,363	₱16,626,329,363	₱681,976,669
Notes	1,683,700,000	1,683,700,000	1,683,700,000	72,249,100
Investment in preferred shares	2,000,000,000	2,120,000,000	2,120,000,000	111,500,000
	₱19,484,730,050	₱20,430,029,363	₱20,430,029,363	₱865,725,769



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)****DECEMBER 31, 2016**

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

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**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS****DECEMBER 31, 2016**

<b>Entity with Receivable Balance</b>	<b>Balance at Beginning of Period</b>	<b>Net Movement</b>	<b>Write-offs</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at end of period</b>
Robinsons Retail Holdings Inc.	₱323,154,022	(₱290,476,819)	₱—	₱32,677,203	₱—	₱32,677,203
Robinsons Toys Inc.	186,302,596	(186,302,596)	—	—	—	—
Robinsons Convenience Stores Inc.	39,106,088	(39,106,088)	—	—	—	—
Robinsons Supermarket Corporation	27,282,993	(6,348,592)	—	20,934,401	—	20,934,401
Robinson's Incorporated	17,689,258	—	—	17,689,258	—	17,689,258
Robinson's Handyman Inc.	—	—	—	—	—	—
RHD Daiso- Saizen Inc.	123,902,882	(76,673,152)	—	47,229,730	—	47,229,730
Eurogrocer Corp (EC)	51,518	(51,518)	—	—	—	—
	₱717,489,357	(₱598,958,765)	₱—	₱118,530,592	₱—	₱118,530,592



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE D: INTANGIBLE ASSETS****DECEMBER 31, 2016**

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Goodwill	₱2,069,985,136	₱1,311,428,830	₱—	₱—	₱—	₱3,381,413,966
Trademarks	1,931,832,025	1,264,098,435	—	—	—	3,195,930,460
License	84,848,486	—	(12,121,212)	—	—	72,727,274
Franchise	22,512,422	1,790,188	(2,475,881)	—	—	21,826,729
	₱4,109,178,069	₱2,577,317,453	(₱14,597,093)	₱—	₱—	₱6,671,898,429

See Note 15 of the Consolidated Financial Statements.



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

**SCHEDULE E: SHORT TERM AND LONG TERM DEBT**

**DECEMBER 31, 2016**

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
Bank loans	₱6,575,698,733	2.5%	₱6,575,698,733	₱—
	₱6,575,698,733		₱6,575,698,733	₱—

See Note 18 of the Consolidated Financial Statements.



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES****DECEMBER 31, 2016**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
Robinsons Land Corporation	₱240,296,367	₱319,287,068
Universal Robina Corporation	163,433,775	210,197,263
JG Summit Holdings, Inc.	5,097,598	7,358,001
	₱408,827,740	₱536,842,332



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

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

**DECEMBER 31, 2016**

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





**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE H: CAPITAL STOCK****DECEMBER 31, 2016**

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	1,385,000,000	1,385,000,000	—	484,749,997	380,183,003	520,067,000
	1,385,000,000	1,385,000,000	—	484,749,997	380,183,003	520,067,000

See Note 19 of the Consolidated Financial Statements



**ROBINSONS RETAIL HOLDINGS, INC.****SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE  
STANDARDS AND INTERPRETATIONS**

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

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2016:

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendment to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendment to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendment to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
	Amendment to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5 (Amended)</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7 (Amended)</b>	Financial Instruments: Disclosures	✓		
	Amendment to PFRS 7: Disclosures, Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendment to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendment to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendment to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)		✓	
	Classification and Measurement (2010 version)		✓	
	PFRS 9, Financial Instruments (2014 or final version)		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions	✓		
	PFRS 10 and PAS 28, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		✓	
<b>PFRS 12 (Amended)</b>	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Clarification of Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓	
<b>PFRS 16</b>	Leases		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 1: Presentation of Financial Statements Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7 (Amended)</b>	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12 (Amended)</b>	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 14</b>	Regulatory Deferral Accounts		✓	
<b>PAS 16</b>	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			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Employee Benefits, Discount Rate: Regional Market Issue			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27</b>	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
<b>PAS 28 (Amended)</b>	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		✓	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	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	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34 (Amended)</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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			✓
<b>PAS 40 (Amended)</b>	Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property		✓	
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants		✓	
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 7</b>	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
<b>IFRIC 8</b>	<i>Scope of PFRS 2</i>			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	<i>Interim Financial Reporting and Impairment</i>			✓
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	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			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate		✓	
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-21</b>	Income Taxes - Recovery of Revalued Non- Depreciable Assets			✓





<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.



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

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**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDENDS DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Unappropriated Retained Earnings of the Parent Company,</b>	
<b>January 1, 2016</b>	<b>₱1,204,840,339</b>
Adjustments	—
<b>Unappropriated Retained Earnings,</b>	
<b>as adjusted January 1, 2016</b>	<b>1,204,840,339</b>
<b>Net income based on the face of audited financial statements</b>	<b>2,108,804,697</b>
Less: Non-actual/unrealized income net of tax:	
Equity in net income of an associate	—
Unrealized foreign exchange gain - net	—
Unrealized actuarial gain	15,780,561
Fair value adjustment (marked-to-market gains)	—
Fair value adjustment of investment properties resulting to gain	—
Adjustment due to deviation from PFRS/GAAP - gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Add: Non-actual/unrealized losses net of tax:	
Depreciation on revaluation increment	—
Adjustment due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment properties	—
<b>Net income actual/realized</b>	<b>2,093,024,136</b>
Less: Appropriations during the year	230,000,000
Dividend declarations during the year	872,550,000
<b>Total Parent Company Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2016</b>	<b>₱2,195,314,475</b>



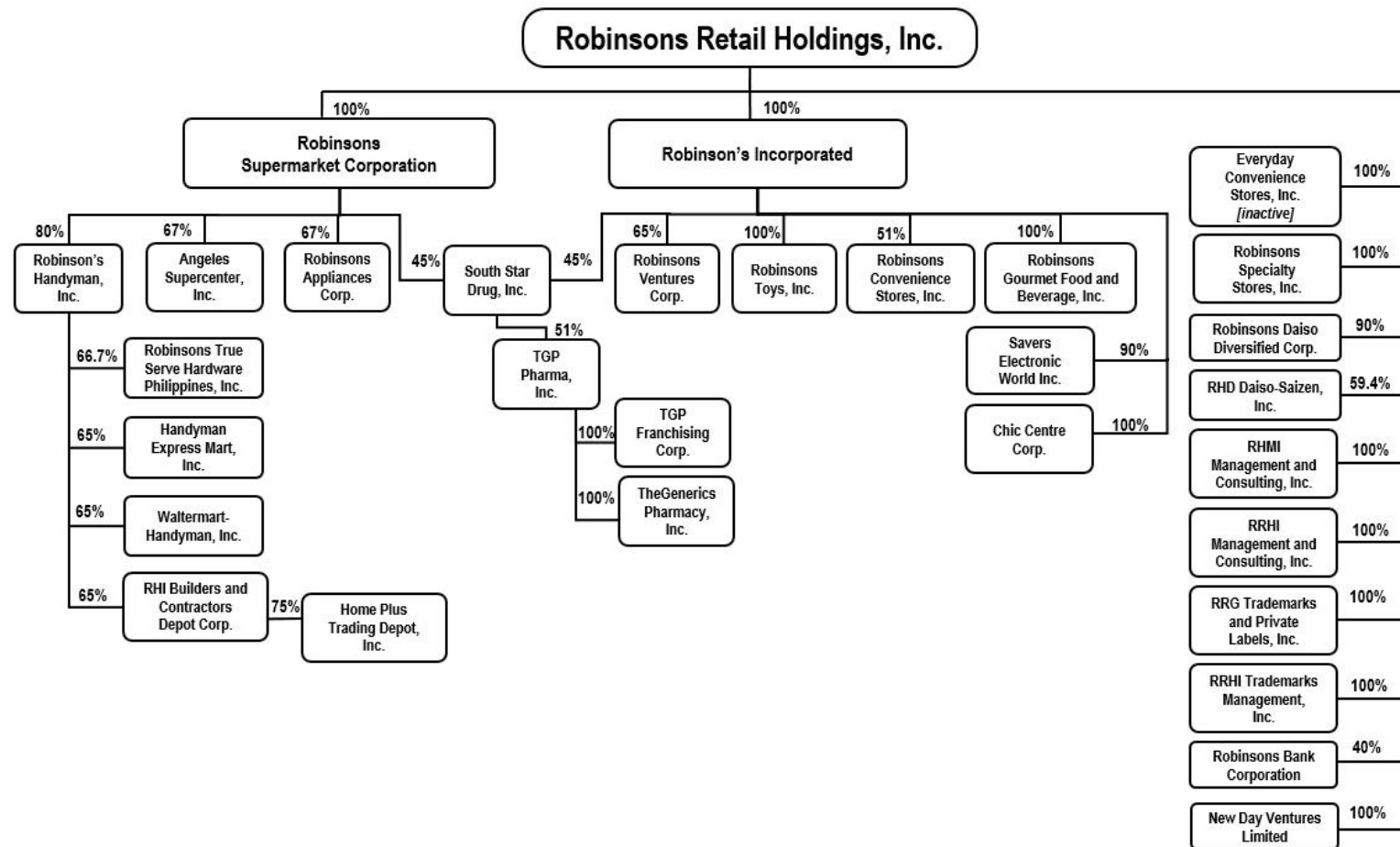
## ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

### MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2016

#### Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2016:



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

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Financial Soundness Indicator	2016	2015
i. Liquidity ratio:		
Current ratio	<b>1.24</b>	1.28
ii. Profitability ratio:		
Gross profit margin	<b>0.22</b>	0.22
Return on assets	<b>0.07</b>	0.07
Return on equity	<b>0.11</b>	0.11
iii. Stability ratio:		
Solvency ratio	<b>0.28</b>	0.32
Debt to equity ratio	<b>0.52</b>	0.43
Asset to equity ratio	<b>1.52</b>	1.43
Interest rate coverage ratio	<b>63.48</b>	321.29

*\*See attached reporting computation.*



**ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015**

	2016	2015
Current assets	<b>₱30,232,287,219</b>	₱23,802,224,175
Current liabilities	<b>24,477,871,631</b>	18,525,837,005
Current ratio	<b>1.24</b>	1.28
Gross profit	<b>23,026,280,226</b>	19,749,042,342
Net sales	<b>105,293,324,032</b>	90,882,627,706
Gross profit margin	<b>0.22</b>	0.22
After tax net profit	<b>5,195,728,303</b>	4,577,166,286
Depreciation and amortization	<b>2,038,230,133</b>	1,647,365,077
	<b>7,233,958,436</b>	6,224,531,363
Total liabilities	<b>26,129,506,600</b>	19,654,349,623
Solvency ratio	<b>0.28</b>	0.32
Total liabilities	<b>26,129,506,600</b>	19,654,349,623
Total equity	<b>50,565,545,029</b>	45,505,275,850
Debt to equity ratio	<b>0.52</b>	0.43
Total assets	<b>76,695,051,629</b>	65,159,625,473
Total equity	<b>50,565,545,029</b>	45,505,275,850
Asset to equity ratio	<b>1.52</b>	1.43
Earnings before interest and taxes	<b>5,492,885,079</b>	4,728,840,722
Interest expense	<b>86,533,530</b>	14,718,429
Interest rate coverage ratio	<b>63.48</b>	321.29
Net income	<b>5,195,728,303</b>	4,577,166,286
Average total assets	<b>70,927,338,551</b>	61,327,797,712
Return on assets	<b>0.07</b>	0.07
Net income	<b>5,195,728,303</b>	4,577,166,286
Average total equity	<b>48,035,410,440</b>	43,371,186,496
Return on equity	<b>0.11</b>	0.11



## REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors  
Robinsons Retail Holdings, Inc.  
110 E. Rodriguez Jr. Avenue  
Libis, Quezon City

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at December 31, 2016 on the application of proceeds from the Initial Public Offering (IPO) of Robinsons Retail Holdings, Inc. (the Company) on November 11, 2013. The procedures were performed solely to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the accuracy of the information being represented by the Company relating to the application of proceeds whenever a report is submitted to the PSE. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, "*Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*" applicable to agreed-upon procedures engagements. These agreed-upon procedures and results thereof are summarized as follows:

1. Checked the mathematical accuracy of the Annual Progress Report on the Application of Proceeds from IPO (the Report) as at December 31, 2016, and agreed the amounts for expansion of store network, renovation of existing stores, repayment of bank loans and other corporate purposes to the related schedules.
2. Obtained the schedules of capitalized cost for expansion of store networks, renovation of existing stores and other corporate purposes during the period January 1, 2016 to December 31, 2016 totaling P5.11 billion and checked the mathematical accuracy of the schedules. On a test basis, we traced certain items of the capitalized costs to the accounting records and supporting documents.
3. Obtained the supporting documents for the payment of P68 million to Metrobank and Trust Company (MBTC) related to the repayment of bank loans and agreed the amount to the accounting records and supporting documents.

We report our findings below:

1. With respect to item 1, we found it to be mathematically correct and the amounts agreed to the respective schedules. We also noted that the amounts in the schedules consist of acquisitions and/or payments recorded in the Company's records for the period January 1, 2016 to December 31, 2016.
2. With respect to item 2, we found the schedules to be in order and mathematically correct. The capitalized items tested, on a sample basis, agreed with the accounting records and supporting documents.
3. With respect to item 3, we obtained the official receipts issued by MBTC for the payments of the bank loans of South Star Drug, Inc., a subsidiary, amounting to P68 million. The amount recorded agreed with the supporting documents.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSAs) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the use of proceeds from the IPO based on the said standards.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the updated report on the Company's use of proceeds from the IPO and items specified above and do not extend to any financial statements of Robinsons Retail Holdings, Inc., taken as whole.

SYCIP GORRES VELAYO & CO.

*Wenda Lynn M. Loyola*

Wenda Lynn M. Loyola  
Partner

CPA Certificate No. 109952

SEC Accreditation No. 1540-A (Group A),

March 8, 2016, valid until March 8, 2019

Tax Identification No. 242-019-387

BIR Accreditation No. 08-001998-117-2016,

February 15, 2016, valid until February 14, 2019

PTR No. 5908712, January 3, 2017, Makati City

January 12, 2017

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

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### **USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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

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

For the year ended December 31, 2016, the application of the net proceeds is broken as follows:

<b>Use of Proceeds</b>	<b>Amount in Pesos</b>
Expansion of store network	₱4,050,755,671
Renovation of existing stores	800,094,080
Repayment of bank loans	68,044,997
Other corporate purposes	264,038,488
Total	₱5,182,933,236