

PART 1 – FINANCIAL INFORMATION

Item 1 – Financial Statements

- A. Unaudited Consolidated Statements of Financial Position as of June 30, 2022 and Audited Consolidated Statements of Financial Position as of December 31, 2021.
- B. Unaudited Consolidated Statements of Comprehensive Income for the six months ended June 30, 2022 and 2021.
- C. Unaudited Consolidated Statements of Changes in Equity for the six months ended June 30, 2022 and 2021.
- D. Unaudited Consolidated Statements of Cash Flow for the six months ended June 30, 2022 and 2021
- E. Notes to Unaudited Consolidated Financial Statements

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)

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

corpsec@robinsonretail.com.ph

Company's Telephone Number

8635-0751

Mobile Number

0998-8465-086

No. of Stockholders

44

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@
robinsonretail.ph

Telephone Number/s

8635-0751 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

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	P13,145,719,095	P16,170,113,685
Trade and other receivables (Notes 8, 24 and 27)	2,676,161,228	2,666,782,371
Merchandise inventories (Note 9)	26,198,818,796	25,089,664,818
Other current assets (Note 10)	2,647,997,452	2,989,394,827
Total Current Assets	44,668,696,571	46,915,955,701
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	9,460,686,910	11,625,932,652
Property and equipment (Note 12)	17,852,572,405	17,620,046,547
Right-of-use assets (Note 28)	23,022,812,611	22,639,146,437
Investment in associates (Note 13)	9,956,995,210	8,896,140,540
Intangible assets (Notes 14 and 19)	22,645,995,557	22,672,126,571
Deferred tax assets - net (Note 25)	1,425,392,977	1,349,858,212
Retirement plan asset (Note 23)	60,145,963	52,783,819
Other noncurrent assets (Notes 15 and 27)	2,329,373,524	2,462,292,120
Total Noncurrent Assets	86,753,975,157	87,318,326,898
	P131,422,671,728	P134,234,282,599
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	P20,135,379,939	P21,215,751,761
Short-term loans payable (Notes 17 and 27)	7,704,000,000	7,734,000,000
Lease liabilities - current portion (Note 27 and 28)	3,273,468,037	2,965,059,293
Income tax payable	186,333,387	228,549,613
Other current liabilities (Note 27)	377,825,333	382,355,834
Total Current Liabilities	31,677,006,696	32,525,716,501
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 27 and 28)	23,328,681,629	22,867,675,695
Deferred tax liabilities - net (Note 25)	2,076,418,313	2,026,461,753
Retirement obligation (Note 23)	385,082,210	301,711,029
Total Noncurrent Liabilities	25,790,182,152	25,195,848,477
Total Liabilities	57,467,188,848	57,721,564,978
Equity (Note 18)		
Capital stock	1,576,489,360	1,576,489,360
Additional paid-in capital	40,768,202,897	40,768,202,897
Treasury stock	(5,097,605,045)	(3,616,057,963)
Other comprehensive income (Notes 11, 13 and 23)	(316,679,733)	442,697,037
Equity reserve	(769,811,121)	(995,284,977)
Retained earnings		
Appropriated	23,965,752,847	23,965,752,847
Unappropriated	9,593,679,007	9,827,278,268
Total equity attributable to equity holders of the Parent Company	69,720,028,212	71,969,077,469
Non-controlling interest in consolidated subsidiaries	4,235,454,668	4,543,640,152
Total Equity	73,955,482,880	76,512,717,621
	P131,422,671,728	P134,234,282,599

See accompanying Notes to Consolidated Financial Statements.

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

	For the Three Months Ended June 30 (Unaudited)		For the Six Months Ended June 30 (Unaudited)	
	2022	2021	2022	2021
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	P42,943,523,251	P35,831,900,831	P82,366,533,350	P71,447,710,056
COST OF MERCHANDISE SOLD (Notes 6 and 9)	32,710,799,261	27,676,864,166	63,048,927,649	55,129,138,728
GROSS PROFIT (Note 6)	10,232,723,990	8,155,036,665	19,317,605,701	16,318,571,328
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 24 and 29)	282,342,219	204,127,922	572,778,456	410,489,507
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	10,515,066,209	8,359,164,587	19,890,384,157	16,729,060,835
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	(8,471,474,858)	(7,189,701,050)	(16,258,057,609)	(14,396,805,445)
OTHER INCOME (CHARGES)				
Interest income (Notes 6, 7 and 11)	77,302,377	119,822,955	179,361,682	250,709,178
Equity in net earnings in associates (Notes 6 and 13)	113,643,653	81,166,596	172,651,278	135,000,369
Dividend income (Notes 6 and 11)	43,038,713	14,434,067	85,971,297	28,868,133
Interest expense (Notes 6, 17 and 28)	(478,155,577)	(477,640,934)	(968,662,222)	(1,011,666,404)
Foreign currency exchange gain (losses) (Note 6)	253,180,182	25,209,278	304,455,391	61,581,305
Others (Notes 6 and 14)	20,347,597	(676,312)	182,616,702	20,638,741
	29,356,945	(237,684,350)	(43,605,872)	(514,868,678)
INCOME BEFORE INCOME TAX (Note 6)	2,072,948,296	931,779,187	3,588,720,676	1,817,386,712
PROVISION FOR INCOME TAX (Note 25)				
Current	439,533,337	276,622,079	774,546,103	367,997,307
Deferred	(51,819,552)	(96,146,425)	(147,460,368)	(322,137,715)
	387,713,785	180,475,654	627,085,735	45,859,592
NET INCOME	1,685,234,511	751,303,533	2,961,634,941	1,771,527,120
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of debt and equity financial assets (Note 11)	(153,769,743)	(3,235,562)	(359,602,247)	(9,308,036)
Share in change in fair value of debt and equity financial assets on associates (Note 13)	978,593,144	203,310,688	229,702,893	(172,517,958)
Share in change in translation adjustment in associates (Note 13)	6,985,779	1,608,637	(5,471,262)	10,745,319
Cumulative translation adjustment	(295,787)	1,674,104	23,959,502	14,356,208
Income tax effect	(248,553,781)	(51,229,829)	(56,057,908)	40,443,160
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Changes in fair value equity securities at FVOCI (Note 11)	(470,706,623)	(8,382,500)	(585,479,833)	15,567,500
Share in actuarial gains (loss) on retirement obligation in associates (Note 13)	—	—	(8,636,198)	8
Income tax effect	2,159,050	14,151,274	2,159,050	1,862,306
	114,412,039	157,896,812	(759,426,003)	(98,851,493)
TOTAL COMPREHENSIVE INCOME	P1,799,646,550	P909,200,345	P2,202,208,938	P1,672,675,627

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net income attributable to:				
Equity holders of the Parent Company	P1,557,295,821	P723,886,780	P2,736,910,972	P1,669,051,531
Non-controlling interest in consolidated subsidiaries	127,938,690	27,416,753	224,723,969	102,475,589
	P1,685,234,511	P751,303,533	P2,961,634,941	P1,771,527,120
Total comprehensive income attributable to:				
Equity holders of the Parent Company	P1,671,707,860	P881,781,101	P1,977,534,202	P1,572,221,062
Non-controlling interest in consolidated subsidiaries	127,938,690	27,419,244	224,674,736	100,454,565
	P1,799,646,550	P909,200,345	P2,202,208,938	P1,672,675,627
Basic/Diluted Earnings Per Share (Note 26)	1.04	0.47	1.83	1.08

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										
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13,and 23)	Retained Earnings			Non-controlling Interest inc Consolidated Subsidiaries (Note 18)	Total	
					Equity Reserve (Note 18)	Appropriated (Note 18)	Unappropriated (Note 18)			
For the Six Months Ended June 30, 2022 (Unaudited)										
Balance at beginning of year	₱1,576,489,360	₱40,768,202,897	(₱3,616,057,963)	₱442,697,037	(₱995,284,977)	₱23,965,752,847	₱9,827,278,268	₱71,969,077,469	₱4,543,640,152	₱76,512,717,621
Net income	—	—	—	—	—	—	2,736,910,972	2,736,910,972	224,723,969	2,961,634,941
Other comprehensive income	—	—	—	(759,376,770)	—	—	—	(759,376,770)	(49,233)	(759,426,003)
Total comprehensive income	—	—	—	(759,376,770)	—	—	2,736,910,972	1,977,534,202	224,674,736	2,202,208,938
Dividends declared	—	—	—	—	—	—	(2,984,905,600)	(2,984,905,600)	(98,000,100)	(3,082,905,700)
Acquisition of non-controlling interest	—	—	—	—	225,473,856	—	—	225,473,856	(434,860,120)	(209,386,264)
Realized FV changes from disposal of equity securities	—	—	—	—	—	—	14,395,366	14,395,366	—	14,395,366
Purchase of treasury shares	—	—	(1,481,547,082)	—	—	—	—	(1,481,547,082)	—	(1,481,547,082)
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱5,097,605,045)	(₱316,679,733)	(₱769,811,121)	₱23,965,752,847	₱9,593,679,007	₱69,720,028,212	₱4,235,454,668	₱73,955,482,880
For the Six Months Ended June 30, 2021 (Unaudited)										
Balance at beginning of year	₱1,576,489,360	₱40,768,202,897	(₱810,018,635)	₱434,295,080	(₱995,284,977)	₱27,852,852,847	₱4,225,869,025	₱73,052,405,597	₱4,537,828,656	₱77,590,234,253
Net income	—	—	—	—	—	—	1,669,051,531	1,669,051,531	102,475,589	1,771,527,120
Other comprehensive income	—	—	—	(96,830,469)	—	—	—	(96,830,469)	(2,021,024)	(98,851,493)
Total comprehensive income	—	—	—	(96,830,469)	—	—	1,669,051,531	1,572,221,062	100,454,565	1,672,675,627
Purchase of treasury shares	—	—	(1,519,502,587)	—	—	—	—	(1,519,502,587)	—	(1,519,502,587)
Dividends	—	—	—	—	—	—	(2,813,524,076)	(2,813,524,076)	(166,600,174)	(2,980,124,250)
Balance at end of year	₱1,576,489,360	₱40,768,202,897	(₱2,329,521,222)	₱337,464,611	(₱995,284,977)	₱27,852,852,847	₱3,081,396,481	₱70,291,599,997	₱4,471,683,047	₱74,763,283,044

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30	
	(Unaudited)	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱3,588,720,676	₱1,817,386,712
Adjustments for:		
Depreciation and amortization (Notes 6, 12, 14, 21 and 28)	3,565,258,293	3,391,187,924
Interest expense (Notes 6, 17 and 28)	968,662,222	1,011,666,404
Retirement expense (Notes 22 and 23)	100,184,896	126,377,908
Provision for inventory obsolescence (Note 9)	19,196,235	10,684,649
Provision for (reversal of) expected credit losses (Notes 8 and 11)	220,054	1,076,192
Unrealized foreign currency exchange loss (gain) - net (Note 6)	(304,455,391)	(61,581,305)
Gain on sale of debt instruments at FVOCI (Note 11)	12,330,956	(20,873,207)
Equity in net earnings in associates (Notes 6 and 13)	(172,651,278)	(135,000,369)
Dividend income (Notes 6 and 11)	(85,971,297)	(28,868,133)
Interest income (Notes 6, 7 and 11)	(179,361,682)	(250,709,178)
Operating income before working capital changes	7,512,133,684	5,861,347,597
Decrease (increase) in:		
Trade and other receivables	(5,982,108)	668,260,807
Merchandise inventories	(1,128,350,213)	(361,579,417)
Other current assets	341,397,376	(244,471,171)
Increase (decrease) in:		
Trade and other payables	(934,747,697)	(3,292,063,860)
Other current liabilities	(4,530,500)	105,066,210
Net cash flows generated from operations	5,779,920,542	2,736,560,166
Interest received	215,224,334	276,950,381
Retirement contributions and benefits paid (Note 23)	(24,175,861)	(31,141)
Income tax paid	(816,762,329)	(569,872,860)
Net cash flows (used in) provided by operating activities	5,154,206,686	2,443,606,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in associates (Note 13)	(713,473,449)	(33,895,680)
Debt and equity instrument financial assets (Note 11)	(207,445,972)	(322,468,828)
Property and equipment (Note 12)	(1,742,853,347)	(897,811,584)
Proceeds from disposals of debt and equity instrument financial assets (Note 11)	1,713,835,494	4,068,994,321
Dividends received (Note 11)	85,971,297	28,868,133
Acquisition of non-controlling interest	(209,386,260)	—
Decrease (increase) in other noncurrent assets	132,918,596	(38,844,058)
Net cash flows provided by (used in) investing activities	(940,433,641)	2,804,842,304

	Six Months Ended June 30 (Unaudited)	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments (Notes 17 and 30)	₱2,780,000,000	₱950,000,000
Interest paid (Notes 17 and 30)	(74,271,574)	(88,874,196)
Dividends paid	(3,082,905,700)	(2,980,124,250)
Acquisition of own shares (Note 18)	(1,481,547,082)	(1,519,502,587)
Payment of loans (Notes 17 and 30)	(2,810,000,000)	(5,225,000,000)
Lease payments (Notes 28 and 30)	(2,571,187,467)	(2,319,253,107)
Net cash flows used in financing activities	(7,239,911,823)	(11,182,754,140)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	1,744,188	(839,681)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,024,394,590)	(5,935,144,971)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,170,113,685	21,338,418,561
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱13,145,719,095	₱15,403,273,590

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

As of June 30, 2022, the Parent Company is 32.64% owned by JE Holdings, Inc., 25.53% owned by PCD Nominee Corporation, 21.23% by Dairy Farm International Holdings, Ltd. through its subsidiary GCH Investments Pte. Ltd., and the rest by the public.

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

2. Basis of Preparation

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements as of June 30, 2022 and December 31, 2021 and for each of the three (3) years in the period ended June 30, 2022 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					
	2022		2021		2020	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Robinson’s Supermarket Corporation (RSC)	100.00%	—	100.00%	—	100.00%	—
Consolidated Global Imports, Inc. (CGII)	—	100.00%	—	100.00%	—	—
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	—	100.00%	—	60.00%	—	60.00%
Robinsons Appliances Corp. (RAC)	—	67.00%	—	67.00%	—	67.00%
Robinsons Ventures Corporation (RVC)	—	65.00%	—	65.00%	—	65.00%
Savers Electronic World, Inc. (SEWI)	—	90.00%	—	90.00%	—	90.00%
Super50 Corporation (Super50)	—	51.00%	—	51.00%	—	51.00%
Vkd Holdings, Inc. (VHI)	—	100.00%	—	—	—	—
Jose M. Barretto, Sr. Holdings Corporation (JMBHC)	—	—	—	—	—	100.00%

Investee Companies	Effective Percentages of Ownership					
	2022		2021		2020	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
(Forward)						
South Star Drug, Inc. (SSDI)	—	90.00%	—	90.00%	—	90.00%
TGP Pharma, Inc. (TGPPI)	—	45.90%	—	45.90%	—	45.90%
TheGenerics Pharmacy Inc. (TPI)	—	45.90%	—	45.90%	—	45.90%
Rose Pharmacy, Inc. (RPI)	—	90.00%	—	90.00%	—	90.00%
Robinson's Handyman, Inc. (RHMI)	—	80.00%	—	80.00%	—	80.00%
Handyman Express Mart, Inc. (HEMI)	—	52.00%	—	52.00%	—	52.00%
Waltermart-Handyman, Inc. (WHI)	—	52.00%	—	52.00%	—	52.00%
Robinsons True Serve Hardware Philippines, Inc. (RTSHPI)	—	53.33%	—	53.33%	—	53.33%
RHI Builders and Contractors Depot Corp. (RHIB)	—	53.60%	—	53.60%	—	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	—	40.20%	—	40.20%	—	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	—	80.00%	—	80.00%	—	80.00%
Angeles Supercenter, Inc. (ASI)	—	—	—	—	—	—
Everyday Convenience Stores, Inc. (ECSI)	100.00%	—	100.00%	—	100.00%	—
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	—	90.00%	—	90.00%	—
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	—	59.40%	—	59.40%	—
RHMI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Management and Consulting, Inc.	100.00%	—	100.00%	—	100.00%	—
RRG Trademarks and Private Labels, Inc.	100.00%	—	100.00%	—	100.00%	—
RRHI Trademarks Management, Inc. (RRHI-TMI)	100.00%	—	100.00%	—	100.00%	—
New Day Ventures Limited (NDV Limited)	100.00%	—	100.00%	—	100.00%	—
Rustan Supercenters, Inc. (RSCI)	—	—	—	—	—	—
Robinson's, Incorporated (RI)	—	—	—	—	—	—
Robinsons Ventures Corporation (RVC)	—	—	—	—	—	—
Robinsons Toys, Inc. (RTI)	—	—	—	—	—	—
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	—	—	—	—	—	—
South Star Drug, Inc. (SSDI)	—	—	—	—	—	—
TGP Pharma, Inc. (TGPPI)	—	—	—	—	—	—
TGP Franchising Corp. (TFC)	—	—	—	—	—	—
TheGenerics Pharmacy Inc. (TPI)	—	—	—	—	—	—
Robinsons Gourmet Food and Beverages, Inc. (RGFBI)	—	—	—	—	—	—
Savers Electronic World, Inc. (SEWI)	—	—	—	—	—	—
Chic Centre Corporation (CCC)	—	—	—	—	—	—
Super50 Corporation (Super50)	—	—	—	—	—	—

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

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2022 and December 31, 2021. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and

- The Parent Company's voting rights and potential voting rights

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

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

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

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

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

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

Investments and Acquisitions

On June 1, 2022, RSC made an additional investment to VHI amounting to ₱121.0 million increasing its share from 30% to 100%. VHI is a holding company whose principal activity is to engage in business of holding, selling and assigning, transfer and exchange of real property and personal property of any kind.

In February 2022, NDV acquired 20% ownership in Super Pumped Pte. Ltd. (Super Pumped) for a total consideration ₱61.61 million. Super Pumped is incorporated in Singapore.

In February 2022, RSC acquired Ministop Japan's (MSJ) 40% stake in RCSI, increasing its share from 60% to 100%. RCSI is the exclusive franchisee of Ministop in the Philippines.

On June 15, 2021, RSC acquired 250,000 common shares, representing 100% ownership of CGII for a total consideration of ₱23.68 million. Net assets of CGII at the date of acquisition amounted to ₱23.82 million. CGII is in the business of retail and wholesale of goods.

In December 2021, RSC acquired 30% ownership in VHI for a total consideration ₱40.87 million.

On December 28, 2021, the Parent Company acquired 20.0% ownership interest in GoTyme Bank Corporation (GoTyme) or 200 million shares for a total consideration amounting to ₱200.00 million or ₱1.00 per share. GoTyme's principal activity is to carry on and engage in the business of a digital bank. GoTyme is incorporated in the Philippines. Accordingly, the Group accounted the investment in GoTyme under investment in associates (Note 13).

On June 3, 2021, NDV acquired 24.25% ownership interest in HD Retail Holding Pte. Ltd. (HD Retail) or 7,275 shares for a total consideration amounting to ₱179.07 million or ₱24,615.00 per share. HD Retail's principal activity is to operate as a hard discount store. HD Retail is incorporated in Singapore. Accordingly, the Group accounted the investment in HD Retail as an investment in an associate (Note 13).

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

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

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

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

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

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

Mergers

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

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

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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2021. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

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

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

The Group adopted the amendments beginning January 1, 2021. The amendments have no significant impact on the consolidated financial statements.

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 financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

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

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

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

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

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. The standard will have no impact on the consolidated financial statements.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred Effectivity

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

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

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

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

4. Summary of Significant Accounting Policies

Revenue from Contracts with Customers

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

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

Sale of Goods - Retail Customers

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

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

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

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

Sale of Goods - Wholesale Market

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

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

A receivable is recognized when the goods are shipped to the customer's specific location as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of Loyalty Points and Gift Checks

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

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

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

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

Sale of Merchandise - Franchisees

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

Franchise Revenue

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

Royalty Fee

Royalty fee is recognized every month based on the percentage of gross profit of the franchisees.

Contract Balances

Receivables

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

Contract Liabilities

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement

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

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

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

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

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

Subsequent Measurement

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

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

Financial Assets at Amortized Cost (Debt Instruments). The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As of June 30, 2022 and December 31, 2021, the Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables and refundable security deposits included under 'Other noncurrent assets'.

FVOCI (Debt Instruments). The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As of June 30, 2022 and December 31, 2021, the Group's debt instruments at FVOCI includes investments in quoted debt instruments.

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

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

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

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

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

As of June 30, 2022 and December 31, 2021, the Group's financial assets at FVTPL includes investments in debt instruments which contain loss absorption feature.

Impairment of Financial Assets

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

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

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

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

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

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

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

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

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

- Probability-of-default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) - an estimate of the loss arising in case where defaults occur at a given time. It is based on the difference between the contractual cash flow due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.

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

ECL measurement is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about

past events, current conditions and forecasts of future economic conditions. Experienced credit judgment is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information (e.g. inflation rate and consumer price index) and scenarios shall consider factors that may affect the general economic or market conditions in which the Group operates.

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

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

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

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

Financial Liabilities

Initial Recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVPL, includes transaction costs.

As of June 30, 2022 and December 31, 2021, the financial liabilities of the Group are classified as other financial liabilities.

Subsequent Measurement

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

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

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

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized

amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Financial Liability

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Merchandise Inventories

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

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

Investment in Associates

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

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The profit or loss reflects the share of the results of the operations of the associates reflected a "Equity in net earnings of associates" under "Other income (charges)" in the consolidated statement of comprehensive income. Goodwill relating to associate is included in the carrying amount of the investment and is not amortized. The Group's share in the investees' post acquisition movements in the investees' equity reserves is recognized directly in equity. Profit and losses resulting from transactions between the Group and the associates are

eliminated to the extent of the interest in the associate and for unrealized losses to the extent that there is no evidence of impairment of the assets transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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

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

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

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

Business Combination and Goodwill

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

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

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

Any contingent consideration to be transferred by the Group will be recognized at fair value at the

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

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

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

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

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

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

Combination of Entities under Common Control

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

Acquisition of Assets

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Licenses

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

Trademarks

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

Franchise

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

Impairment of Nonfinancial Assets

This accounting policy primarily applies to the Group’s property and equipment, ROU assets, investment in associates and intangible assets.

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated

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

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

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

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

Investment in Associates

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

Impairment Testing of Goodwill and Trademarks

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

The Group performed its annual impairment test for the years ended December 31, 2021 and 2020. The CGU are concluded to be the entire entities acquired by the Group. The impairment testing may be performed at any time in the annual reporting period, but it must be performed at the same time every year and when circumstances indicate that the carrying amount is impaired. The impairment testing also requires an estimation of the recoverable amount, which is the net selling price or value-in-use of the CGU to which the goodwill and intangibles are allocated.

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

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

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

Retirement Cost

Defined Benefit Plan

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Value-Added Taxes (VAT)

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

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

Creditable Withholding Taxes (CWT)

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

Income Tax

Current Tax

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

Deferred Tax

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

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

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

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

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

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

Capital Stock

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

Equity Reserve

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

Retained Earnings

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

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in profit or loss in the consolidated statement of comprehensive income for the year in accordance with PFRS. The Group's OCI pertains to unrealized gains or losses arising from debt instruments financial assets which can be recycled to profit or loss in the consolidated statement of comprehensive income and equity instruments financial assets which cannot be recycled to profit or loss and remeasurement gain or losses on retirement obligation.

Treasury Shares

Treasury shares are own equity instruments which are reacquired, recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation, if reissued, is recognized in APIC (Note 18). 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.

Leases

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

Group as a Lessee

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

ROU assets. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and

estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

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

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

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

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

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

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

Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income. 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 Bankers Association of the Philippines (BAP) closing rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

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

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

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 June 30, 2022 and December 31, 2021 and 2020 (Note 26).

Provisions

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

Contingencies

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

Segment Reporting

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3

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

Determination of lease term of contracts with renewal and termination options - Company as a lessee

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

Right to Access - Performance Obligation Satisfied Over Time

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

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

Determination if Consideration Received from Suppliers is Not Distinct

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

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

Under PFRS 15, considerations received from the suppliers under normal trade agreements are treated as only one performance obligation and the considerations received are deducted to cost of merchandise sold.

Accounting for Investment in G2M through Convertible Note

The Group has investments in G2M Solutions Philippines Pte. Ltd. through convertible note which will provide the Group 14.07% ownership interest, respectively, upon conversion of the note. The Group assessed that it has significant influence as evidenced by provision of technical information, board seats and service agreement in the term sheet. Thus, the investments are accounted for as investments in associates.

Determination of Control

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

The following were also considered:

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

Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial

position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 31).

Estimates and Assumptions

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

Recoverability of Goodwill and Trademarks

In the course of the Group's business combinations, goodwill and trademarks were acquired (Note 14). These assets have indefinite useful lives.

The Group performed its annual impairment test as at December 31, 2021 and 2020. The recoverable amounts of the CGUs have been determined based on value in use (VIU) and enterprise value or earnings before interest, taxes, depreciation and amortization (EV/EBITDA) multiple calculations.

As of December 31, 2021 and 2020, below are the CGUs from which trademarks with indefinite useful life are allocated and tested for annual impairment:

	Basis	Amount
RSCI	VIU	₱3,205,411,607
SSDI	VIU	1,566,917,532
RPI	VIU	1,514,575,531
TGPPI	VIU	1,264,098,435
SEWI	VIU	364,914,493
		₱7,915,917,598

As of December 31, 2021 and 2020, below are the CGUs from which goodwill is allocated and tested for annual impairment:

	Basis	2021	2020
RSCI	VIU	₱9,109,386,061	₱9,109,386,061
RPI	EV/EBITDA	2,343,614,826	—
TGPPI	EV/EBITDA	1,281,428,830	1,281,428,830
SSDI	EV/EBITDA	745,887,131	745,887,131
SEWI	VIU	715,103,869	715,103,869
Eurogrocer Corporation	EV/EBITDA	199,870,222	199,870,222
RHIB	VIU	145,655,320	145,655,320
RTSHPI	EV/EBITDA	85,161,468	85,161,468
Jayniths Supermarket	EV/EBITDA	71,732,435	71,732,435
HPTDI	VIU	30,000,000	30,000,000
GNC Pharma Corp.	EV/EBITDA	23,250,000	23,250,000
		₱14,751,090,162	₱12,407,475,336

Value In Use

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

The pre-tax discount rate applied to cash flow projections is 5.76% to 11.40% in 2021 (8.63% to 10.68% in 2020) and cash flows beyond the five-year period are extrapolated using a 1.00% to 5.00% in 2021 growth rate (1.00% to 5.00% in 2020) that is the same as the long-term average growth rate for the respective industries. As a result of this analysis, management concluded that the goodwill and trademarks are not impaired.

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

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

Gross Margins

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

Discount Rates

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

Price Inflation

Forecast price inflation which impacts the forecast for operating expenses lies within a range of 2.25% to 6.00% in 2021 and 2020. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have to recognize an impairment.

Growth Rate Estimates

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

EV/EBITDA Multiple

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

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

In 2021 and 2020, the Group used the EV/EBITDA multiple ranging from 8.10 to 9.40 and 10.69 to 11.20 multiples, respectively, for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

In 2020, the Group impaired goodwill related to acquisition of BSRI amounting to P83.32 million (Note 14).

Leases - Estimating the incremental borrowing rate

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

Provision for ECL of Trade and Other Receivables

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

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

Provision for expected credit losses for the six months ended June 30, 2022 and 2021 amounted to P0.22 million and P2.97 million, respectively. As of June 30, 2022 and December 31, 2021, allowance for expected credit losses on trade and other receivables amounted to P20.32 million and P20.27 million, respectively.

As of June 30, 2022 and December 31, 2021, the carrying value of the Group's trade and other receivables amounted to P2.68 billion and P2.67 billion, respectively (Note 8).

Estimating NRV of Merchandise Inventories

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

The estimate of the NRV is reviewed regularly.

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

Provision for inventory obsolescence for the six months ended June 30, 2022 and 2021 amounted to ₱19.20 million and ₱10.68 million, respectively.

Merchandise inventories amounted to ₱26.20 billion and ₱25.09 billion as of June 30, 2022 and December 31, 2021, respectively (Note 9).

Evaluation of Impairment of Nonfinancial Assets

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

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

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

As of June 30, 2022 and December 31, 2021, the carrying value of the Group's property and equipment amounted to ₱17.85 billion and ₱17.62 billion, respectively (Note 12), ROU assets amounted to ₱23.02 billion and ₱22.64 billion, respectively (Note 28), investment in associates amounted to ₱9.96 billion and ₱8.90 billion, respectively (Note 13) and trademarks and franchise with definite useful life amounted to ₱4.74 million and ₱5.12 million, respectively (Note 14).

Retirement and Other Benefits

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

As of June 30, 2022, the carrying value of the retirement plan amounted to ₱60.15 million asset and ₱385.08 million obligation. As of December 31, 2021, the carrying value of the retirement plan amounted to ₱52.78 million asset and ₱301.71 million obligation.

Recoverability of Deferred Tax Assets

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

As of June 30, 2022 and December 31, 2021, the Group has deferred tax assets amounting ₱1.43 billion and ₱1.35 billion, respectively. Unrecognized deferred tax assets amounted to ₱412.43 million as of June 30, 2022 and December 31, 2021 (Note 25).

Determining Whether the Loyalty Points and Gift Checks Provide Material Rights to Customers

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

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

As of June 30, 2022 and December 31, 2021, contract liabilities arising from gift checks amounted to ₱213.43 million and ₱230.04 million, respectively (Note 16). Contract liabilities are classified under "Trade and other payables".

Determination of Fair Values of Identifiable Assets and Liabilities

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

COVID-19 Pandemic

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

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

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

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

6. Operating Segments

Business Segment

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

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

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

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

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

The Group derives its revenue from the following reportable units:

- *Supermarket Division*

The supermarket division operates under seven (7) formats with the acquisition of Rustan Supercenters, Inc. in 2018. It has Robinsons Supermarket, Robinsons Easymart, Robinsons Selections, The Marketplace, Shopwise, Wellcome, Jaynith's Supermarket and No Brand. Robinsons Supermarket is a major supermarket chain in the country that focuses on health and wellness. It also offers fresh food products at competitive prices and actively encourages consumers to adopt a healthy lifestyle by providing a wide range of high quality health and wellness products. Such products are given a specifically allocated section within each of the supermarkets and are made highly visible to consumers. For the year ended December 31, 2021, the Korean hard discount store No Brand was reclassified to the supermarket division as it offers mostly grocery and food products to consumers.

- *Department Store Division*

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

- *Do-It-Yourself (DIY) Division*

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

- *Convenience Store Division*

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

- *Drug Store Division*

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

- *Specialty Store Division*

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

June 30, 2022

	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	P46,710,720,566	P6,065,263,454	P6,037,019,583	P2,835,250,687	P13,994,144,342	P6,724,134,718	P-	P-	P82,366,533,350
Intersegment net sales	-	-	-	-	-	-	-	-	-
Total net sales	46,710,720,566	6,065,263,454	6,037,019,583	2,835,250,687	13,994,144,342	6,724,134,718	-	-	82,366,533,350
Segment cost of merchandise sold	36,616,648,889	4,216,384,791	4,170,009,460	1,870,525,407	11,183,082,219	4,992,276,883	-	-	63,048,927,649
Intersegment cost of merchandise sold	-	-	-	-	-	-	-	-	-
Total cost of merchandise sold	36,616,648,889	4,216,384,791	4,170,009,460	1,870,525,407	11,183,082,219	4,992,276,883	-	-	63,048,927,649
Gross profit	10,094,071,677	1,848,878,663	1,867,010,123	964,725,280	2,811,062,123	1,731,857,835	-	-	19,317,605,701
Segment other income	287,337,088	12,476,429	-	129,835,793	90,935,994	52,193,152	-	-	572,778,456
Intersegment other income	100,287,181	-	-	-	-	-	-	(100,287,181)	-
Total other income	387,624,269	12,476,429	-	129,835,793	90,935,994	52,193,152	-	(100,287,181)	572,778,456
Gross profit including other income	10,481,695,946	1,861,355,092	1,867,010,123	1,094,561,073	2,901,998,117	1,784,050,987	-	(100,287,181)	19,890,384,157
Segment operating expenses	6,608,627,298	1,454,630,035	1,032,426,013	802,966,685	1,633,846,307	1,147,822,290	12,480,688	-	12,692,799,316
Intersegment operating expenses	-	25,928,710	14,449,346	-	29,350,006	30,559,119	-	(100,287,181)	-
Total operating expenses	6,608,627,298	1,480,558,745	1,046,875,359	802,966,685	1,663,196,313	1,178,381,409	12,480,688	(100,287,181)	12,692,799,316
Earnings before interest, taxes and depreciation and amortization	3,873,068,648	380,796,347	820,134,764	291,594,388	1,238,801,804	605,669,578	(12,480,688)	-	7,197,584,841
Depreciation and amortization	1,748,150,915	326,505,498	493,591,147	246,101,372	334,083,498	416,825,863	-	-	3,565,258,293
Earnings (loss) before interest and taxes	2,124,917,733	54,290,849	326,543,617	45,493,016	904,718,306	188,843,715	(12,480,688)	-	3,632,326,548
Interest income	1,511,185	1,151,786	5,778,528	26,648	1,774,644	2,371,362	166,747,529	-	179,361,682
Equity in net earnings of an associate	-	-	-	-	-	-	172,651,278	-	172,651,278
Dividend income	-	-	-	-	-	-	85,971,297	-	85,971,297
Foreign exchange gain (loss) - net	(4,750,925)	6,571,530	(13,427)	-	(212,248)	149,258	302,711,203	-	304,455,391
Interest expense	(513,200,659)	(79,639,972)	(103,711,774)	(39,055,356)	(111,072,038)	(121,982,423)	-	-	(968,662,222)
Others	106,819,590	-	(22,950,021)	-	1,317,573	-	97,429,560	-	182,616,702
Income before income tax	P1,715,296,924	(17,625,807)	P205,646,923	P6,464,308	P796,526,237	P69,381,912	P813,030,179	P-	P3,588,720,676
Assets and liabilities									
Segment assets	P46,426,083,351	P6,254,180,086	P10,076,612,910	P3,120,374,859	P19,465,223,197	P8,526,146,748	P25,835,903,476	P11,718,147,101	P131,422,671,728
Investment in subsidiaries - at cost	4,614,291,927	3,888,568,592	-	-	-	-	24,132,839,151	(32,635,699,670)	-
Total segment assets	P51,040,375,278	P10,142,748,678	P10,076,612,910	P3,120,374,859	P19,465,223,197	P8,526,146,748	P49,968,742,627	(20,917,552,569)	P131,422,671,728
Total segment liabilities	P28,450,731,562	P7,655,179,928	P4,762,185,107	P2,087,457,466	P11,073,804,034	P4,562,619,272	P1,795,907,687	(P2,920,696,208)	P57,467,188,848
Other segment information:									
Capital expenditures	P1,255,269,476	P129,424,002	P76,500,366	P20,873,839	P178,907,017	P81,878,647	P-	P-	P1,742,853,347

June 30, 2021

	Supermarket Division	Department Store Division	DIY Division	Convenience Store Division	Drug Store Division	Specialty Store Division	Parent Company	Intersegment Eliminating Adjustments	Consolidated
Segment net sales	₱42,167,221,526	₱3,591,484,185	₱5,632,890,643	₱2,433,884,858	₱12,249,503,837	₱5,372,725,007	₱—	₱—	₱71,447,710,056
Intersegment net sales	—	—	—	—	—	—	—	—	—
Total net sales	42,167,221,526	3,591,484,185	5,632,890,643	2,433,884,858	12,249,503,837	5,372,725,007	—	—	71,447,710,056
Segment cost of merchandise sold	33,295,754,311	2,523,203,157	3,794,580,136	1,679,118,930	9,839,310,841	3,997,171,353	—	—	55,129,138,728
Intersegment cost of merchandise sold	—	—	—	—	—	—	—	—	—
Total cost of merchandise sold	33,295,754,311	2,523,203,157	3,794,580,136	1,679,118,930	9,839,310,841	3,997,171,353	—	—	55,129,138,728
Gross profit	8,871,467,215	1,068,281,028	1,838,310,507	754,765,928	2,410,192,996	1,375,553,654	—	—	16,318,571,328
Segment other income	225,332,111	8,355,421	—	104,437,772	55,727,538	16,636,665	—	—	410,489,507
Intersegment other income	52,142,831	—	—	—	—	—	—	(52,142,831)	—
Total other income	277,474,942	8,355,421	—	104,437,772	55,727,538	16,636,665	—	(52,142,831)	410,489,507
Gross profit including other income	9,148,942,157	1,076,636,449	1,838,310,507	859,203,700	2,465,920,534	1,392,190,319	—	(52,142,831)	16,729,060,835
Segment operating expenses	5,668,369,596	1,057,441,835	1,091,074,826	746,774,453	1,461,668,369	967,782,566	12,505,876	—	11,005,617,521
Intersegment operating expenses	—	—	12,554,986	—	29,948,228	9,639,617	—	(52,142,831)	—
Total operating expenses	5,668,369,596	1,057,441,835	1,103,629,812	746,774,453	1,491,616,597	977,422,177	12,505,876	(52,142,831)	11,005,617,515
Earnings before interest, taxes and depreciation and amortization	3,480,572,561	19,194,614	734,680,695	112,429,247	974,303,937	414,768,142	(12,505,876)	—	5,723,443,320
Depreciation and amortization	1,676,364,535	348,952,394	427,932,159	236,755,535	284,952,381	416,230,920	—	—	3,391,187,924
Earnings (loss) before interest and taxes	1,804,208,026	(329,757,780)	306,748,536	(124,326,288)	689,351,556	(1,462,784)	(12,505,876)	—	2,332,255,390
Interest income	3,057,113	1,098,498	3,368,897	117,129	1,869,528	1,616,561	239,581,452	—	250,709,178
Equity in net earnings of an associate	—	—	—	—	—	—	135,000,369	—	135,000,369
Dividend income	—	—	—	—	—	—	28,868,133	—	28,868,133
Foreign exchange gain (loss) - net	(2,174,150)	1,184,644	—	—	143,592	6,233	62,420,986	—	61,581,305
Interest expense	(518,321,973)	(86,020,399)	(122,894,210)	(52,523,857)	(115,641,690)	(116,264,275)	—	—	(1,011,666,404)
Others	—	—	—	—	—	—	20,638,741	—	20,638,741
Income before income tax	1,286,769,016	(413,495,037)	187,223,223	(176,733,016)	575,722,986	(116,104,265)	474,003,805	—	1,817,386,712
Assets and liabilities									
Segment assets	₱45,078,207,790	₱5,561,049,079	₱10,251,371,041	₱3,629,635,002	₱17,739,022,250	₱9,084,035,913	₱23,170,103,814	₱15,612,957,126	₱130,126,382,015
Investment in subsidiaries - at cost	4,590,607,224	3,679,212,333	—	—	—	—	24,132,839,151	(32,402,658,708)	—
Total segment assets	₱49,668,815,014	₱9,240,261,412	₱10,251,371,041	₱3,629,635,002	₱17,739,022,250	₱9,084,035,913	₱47,302,942,965	(₱16,789,701,582)	₱130,126,382,015
Total segment liabilities	₱26,784,830,794	₱6,393,756,291	₱4,882,058,464	₱2,574,517,309	₱10,599,224,470	₱5,235,537,858	(₱2,229,643,274)	₱1,122,817,061	₱55,363,098,973
Other segment information:									
Capital expenditures	₱490,848,642	₱104,962,432	₱73,086,414	₱32,102,942	₱131,954,424	₱64,856,730	₱—	₱—	₱897,811,584

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

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

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

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

7. Cash and Cash Equivalents

This account consists of cash on hand and in banks and cash equivalents amounting to ₱13.15 billion and ₱16.17 billion as of June 30, 2022 and December 31, 2021, 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 0.82% to 1.57% and 0.10% to 0.70% in 2022 and 2021, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱13.76 million, and ₱17.09 million for the six months ended June 30, 2022 and 2021, respectively.

8. Trade and Other Receivables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade (Notes 24 and 27)	₱2,065,890,416	₱2,023,826,043
Nontrade (Notes 24 and 27)	596,230,387	567,232,378
Due from franchisees (Notes 27 and 29)	34,359,380	95,989,313
	2,696,480,183	2,687,047,734
Less allowance for impairment losses (Notes 27 and 29)	20,318,955	20,265,363
	₱2,676,161,228	₱2,666,782,371

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

Nontrade receivables include receivable from insurance companies amounting to ₱56.38 million as of June 30, 2022 and December 31, 2021. The remaining balance consists of operational advances, receivable from lessees and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱20,265,363	₱29,088,209
Provision for impairment losses (Note 21)	220,054	3,278,945
Reversals and write-off	(166,462)	(12,101,791)
Balance at end of year	₱20,318,955	₱20,265,363

9. Merchandise Inventories

The rollforward analysis of this account follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱25,089,664,818	₱22,234,439,282
Acquisition through business combination (Note 19)	—	—
Deconsolidation of a subsidiary (Note 19)	—	—
Add purchases - net of purchase discounts and allowances	64,310,000,037	121,111,258,780
Cost of goods available for sale	89,399,664,855	143,345,698,062
Less Cost of merchandise sold	63,048,927,649	118,101,349,532
Allowance for inventory obsolescence	151,918,410	154,683,712
Balance at end of year	₱26,198,818,796	₱25,089,664,818

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱63.05 billion and ₱55.13 billion for the six months ended June 30, 2022 and 2021, respectively.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱154,683,712	₱143,754,499
Provisions	19,196,235	61,815,286
Write-off	(21,961,537)	(50,886,073)
Balance at end of year	₱151,918,410	₱154,683,712

There are no merchandise inventories pledged as security for liabilities as of June 30, 2022 and December 31, 2021.

10. Other Current Assets

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Input VAT – net	P1,344,185,559	P1,633,710,699
Prepayments	1,303,811,893	1,355,684,128
	P2,647,997,452	P2,989,394,827

Input VAT will be applied against output VAT in the succeeding periods. In 2020, the Group written-off prepayments amounting to P33.47 million.

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

11. Debt and Equity Instrument Financial Assets

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

		June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Debt securities			
FVOCI with recycling	(a)	P6,268,146,564	P7,881,508,445
FVTPL	(b)	294,988,237	143,392,265
		6,563,134,801	8,024,900,710
Equity securities at FVOCI without recycling		2,897,552,109	3,601,031,942
		P9,460,686,910	P11,625,932,652

Debt Securities

- a. The Group's debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 3.68% to 7.88% and term of five (5) to ten (10) years.

Rollforward analysis of debt securities at FVOCI with recycling as of June 30, 2022 and December 31, 2021 follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Amortized cost:		
At beginning of year	P7,724,214,039	P12,504,536,668
Additions	55,850,000	109,130,000
Disposals	(1,622,561,816)	(4,989,806,720)
Foreign exchange gain (loss)	314,202,985	100,354,091
At end of year	6,471,705,208	7,724,214,039
Amortization of discount (premium) on debt securities	25,097,746	40,743,914
Change in fair value of financial assets:		

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of year	126,431,280	344,153,803
Changes in fair value recognized in OCI	(321,105,637)	(178,700,687)
Transfer to profit or loss	(24,101,245)	(39,021,836)
At end of year	(218,775,602)	126,431,280
Allowance for expected credit losses	(9,880,788)	(9,880,788)
	(228,656,390)	116,550,492
	P6,268,146,564	P7,881,508,445

- b. The Group's debt securities at FVTPL as of June 30, 2022 and December 31, 2021 amounting to P294.99 million and P143.39 million, respectively, pertain to investments in Edamama Pte. Ltd., Wholeselect Technology Pte. Ltd. and Quick Commerce Technologies, Inc. Pte. Ltd. through Simple Agreement for Future Equity (SAFE).

The Group's debt securities at FVTPL as of December 31, 2019 pertain to Metrobank Basel III Tier 2 Notes and BDO Tier 2 Notes with fixed interest rate of 5.38% and 5.19%, respectively. The notes will mature on June 27, 2024 and March 10, 2020, respectively.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of year	P143,392,265	P—
Additions	151,595,972	143,392,265
Disposals	—	—
Changes in fair value recognized in profit or loss	—	—
	P294,988,237	P143,392,265

The Group recognized P12.33 million loss and P20.87 million gain on disposal of debt instrument financial assets for the six months ended June 30, 2022 and 2021, respectively.

Interest income arising from debt instrument financial assets amounted to P165.60 million, and P233.62 million for the six months ended June 30, 2022 and 2021, respectively.

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

Equity Securities

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

Rollforward analysis of equity securities at FVOCI without recycling as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost:		
At beginning of year	₱3,195,593,885	₱1,197,500,000
Additions	–	1,998,093,885
Disposals	(103,604,635)	–
	3,091,989,250	3,195,593,885
Change in fair value of equity instrument financial assets:		
At beginning of year	405,438,057	38,320,000
Changes in fair value	(585,479,833)	367,118,057
Disposals	(14,395,365)	–
At end of year	(194,437,141)	405,438,057
	₱2,897,552,109	₱3,601,031,942

Dividend income earned by the Group amounted to ₱85.97 million and ₱28.87 million for the six months ended June 30, 2022 and 2021, respectively.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at the beginning of year	₱532,574,462	₱383,178,928
Change in fair value during the year – OCI	(920,980,835)	188,417,370
Transfers to profit or loss	(24,101,245)	(39,021,836)
Balances at the end of year	(₱412,507,618)	₱532,574,462

12. Property and Equipment

June 30, 2022 (Unaudited)

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	P1,056,774,298	P2,999,038,069	P18,214,228,846	P11,319,593,380	P4,076,007,972	P242,776,411	P4,205,449,282	P42,113,868,258
Additions	426,597,830	90,456,162	512,000,936	196,178,085	333,231,272	941,071	183,447,991	1,742,853,347
Disposals and reclassifications	—	—	(34,088,013)	(17,212,422)	(3,659,093)	(1,364,321)	(831,078)	(57,154,927)
At end of year	1,483,372,128	3,089,494,231	18,692,141,769	11,498,559,043	4,405,580,151	242,353,161	4,388,066,195	43,799,566,678
Accumulated depreciation and amortization								
At beginning of year	—	1,206,200,155	10,877,948,540	7,250,578,744	2,105,137,762	178,823,935	2,660,095,495	24,278,784,631
Depreciation and amortization (Note 21)	—	66,443,050	658,730,130	338,732,602	228,372,911	7,022,564	187,192,943	1,486,494,200
Disposals and reclassifications	—	—	(20,813,942)	(6,051,539)	(3,638,273)	(1,372,080)	(1,445,804)	(33,321,638)
At end of year	—	1,272,643,205	11,515,864,728	7,583,259,807	2,329,872,400	184,474,419	2,845,842,634	25,731,957,193
Allowance for impairment losses								
At beginning and end of year	—	20,608,826	97,266,540	80,584,720	2,296,986	61,458	14,218,550	215,037,080
	P1,483,372,128	P1,796,242,200	P7,079,010,501	P3,834,714,516	P2,073,410,765	P57,817,284	P1,528,005,011	P17,852,572,405

December 31, 2021

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	P1,056,774,298	P2,795,679,695	P17,841,698,056	P11,355,963,198	P3,382,416,501	P220,323,998	P3,825,430,248	P40,478,285,994
Additions	—	199,846,903	963,404,971	258,448,544	636,375,034	4,836,993	394,021,959	2,456,934,404
Disposals and reclassifications	—	3,511,471	(590,874,181)	(294,818,362)	57,216,437	17,615,420	(14,002,925)	(821,352,140)
At end of year	1,056,774,298	2,999,038,069	18,214,228,846	11,319,593,380	4,076,007,972	242,776,411	4,205,449,282	42,113,868,258
Accumulated depreciation and amortization								
At beginning of year	—	984,398,333	10,220,178,910	6,783,376,525	1,613,428,602	163,767,271	2,324,335,055	22,089,484,696
Depreciation and amortization (Note 21)	—	128,841,284	1,397,602,816	646,237,634	459,876,707	14,283,111	354,550,229	3,001,391,781
Disposals and reclassifications	—	92,960,538	(739,833,186)	(179,035,415)	31,832,453	773,553	(18,789,789)	(812,091,846)
At end of year	—	1,206,200,155	10,877,948,540	7,250,578,744	2,105,137,762	178,823,935	2,660,095,495	24,278,784,631
Allowance for impairment losses								
At beginning and end of year	—	20,608,826	97,266,540	80,584,720	2,296,986	61,458	14,218,550	215,037,080
	P1,056,774,298	P1,772,229,088	P7,239,013,766	P3,988,429,916	P1,968,573,224	P63,891,018	P1,531,135,237	P17,620,046,547

On November 9, 2020, RSC acquired 100% ownership of JMBHC for a total consideration amounting to ₱411.77 million. JMBHC's only asset is related to land leased out to RSCI. The transaction is treated as an acquisition of assets. On July 9, 2021, JMBHC was merged with RSC, the surviving entity.

As of June 30, 2022 and December 31, 2021, the Group disposed property and equipment with net book value of ₱23.83 million and ₱9.26 million, respectively. Allowance for impairment losses pertain to closing of non-performing stores. Cost of fully depreciated property and equipment still in use amounted to ₱11.92 billion and ₱10.59 billion as of June 30, 2022 and December 31, 2021, respectively.

There are no property and equipment pledged as security for liabilities as of June 30, 2022 and December 31, 2021.

13. Investment in Associates

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
RBC	₱8,271,050,620	₱7,683,280,929
TCCI	248,911,366	257,340,548
DAVI	77,689,999	147,723,845
G2M	892,300,468	406,154,409
GoTyme	266,917,244	200,000,000
HD Retail	138,514,432	160,775,321
VHI	—	40,865,488
Super Pumped Pte. Ltd.	61,611,081	—
	₱9,956,995,210	₱8,896,140,540

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Shares of stock - at equity:		
At beginning and end of year	₱5,950,238,902	₱5,950,238,902
Accumulated equity in net earnings:		
Balance at beginning of year	2,100,220,505	1,606,623,011
Equity in net earnings	372,174,258	493,597,494
Balance at end of year	2,472,394,763	2,100,220,505
Share in fair value changes of financial assets of RBC:		
Balance at beginning of year	(364,228,122)	89,472,302
Share in fair value changes of financial assets at FVOCI	229,702,893	(453,700,424)
Balance at end of year	(134,525,229)	(364,228,122)
Share in translation loss adjustments:		
Balance at beginning of year	10,531,251	(9,383,496)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Share in translation adjustments	(5,471,262)	19,914,747
Balance at end of year	5,059,989	10,531,251
Share in remeasurement losses on retirement obligation:		
Balance at beginning of year	(13,481,607)	(12,736,532)
Share in remeasurement loss on retirement obligation	(8,636,198)	(745,075)
Balance at end of year	(22,117,805)	(13,481,607)
	P8,271,050,620	P7,683,280,929

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

Summarized financial information of RBC follows:

	2022	2021
Total assets	P175,905,896,712	P179,821,507,669
Total liabilities	155,981,079,964	161,348,226,459

	2022	2021	2020
Net income	P930,435,646	P1,233,993,734	P934,586,917
Other comprehensive income (loss)	574,257,233	(1,134,251,060)	237,875,695

The consolidated statements of comprehensive income follow:

	2022	2021	2020
Total operating income	P5,089,040,269	P9,512,327,791	P8,790,116,183
Total operating expenses and tax	4,158,604,623	8,278,334,057	7,855,529,266
Net income	930,435,646	1,233,993,734	934,586,917
Other comprehensive income (loss)	574,257,233	(1,134,251,060)	237,875,695
Total comprehensive income	P1,504,692,879	P99,742,674	P1,172,462,612
Group's share of profit for the year	P372,174,258	P493,597,494	P373,834,767

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Net assets of RBC	P19,955,551,985	P18,486,127,758
Proportionate ownership in the associate	40%	40%
Total share in net assets	7,982,220,794	7,394,451,103
Carrying amount of the investment	8,271,050,620	7,683,280,929
Difference	P288,829,826	P288,829,826

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

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	(P390,664,328)	(P45,596,592)
Change in fair value during the year	175,804,035	(345,067,736)
Balances at end of year	(214,860,293)	(390,664,328)
Remeasurement losses on retirement obligation of associates:		
Balances at the beginning of year	(16,394,439)	(15,649,364)
Remeasurement loss during the year	(8,636,198)	(745,075)
Balances at end of year	(25,030,637)	(16,394,439)
	(P239,890,930)	(P407,058,767)

TCCI

On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to P125.00 million or P25.00 per share. On March 28, 2019, the Parent Company acquired additional 875,011 common shares representing 10% ownership interest for a total consideration amounting to P280.00 million. Ownership interest of the Parent Company in TCCI as of June 30, 2022 and December 31, 2021 is 30%. TCCI is incorporated in the Philippines and is the operator of BeautyMNL, an e-commerce site.

Carrying value of TCCI's investment as of June 30, 2022 and December 31, 2021 amounted to P248.91 million and P257.34 million, respectively. Details follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Shares of stock - at equity:		
Balance at beginning and end of year	P405,000,000	P405,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	(147,659,452)	(106,080,150)
Equity in net loss	(8,429,182)	(41,579,302)
Balance at end of year	(156,088,634)	(147,659,452)
	P248,911,366	P257,340,548

DAVI

On November 16, 2018, the Parent Company subscribed 40% ownership interest in DAVI of which P0.40 million was paid in 2018. DAVI's principal activities include processing, managing and analyzing data. DAVI is incorporated in the Philippines.

Carrying value of DAVI's investment as of June 30, 2022 and December 31, 2021 amounted to ₱77.69 million and ₱147.72 million, respectively. Details follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	₱432,000,000	₱432,000,000
Additional investment (Note 2)	—	—
Balance at end of year	432,000,000	432,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	(284,276,155)	(148,040,963)
Equity in net loss	(70,033,846)	(136,235,192)
Balance at end of year	(354,310,001)	(284,276,155)
	₱77,689,999	₱147,723,845

G2M

On September 20, 2018, the Parent Company made an investment in G2M amounting to ₱160.65 million through convertible note which will provide the Parent Company 14.90% ownership interest upon conversion of the note. The terms of the agreement also provide and entitled the Parent Company to one (1) out of three (3) board seats. G2M is principally engaged in the business of providing neighborhood sundry stores enablement platform and software in the Philippines. G2M is incorporated in Singapore. On September 16, 2020, the Parent Company assigned its investment in G2M to NDV. In 2022 and 2021, the Group made additional cash infusion to G2M amounting to ₱495.33 million and ₱33.90 million, respectively.

Carrying value of G2M's investment as of June 30, 2022 and December 31, 2021 amounted to ₱892.30 million and ₱406.15 million, respectively. Details follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Shares of stock - at equity:		
Balance at beginning of year	₱414,378,261	₱380,482,581
Additional investment (Note 2)	495,332,035	33,895,680
Balance at end of year	909,710,296	414,378,261
Accumulated equity in net earnings:		
Balance at beginning of year	(8,223,852)	(2,813,282)
Equity in net loss	(9,185,976)	(5,410,570)
Balance at end of year	(17,409,828)	(8,223,852)
	₱892,300,468	₱406,154,409

GoTyme

On December 28, 2021, the Parent Company acquired 20.0% ownership interest in GoTyme or 200 million shares for a total consideration amounting to ₱200.0 million or ₱1.0 per share. GoTyme's principal activity is to carry on and engage in the business of a digital bank. GoTyme is incorporated in the Philippines. In 2022, NDV made additional investment in GoTyme amounting to ₱156.53 million. NDV's share in the net loss of GoTyme for 2022 amounted to ₱89.61 million. Carrying value of GoTyme's investment as of June 30, 2022 and December 31, 2021 amounted to ₱266.92 million and ₱200.00 million, respectively.

HD Retail

On June 3, 2021, NDV acquired 24.25% ownership interest in HD Retail or 7,275 shares for a total consideration amounting to ₱179.07 million or ₱24,615.00 per share. HD Retail's principal activity is to operate as a hard discount store. HD Retail is incorporated in Singapore. NDV's share in the net loss of HD Retail for 2022 and 2021 amounted to ₱22.26 million and ₱18.30 million, respectively. Carrying value of HD Retail's investment as of June 30, 2022 and December 31, 2021 amounted to ₱138.51 million and ₱160.78 million, respectively.

VHI

In December 2021, RSC acquired 30% ownership in VHI for a total consideration ₱40.87 million. VHI is a holding company whose principal activity is to engage in business of holding, selling and assigning, transfer and exchange of real property and personal property of any kind. On June 1, 2022, RSC made an additional investment to VHI amounting to ₱121.0 million increasing its share from 30% to 100% in which provides RSC control over VHI. The investment was transferred to 'Investment in Subsidiary' under the cost method of accounting. Carrying value of VHI's investment as of June 30, 2022 and December 31, 2021 amounted to nil and ₱40.87 million.

Growsari

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

Carrying value of Growsari's investment as of June 30, 2022 and December 31, 2021 amounted to nil, respectively. Details follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Shares of stock - at equity:		
At beginning and end of year	₱105,000,000	₱105,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	(105,000,000)	(105,000,000)
Equity in net loss	—	—
Balance at end of year	(105,000,000)	(105,000,000)
	₱—	₱—

Super Pumped

In February 2022, NDV acquired 20% ownership in Super Pumped Pte. Ltd. (Super Pumped) for a total consideration ₱61.61 million. Super Pumped is incorporated in Singapore. Carrying value of Super Pumped's investment as of June 30, 2022 amounted to ₱61.61 million.

14. Intangible Assets

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Goodwill (Note 19)	P14,725,338,319	P14,751,090,162
Trademarks (Note 19)	7,915,917,598	7,915,917,598
Franchise	4,739,640	5,118,811
	P22,645,995,557	P22,672,126,571

Goodwill

The Group's goodwill as of June 30, 2022 and December 31, 2021 pertains to the excess of the acquisition cost over the fair value of the net assets of acquired subsidiaries which also represents separate CGUs. Details follow (Note 19):

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
RSCI (Note 19)	P9,109,386,061	P9,109,386,061
RPI (Note 19)	2,343,614,826	2,343,614,826
TGPPI	1,281,428,830	1,281,428,830
SSDI	745,887,131	745,887,131
SEWI	715,103,869	715,103,869
EC	199,870,222	199,870,222
RHIB	145,655,320	145,655,320
RTSHPI	85,161,468	85,161,468
JRMC	71,732,435	71,732,435
HPTDI	4,248,157	30,000,000
GPC	23,250,000	23,250,000
	P14,725,338,319	P14,751,090,162

In 2020, the goodwill related to the acquisition of BSRI amounting to P83.32 million was impaired.

Trademarks

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
RSCI (Note 19)	P3,205,411,607	P3,205,411,607
RPI (Note 19)	1,514,575,531	1,514,575,531
SSDI	1,566,917,532	1,566,917,532
TGPPI	1,264,098,435	1,264,098,435
SEWI	364,914,493	364,914,493
	P7,915,917,598	P7,915,917,598

Included in the trademarks acquired through acquisition of RSCI in 2018 is the right to use a brand and trademark for a period of almost five (5) years. In 2020, the Group impaired the remaining value of trademarks amounting to ₱115.59 million.

Franchise

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

The rollforward analysis of the franchise follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱5,118,811	₱5,877,144
Amortization (Note 21)	(379,171)	(758,333)
	₱4,739,640	₱5,118,811

15. Other Noncurrent Assets

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Security and other deposits	₱2,260,867,377	₱2,376,771,232
Construction bonds	68,506,147	85,520,888
	₱2,329,373,524	₱2,462,292,120

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

16. Trade and Other Payables

This account consists of:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade	₱11,763,331,985	₱13,236,213,592
Nontrade (Note 24)	7,035,673,546	6,765,084,789
Others	1,336,374,408	1,214,453,380
	₱20,135,379,939	₱21,215,751,761

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, contract liabilities and due to related parties.

Others mainly consist of taxes and licenses payable.

Contract Liabilities

The Group identified its gift check outstanding, accrued customer loyalty rewards and deferred revenue, recorded under nontrade payables, as contract liabilities as of June 30, 2022 and December 31, 2021. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers. Substantially, all of the contract liabilities at year-end will be recognized as revenue in the following year.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Gift check outstanding	₱213,433,634	₱230,037,442
Deferred revenue	13,450,713	13,450,713
	₱226,884,347	₱243,488,155

Below is the rollforward of contract liabilities as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At January 1	₱243,488,155	₱177,457,280
Deferred during the year	219,220,200	494,858,621
Transferred to DAVI	—	—
Recognized as revenue during the year	(235,824,008)	(428,827,746)
At December 31	₱226,884,347	₱243,488,155

17. Short-term Loans Payable

Details of short-term loans follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱7,734,000,000	₱9,584,000,000
Availments	2,780,000,000	3,550,000,000
Payments	(2,810,000,000)	(5,400,000,000)
	₱7,704,000,000	₱7,734,000,000

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
SSDI	₱3,539,000,000	₱3,609,000,000
RSC	2,500,000,000	2,000,000,000
RCSI	740,000,000	970,000,000
RPI	300,000,000	450,000,000
RHDDS	560,000,000	400,000,000
RDDC	—	200,000,000
SUPER50	50,000,000	50,000,000
RHIB	—	30,000,000
HPTD	15,000,000	25,000,000
	₱7,704,000,000	₱7,734,000,000

- a.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 2.40%-2.90% per annum in 2022 and 2.40%-3.45% per annum in 2021. SSDI paid ₱70.0 million and ₱500.0 million in 2022 and 2021, respectively. The short-term loans payable of SSDI as of June 30, 2022 and December 31, 2021 amounted to ₱3.54 billion and ₱3.61 billion, respectively.
- b.) RSC's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 2.40%-2.90% per annum in 2022 and 2.25%-3.45% per annum in 2021. In 2022 and 2021, RSC availed short-term loans amounting to ₱2.5 billion and ₱2.0 billion, respectively. In 2022 and 2021, RSC paid ₱2.0 billion and ₱4.20 billion in 2022 and 2021, respectively. The short-term loans payable of RSC as of June 30, 2022 and December 31, 2021 amounted to ₱2.5 billion and ₱2.0 billion, respectively.
- c.) RCSI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 2.40%-2.90% per annum in 2022 and 2.25%-3.45% per annum in 2021. In 2021, RCSI availed short-term loan amounting to ₱850.0 million. In addition, RCSI paid ₱230.0 million and ₱650.0 million in 2022 and 2021, respectively. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to ₱740.0 million and ₱970.0 million, respectively.
- d.) RPI's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 2.40%-2.90% per annum in 2022 and 2.25%-3.45% per annum in 2021. In 2022, RPI availed short-term loan amounting to ₱100.0 million. RPI paid ₱250.0 million in 2022.

The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to ₱300.0 million and ₱450.0 million, respectively.

- e.) RHDDS' short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 2.40%-2.90% per annum in 2022 and 2.40%-3.10% per annum in 2021. In 2022, RHDDS availed short-term loan amounting to ₱180.0 million. RHDDS paid ₱20.0 million in 2022. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to ₱560.0 million and ₱400.0 million, respectively.
- f.) RDDC's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 2.40%-2.90% per annum in 2022 and 2.40%-2.50% per annum in 2021. RDDC paid ₱200.0 million in 2022. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to nil and ₱200.0 million, respectively.
- g.) SUPER50's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 2.40% per annum in 2022 and 2.40% per annum in 2021. No payment of short-term loan were made in 2022 and 2021. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to ₱50.0 million.
- h.) RHIB's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 2.40%-2.90% per annum in 2022 and 2.25%-3.45% per annum in 2021. In 2022 and 2021, RHIB paid ₱30.0 million and ₱25.0 million, respectively. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to nil and ₱30.0 million, respectively.
- i.) HPTD's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 2.40%-2.90% per annum in 2022 and 2.25%-3.45% per annum in 2021. In 2022 and 2021, HPTD paid ₱10.0 million and ₱25.0 million, respectively. The short-term loans payable as of June 30, 2022 and December 31, 2021 amounted to ₱15.0 million and ₱25.0 million, respectively.

Total interest expense charged to operations for the six months ended June 30, 2022 and 2021 amounted to ₱74.27 million and ₱88.87, respectively.

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

18. Equity

Capital Stock

The details of this account follow:

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Amount	No. of shares	Amount	No. of shares
Common stock - ₱1 par value				
Authorized shares	₱2,000,000,000	2,000,000,000	₱2,000,000,000	2,000,000,000
Issued shares	1,576,489,360	1,576,489,360	1,576,489,360	1,576,489,360
Outstading shares	1,485,067,020	1,485,067,020	1,563,460,430	1,512,010,200
Treasury shares	5,097,605,045	91,422,340	3,616,057,963	64,479,160

Registration Track Record

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

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

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

On October 14, 2021, RRHI applied with the PSE the listing of 191,489,360 shares, that was issued to MCBV in 2018, for a total transaction cost of ₱20.00 million. The PSE approved the listing on January 26, 2022.

Treasury stock

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

On February 11, 2022, the BOD of the Parent Company agreed to further extend the share buyback program for an additional amount of ₱1.0 billion to enhance shareholder value. This will be on top of the ₱2.0 billion share buyback approved last March 9, 2020 and additional ₱2.0 billion share buyback approved last February 26, 2021.

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

As of June 30, 2022 and December 31, 2021, RRHI has repurchased 91.42 million shares for ₱5,097.61 million and 64.48 million shares for ₱3,616.06 million, respectively, under the buyback program. Under the Revised Corporation Code, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

Equity Reserve

Details of equity reserve follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Acquisition of additional shares from non-controlling interest		
Beginning	(₱995,284,977)	(₱995,284,977)
Additions/Deductions	225,473,856	—
	(769,811,121)	(995,284,977)
Acquisition of subsidiary under common control		
Beginning	—	—

Additions/Deductions	—	—
	—	—
	(P769,811,121)	(P995,284,977)

Acquisition of a Subsidiary under Common Control

On June 15, 2021, RSC acquired 250,000 common shares, representing 100% ownership of CGII for a total consideration of P23.68 million. Net assets of CGII at the date of acquisition amounted to P23.82 million. CGII is in the business of retail and wholesale of goods.

On October 3, 2016, RI acquired 28,800 common shares, representing 100% ownership of Chic Centre Corporation for a total consideration of P27.80 million. Net assets of Chic Centre Corporation at the date of acquisition amounted to P33.34 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 P5.51 million is accounted for as “Equity reserve”. On February 17, 2020, the BOD of RSC approved the sale of 100% of the shares of stocks owned in CCC for a total consideration of P230.00 million.

Acquisition of Additional Shares from a Non-Controlling Shareholder

In February 2022, RSC acquired Ministop Japan’s (MSJ) 40% stake in RCSI, increasing its share from 60% to 100%. RCSI is the exclusive franchisee of Ministop in the Philippines.

On November 4, 2019, RI acquired additional 18,947,368 common shares, representing 0.95% of RCSI from a non-controlling shareholder for P18.95 million. As a result of the acquisition, RI then holds 60.00% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to P1.36 million included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

On April 3, 2019, RSC acquired additional 1,650,000 common shares, representing 33% of ASI from a non-controlling shareholder for P50.00 million. As a result of the acquisition, RSC then holds 100.00% interest in ASI. The Group recognized equity reserve from the acquisition amounting to P17.98 million included in “Equity reserve” representing the excess consideration paid for the carrying amount of the non-controlling interest.

On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for P85.36 million. As a result of the acquisition, RI then holds 59.05% interest in RCSI. The Group recognized equity reserve from the acquisition amounting to P51.46 million included in “Equity reserve” representing the excess of carrying amount of the non-controlling interest acquired over consideration paid.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for P1.45 billion. As a result of the acquisition, RSC then holds 80% interest in RHMI.

The Group recognized equity reserve from the acquisition amounting to P1.02 billion included in “Equity reserve” in the consolidated statements of changes in equity representing the excess of consideration paid over the carrying amount of the non-controlling interest acquired. The equity reserve from the acquisition will only be recycled to the consolidated statements of comprehensive income in the event that RSC will lose its control over RHMI.

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

Retained Earnings

The income of the subsidiaries and accumulated equity in net income of the associates that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and associates. The accumulated earnings of subsidiaries included in retained earnings amounted to ₱23.17 billion and ₱25.44 billion as of June 30, 2022 and December 31, 2021, respectively, while the accumulated equity in net income of the associates amounted to ₱1,709.41 million and ₱1,536.76 million as of June 30, 2022 and December 31, 2021, respectively (Note 13).

Dividend Declaration

Details of the Parent Company's dividend declarations follow:

	2022	2021	2020
Date of declaration	April 27, 2022	April 27, 2021	May 13, 2020
Dividend per share	₱2.00	₱1.83	₱1.00
Total dividends	₱2,984,905,600	₱2,813,524,076	₱1,572,931,450
Date of record	May 20, 2022	May 20, 2021	June 03, 2020
Date of payment	June 10, 2022	June 10, 2021	June 30, 2020

Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2022	2021	2020
Balance at beginning of year	₱23,965,752,847	₱27,852,852,847	₱26,944,852,847
Appropriation	—	888,500,000	948,000,000
Reversal of appropriation	—	(4,775,600,000)	(40,000,000)
Balance at end of year	₱23,965,752,847	₱23,965,752,847	₱27,852,852,847

On December 10, 2021, the Group's BOD approved the appropriation of retained earnings which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years. Details are as follow:

Entity	Amount
RHMI	₱564,000,000
RDSI	162,000,000
WHMI	101,000,000
HEMI	2,500,000
TV	59,000,000
	₱888,500,000

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

Entity	Amount
RHMI	₱306,000,000
WHMI	36,000,000
HEMI	4,000,000

TV	22,000,000
SSD	525,000,000
SEWI	55,000,000
	<u>P948,000,000</u>

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

Entity	Amount
RSC	P1,000,000,000
RHMI	674,000,000
RTI	310,000,000
SSDI	300,000,000
RAC	235,000,000
RHDDS	162,000,000
SEWI	110,000,000
RTSHPI	90,000,000
WHMI	87,000,000
HEMI	3,000,000
	<u>P2,971,000,000</u>

On March 14, 2019, the Group's BOD approved the appropriation of retained earnings of RAC amounting to P215.00 million which shall be used to augment new stores with the Group's nationwide expansion which is expected to complete in next two (2) to five (5) years.

Reversal of appropriation

In December 10, 2021, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings due to completion of certain store expansions and renovations. Details are as follow:

Entity	Amount
RHMI	P484,000,000
RDSI	162,000,000
WHMI	67,000,000
TV	50,000,000
RAC	10,000,000
HEMI	2,600,000
Total	<u>P775,600,000</u>

On February 6, 2021, the Parent Company's BOD authorized and approved the reversal of the appropriation of P4.0 billion from the retained earnings as of December 31, 2020 due to completion of investment program to augment funds of subsidiaries for the construction and renovation of stores in line with the expansion in various locations nationwide.

In 2020, the BOD of the subsidiaries of the Group approved the reversal of appropriated retained earnings of RAC amounting to P40.0 million due to completion of certain store expansions and renovations.

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

Entity	Date of reversal	Amount
RHMI	June 14	₱191,000,000
WHMI	June 14	77,000,000
RSSI	November 8	75,000,000
RDDC	November 8	33,000,000
HEMI	June 14	17,000,000
Total		₱393,000,000

Declaration of Dividends of the Subsidiaries

In 2022, the BOD of the below subsidiaries approved the declaration of cash dividends as follows:

Entity	Date of declaration	Amount
RSC	April 1	₱2,500,000,000
RHMI	June 30	₱300,000,000
TGP	June 30	200,000,000
RTSH	March 29	5,000,000
Total		₱3,005,000,000

On June 1, 2021 and December 1, 2021, the BOD of TGP approved the declaration of cash dividends amounting to ₱340.0 million and ₱340.0 million, respectively, which was paid on June 10, 2021 and December 6, 2021, respectively.

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

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

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

NCI

Acquisition of NCI

In February 2022, RSC acquired Ministop Japan's (MSJ) 40% stake in RCSI, increasing its share from 60% to 100%. RCSI is the exclusive franchisee of Ministop in the Philippines.

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

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

Investment from NCI

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

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

Dividends to NCI

In 2022, 2021 and 2020, dividends declared attributable to NCI amounted to ₱98.0 million, ₱333.20 million and ₱308.70 million, respectively.

Material Partly-Owned Subsidiary

In 2021 and 2020, the Group has 49.00% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱1,552.66 million, ₱1,169.39 million and ₱942.16 million in 2021, 2020 and 2019, respectively. Profit allocated to material non-controlling interest amounted to ₱318.01 million, ₱284.45 million and ₱322.28 million in 2021, 2020 and 2019, respectively. Total assets of TGPPI as of December 31, 2021 and 2020 amounted to ₱2,019.55 million and ₱2,074.23 million, respectively, while total liabilities as of December 31, 2021 and 2020 amounted to ₱844.30 million and ₱873.47 million, respectively. Total sales in 2021, 2020 and 2019 amounted to ₱4,940.03 million, ₱4,825.95 million and ₱4,783.81 million, respectively. Net income in 2021, 2020 and 2019 amounted to ₱648.99 million, ₱580.50 million and ₱631.93 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 as of June 30, 2022 and December 31, 2021.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Capital stock	₱1,576,489,360	₱1,576,489,360
Additional paid-in capital	40,768,202,897	40,768,202,897
Treasury stock	(5,097,605,045)	(3,616,057,963)
Other comprehensive income	(316,679,733)	442,697,037
Equity reserve	(769,811,121)	(995,284,977)
Retained earnings		
Appropriated	23,965,752,847	23,965,752,847
Unappropriated	9,593,679,007	9,827,278,268
Total equity attributable to equity holders of the Parent Company	69,720,028,212	71,969,077,469
Non-controlling interest in consolidated subsidiaries	4,235,454,668	4,543,640,152
Total Equity	₱73,955,482,880	₱76,512,717,621

19. Business Combinations and Disposal of a Subsidiary

Business Combination and Goodwill

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

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

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

In 2021, 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 ₱2.34 billion. The goodwill of ₱2.34 billion comprises the fair value of expected synergies arising from acquisition.

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

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

Net cash arising from the acquisition follows:

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

Acquisition of RSCI

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

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

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

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

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

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

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

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

	Fair values recognized on acquisition
Assets	
Cash	₱103,162,382
Trade and other receivables	384,075,105
Merchandise inventories	3,073,734,206
Other current assets	912,897,897
Property and equipment	3,897,725,011
Trademarks arising from acquisition (Note 14)	3,398,600,050
Other noncurrent assets	684,781,136
	<u>12,454,975,787</u>
Liabilities	
Trade and other payables	₱4,633,625,787
Loans payable	1,500,000,000
Income tax payable	39,346,173
Other current liabilities	60,595,212
Retirement obligation	283,655,342
Deferred tax liability	961,623,483
Other noncurrent liabilities	288,707,463
	<u>7,767,553,460</u>
Net assets acquired	<u>4,687,422,327</u>
Goodwill from the acquisition (Note 14)	<u>9,109,386,061</u>
Purchase consideration transferred	<u>₱13,796,808,388</u>

Disposal of a Subsidiary

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

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

Assets	
Cash	₱18,388,383
Trade and other receivables	60,387,728
Merchandise inventories (Note 9)	210,675,616
Property and equipment (Note 12)	43,812,978
ROU assets (Note 28)	39,954,612
Deferred tax assets	12,236,857
Other assets	8,366,577
	<hr/> 393,822,751
Liabilities	
Trade and other payables	177,379,432
Lease liabilities (Note 28)	42,260,296
Income tax payable	11,542,593
Retirement obligation (Note 23)	21,869,849
	<hr/> 253,052,170
Net assets of deconsolidated subsidiary	<hr/> 140,770,581
Consideration, net of transaction costs	199,671,350
Gain on deconsolidation of a subsidiary	<hr/> <hr/> ₱58,900,769

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

20. Sales Revenue

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

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱3.08 billion and ₱2.53 billion for the six months ended June 30, 2022 and 2021, respectively.

Disaggregated revenue information

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

Segments	For the six months ended June 30, 2022						Total
	Supermarket	Department Store	DIY	Convenience Store	Drug Store	Specialty Store	
Type of goods or service							
Sale of goods – retail	₱46,710,720,566	₱6,065,263,454	₱6,037,019,583	₱2,386,653,540	₱13,994,144,342	₱6,724,134,718	₱81,917,936,203
Sale of merchandise to franchisees	–	–	–	448,597,147	–	–	448,597,147
Franchise revenue	–	–	–	1,496,746	12,632,309	–	14,129,055
Royalty fee	–	–	–	103,350,265	28,435,115	–	131,785,380
	₱46,710,720,566	₱6,065,263,454	₱6,037,019,583	₱2,940,097,698	₱14,035,211,766	₱6,724,134,718	₱82,512,447,785
Timing of revenue recognition							
Goods transferred at point in time	₱46,710,720,566	₱6,065,263,454	₱6,037,019,583	₱2,835,250,687	₱13,994,144,342	₱6,724,134,718	₱82,366,533,350
Services transferred over time	–	–	–	104,847,011	41,067,424	–	145,914,435
	₱46,710,720,566	₱6,065,263,454	₱6,037,019,583	₱2,940,097,698	₱14,035,211,766	₱6,724,134,718	₱82,512,447,785

For the six months ended June 30, 2021

Segments	Supermarket	Department Store	DIY	Convenience Store	Drug Store	Specialty Store	Total
Type of goods or service							
Sale of goods - retail	P42,167,221,526	P3,591,484,185	P5,632,890,643	P1,954,566,600	P12,249,503,837	P5,372,725,008	P70,968,391,799
Sale of merchandise to franchisees	—	—	—	479,318,257	—	—	479,318,257
Franchise revenue	—	—	—	2,384,841	11,040,031	—	13,424,872
Royalty fee	—	—	—	72,595,656	29,532,728	—	102,128,384
	P42,167,221,526	P3,591,484,185	P5,632,890,643	P2,508,865,354	P12,290,076,596	P5,372,725,008	P71,563,263,312
Timing of revenue recognition							
Goods transferred at point in time	P42,167,221,526	P3,591,484,185	P5,632,890,643	P2,433,884,857	P12,249,503,837	P5,372,725,008	P71,447,710,056
Services transferred over time	—	—	—	74,980,497	40,572,759	—	115,553,256
	P42,167,221,526	P3,591,484,185	P5,632,890,643	P2,508,865,354	P12,290,076,596	P5,372,725,008	P71,563,263,312

21. Operating Expenses

This account consists of:

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Rental and utilities (Notes 24 and 28)	P4,217,060,233	P3,342,228,015
Personnel costs and contracted services (Notes 22 and 23)	4,871,332,917	4,741,834,120
Depreciation and amortization (Notes 12, 14 and 28)	3,565,258,293	3,391,187,924
Transportation and travel	969,840,059	729,316,848
Supplies	505,009,484	481,524,829
Repairs and maintenance	428,513,033	421,234,602
Advertising	468,858,763	236,862,691
Bank and credit charges	347,673,885	342,368,222
Royalty expense (Note 29)	53,184,950	46,529,763
Others	831,325,992	663,718,431
	P16,258,057,609	P14,396,805,445

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

Depreciation and amortization pertains to:

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Property and equipment (Note 12)	P1,486,494,200	P1,450,440,440
Trademarks, franchise and license fees (Note 14)	379,171	379,164
Amortization of ROU assets (Note 28)	2,078,384,922	1,940,368,320
	P3,565,258,293	P3,391,187,924

22. Personnel Costs and Contracted Services

This account consists of:

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Salaries, allowances and benefits (Note 21)	P3,046,649,207	P2,995,995,404
Contracted services (Note 21)	1,824,683,710	1,745,838,716
	P4,871,332,917	P4,741,834,120

Details of salaries, allowances and benefits:

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Salaries, wages and allowances	P2,946,464,311	P2,869,617,496
Retirement expense (Note 23)	100,184,896	126,377,908
	P3,046,649,207	P2,995,995,404

23. Employee Benefits

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

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

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

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

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

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

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

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Current service cost	₱99,571,902	₱62,101,478
Net interest cost	612,994	(44,049)
Retirement expense	₱100,184,896	₱62,057,429

Net retirement obligation as of June 30, 2022 and December 31, 2021 recognized in the consolidated statements of financial position follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Present value of defined benefit obligation	₱1,638,557,878	₱1,538,372,982
Fair value of plan assets	(1,313,621,631)	(1,289,445,770)
Net retirement obligation	₱324,936,247	₱248,927,212

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	₱248,927,212	₱548,957,173
Remeasurement loss (gain)	—	(345,526,680)
Retirement expense	100,184,896	283,797,024
Additions arising from business combination (Note 19)	—	—
Deconsolidation of a subsidiary (Note 19)	—	—
Actual contribution	(24,175,861)	(198,155,825)
Benefits paid from direct payments	—	(40,144,480)
Balance at end of year	₱324,936,247	₱248,927,212

Remeasurement effects recognized in OCI:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Remeasurement gains (losses) on:		
Retirement obligation	₱—	₱662,218,799
Retirement plan assets	—	(316,692,119)
	₱—	₱345,526,680

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

Movements of cumulative remeasurement effect recognized in OCI:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	(P78,658,568)	(P450,404,771)
Actuarial loss (gain)	–	662,218,799
Derecognition of cumulative loss	–	–
Return on assets excluding amount included in net interest cost	–	(316,692,119)
Total remeasurement	(78,658,568)	(104,878,091)
Income tax effect	–	26,219,523
	(P78,658,568)	(P78,658,568)

Changes in the present value of defined benefit obligation follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	P1,538,372,982	P1,923,209,146
Additions arising from business combination (Note 19)	–	–
Current service cost	99,571,902	282,641,430
Remeasurement (gain) loss arising from:		
Changes in financial assumptions	–	(456,294,122)
Changes in demographic assumptions	–	(121,712,466)
Experience adjustments	–	(84,212,211)
Interest cost	612,994	72,797,653
Past service income	–	(15,071,519)
Transfers	–	–
Deconsolidation of a subsidiary (Note 19)	–	–
Benefits paid	–	(62,984,929)
Balance at end of year	P1,638,557,878	P1,538,372,982

Movements in the fair value of plan assets follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at beginning of year	P1,289,445,770	P1,374,251,973
Actual contribution	24,175,861	198,155,825
Additions arising from business combination (Note 19)	–	–
Interest income included in net interest cost	–	56,570,540
Remeasurement gain (loss)	–	(316,692,119)
Transfers	–	–
Deconsolidation of a subsidiary (Note 19)	–	–
Benefits paid	–	(22,840,449)
Balance at end of year	P1,313,621,631	P1,289,445,770

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents		
Savings deposit	₱29,897,309	₱17,808,779
Time deposit	—	—
Investments in government securities		
Fixed rate treasury notes	63,935,598	63,935,598
Retail treasury bonds	12,419,901	12,419,901
Investments in UITF	1,051,293,182	1,039,205,851
Other receivables	156,133,553	156,133,553
Accrued trust fee payable	(57,912)	(57,912)
	₱1,313,621,631	₱1,289,445,770

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

	2021
Discount rates	4.93% - 5.20%
Salary increase rates	2.50% - 5.70%

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to ₱260.12 million, ₱55.96 million and ₱70.94 million in 2021, 2020 and 2019, respectively.

The Group expects to contribute ₱155.67 million to the defined benefit plan in 2022.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balances at the beginning of year	₱343,303,004	₱78,916,050
Remeasurement losses during the year	—	264,386,954
Balances at end of year	₱343,303,004	₱343,303,004

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
2021	Salary increase	+1.00%	₱195,496,431
		-1.00%	(166,727,028)
	Discount rates	+1.00%	(158,274,537)
		-1.00%	188,597,961

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:

	2021
Less than 1 year	₱120,247,349
More than 1 year but less than 5 years	417,226,812
More than 5 years but less than 10 years	838,952,538
More than 10 years but less than 15 years	1,351,565,673
More than 15 years but less than 20 years	2,071,912,612
More than 20 years	6,449,332,793

24. Related Party Disclosures

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

Significant Related Party Transactions

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

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

	Amount			Due from (Due to)	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	December 31, 2020 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Other affiliates under common control					
a. Trade and other receivables					
Sales	₱—	₱42,197,527	₱2,105,106,040	₱6,840,862	₱5,469,587
Royalty income	—	—	740,475,141	—	—
b. Trade and other payable					
Purchases - net	(1,772,594,518)	(3,385,707,782)	(3,276,056,450)	—	—
Rent and utilities	(2,192,056,863)	(2,621,785,618)	(3,328,644,890)	(574,699,793)	(658,332,096)

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

- As of June 30, 2022 and December 31, 2021, the Group has outstanding balances from its other affiliates arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.
- As of June 30, 2022 and December 31, 2021, the Group has outstanding payable to its other affiliates arising from purchases of merchandise inventories for resale to its customers which are normally paid within the year and expenses for rent and utilities relative to the Group's operations. Lease agreements normally have terms of 5 to 20 years with escalation clauses ranging from 5% to 10% every year.

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

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

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

The details of compensation and benefits of key management personnel for 2021 follows:

	2021
Short-term employee benefits	₱192,258,333
Post-employment benefits	53,888,531
	₱246,146,864

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the six months ended June 30, 2022 and 2021. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions

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

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

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

25. Income Tax

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

	2022	2021
Current	₱774,546,103	₱367,997,307
Deferred	(147,460,368)	(322,137,715)
	₱627,085,735	₱45,859,592

- b. The components of the net deferred tax assets of the Group as of June 30, 2022 and December 31, 2021 pertain to the deferred tax effects of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Tax effects of:		
<i>Items recognized in profit or loss:</i>		
Lease liabilities	P891,667,378	P797,255,099
MCIT	32,944,258	47,205,672
NOLCO	257,439,223	256,938,894
Unamortized past service cost	70,000,407	69,941,799
Allowance for inventory write-obsolescence	28,764,414	27,037,406
Allowance for impairment losses	92,947,073	88,006,408
Deferred revenue	751,276	5,369,557
Accrued expenses	(3,671,053)	2,310,750
Unrealized foreign exchange - net	(5,502,703)	(5,491,573)
Retirement obligation	33,495,631	34,727,127
	1,398,835,904	1,323,301,139
<i>Item recognized directly in other comprehensive income:</i>		
Remeasurement loss on retirement obligation	26,557,073	26,557,073
	P1,425,392,977	P1,349,858,212

In 2020, the Group recognized previously unrecognized deferred tax assets on MCIT amounting to P103.60 million. In addition, deferred tax assets acquired in a business combination affecting profit or loss amounted to P56.42 million. Deferred tax assets on deconsolidation of CCC amounted to P12.24 million. In 2019, the Group derecognized deferred tax assets amounting to P1.25 million related to the retirement obligation of RGBFI.

- c. The components of the net deferred tax liabilities of the Group as of June 30, 2022 and December 31, 2021 represent deferred tax effects of the following:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Tax effect of:		
<i>Items recognized in profit or loss:</i>		
Business combination (Note 19)	P1,979,723,401	P1,979,723,401
Asset revaluation	5,561,877	9,504,175
	1,985,285,278	1,989,227,576
<i>Item recognized directly in other comprehensive income:</i>		
Fair value adjustments on investment in an associate	91,133,035	37,234,177
	P2,076,418,313	P2,026,461,753

- d. The Group did not recognize deferred tax assets on the following future deductible differences as management assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Tax effects of:		
MCIT	P49,928,585	P49,928,585
NOLCO	210,769,709	210,769,709
Allowance for impairment losses	75,799,932	75,799,932
Lease liabilities	65,473,132	65,473,132
Retirement asset	10,454,704	10,454,704
	P412,426,062	P412,426,062

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

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

Inception Year	Amount	Applied	Expired	Reversals	Balance	Expiry Year
2019	P213,280,729	P31,508,157	P–	P–	P181,772,572	2022
2018	415,832	–	415,832	–	–	2021
Total	P213,696,561	P31,508,157	P415,832	P–	P181,772,572	

In 2019, RLSI recognized deferred tax assets pertaining to NOLCO amounting to P0.42 million which was unrecognized in prior year.

As of December 31, 2021, RRHI, RDSI, RAC, RVC, RCSI, RHIB, HPTD and RPI has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2021	P503,200,601	P–	P–	P503,200,601	2026
2020	563,450,033	9,897,924	–	553,552,109	2025
	P1,066,650,634	P9,897,924	P–	P1,056,752,710	

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

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2021	₱19,224,027	₱–	₱–	₱19,224,027	2024
2020	105,599,101	55,672,268	–	49,926,833	2023
2019	67,040,248	39,056,852	–	27,983,396	2022
2018	96,929,039	73,226,224	23,702,815	–	2021
Total	₱288,792,415	₱167,955,344	₱23,702,815	₱97,134,256	

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

	June 30 2022 (Unaudited)	December 31 2021 (Audited)	2020 (Audited)
Statutory income tax rate	25.00%	25.00%	30.00%
Add (deduct) tax effects of:			
Nondeductible interest expense	0.31	2.12	3.31
Nondeductible expense	0.09	–	1.91
Effect of OSD	–	–	–
Nontaxable income subject to final tax	(1.14)	(1.18)	–
Derecognized DTA for NOLCO	–	–	(0.02)
Dividend income	(0.60)	(0.37)	(0.19)
Change in unrecognized deferred tax assets	(0.02)	(0.81)	(0.20)
Expired MCIT and NOLCO	–	(0.45)	(0.47)
Franchise income	–	(0.37)	(0.76)
Interest income subject to final tax	(1.25)	(2.65)	(5.74)
Nontaxable income not subject to final tax	(4.92)	(3.57)	(6.72)
CREATE impact	–	(8.17)	–
Effective income tax rate	17.47%	9.55%	21.12%

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

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

On March 26, 2021, the President signed into law Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE. Except for the provisions with retroactive effect, CREATE shall take effect fifteen (15) days after its publication in the Official Gazette or in newspaper of general circulation. One of the important provisions of CREATE that may affect the Group's financial statements as at and for the year ending December 31, 2020 is the reduction of the income tax rate from 30% to 25% effective July 1, 2020.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

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

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% or 1.5% MCIT rate effective July 1, 2020.

- This resulted in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 amounting to ₱164.43 million, which was reflected in the 2020 annual income tax returns but was only recognized for financial reporting purposes in its 2021 financial statements.
- This resulted in lower deferred tax assets as of December 31, 2020 by ₱283.19 million and provision for deferred tax for the year then ended by ₱265.84 million. These reductions were recognized in the 2021 financial statements.

26. Earnings Per Share

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

	Six Months Ended June 30 (Unaudited)	
	2022	2021
Net income attributable to equity holders of the Parent Company	₱2,736,910,972	₱1,669,051,531
Weighted average number of common shares	1,497,149,028	1,548,279,684
Basic and Diluted EPS	₱1.83	₱1.08

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
No. of shares at the beginning of year	1,535,225,570	1,570,606,945
Weighted average number of shares issued during the year	—	—
Weighted average number of treasury shares	(38,076,542)	(35,381,375)
Weighted average number of common shares	1,497,149,028	1,535,225,570

The Parent Company has no dilutive potential common shares in 2022 and 2021.

27. Risk Management and Financial Instruments

Governance Framework

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

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

Financial Risk

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

Market Risk

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

Foreign Currency Risk

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

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

	Increase (decrease) in foreign currency rate		Effect on income before income tax (₱)	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
USD	+1.26	+1.17%	₱59,732,467	₱56,999,406
	-1.26	-1.17%	(59,732,466)	(56,999,406)

The Group used foreign exchange rate of ₱54.98:USD1 and ₱50.99:USD1 as of June 30, 2022 and December 31, 2021, respectively, in converting its dollar-denominated financial assets to peso.

The sensitivity analyses shown above are based on the assumption that the movements in US dollars will more likely be limited to the upward or downward fluctuation of 1.26% and 1.17% as of June 30, 2022 and December 31, 2021, respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022 (Unaudited)		December 31, 2021 (Audited)	
	USD	PHP	USD	PHP
Cash and cash equivalents	\$9,091,473	₱499,803,728	\$10,043,757	₱512,231,607
Receivables	1,149,827	63,211,739	1,262,773	64,401,423
FVOCI with recycling	75,842,000	4,169,413,950	84,545,108	4,311,800,508
Total	\$86,083,300	₱4,732,429,417	\$95,851,638	₱4,888,433,538

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 June 30, 2022 and December 31, 2021. There is no impact on equity other than those already affecting income before income tax.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as financial assets at FVOCI in 2022 and 2021.

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

Quoted equity security consists of marketable equity security that is listed and traded on the PSE. The fair market value of the listed shares is based on the quoted market price as of June 30, 2022 and December 31, 2021.

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

	Change in variable	Effect on equity-Other comprehensive income
2022	+14.75%	P29,011,410
	-14.75%	(29,011,410)
 2021	 +18.67%	 P60,027,877
	-18.67%	(60,027,877)

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 14.75% and 18.67% in 2022 and 2021, respectively.

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

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

Liquidity Risk

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

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

The table below shows the maturity profile of the financial instruments of the Group as of June 30, 2022 and December 31, 2021 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

June 30, 2022 (Unaudited)

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	P13,145,719,095	P–	P–	P13,145,719,095
Trade receivables	20,318,955	2,045,571,461	–	2,065,890,416
Nontrade receivables	–	596,230,387	–	596,230,387
Due from franchisees	–	34,359,380	–	34,359,380
Other noncurrent assets:				
Security and other deposits	–	–	2,260,867,377	2,260,867,377
Construction bonds	–	–	68,506,147	68,506,147
FVOCI	–	–	9,165,698,673	9,165,698,673
FVTPL	–	–	294,988,237	294,988,237
	P13,166,038,050	P2,676,161,228	P11,790,060,434	P27,632,259,712
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	P–	P19,577,772,288	P–	P19,577,772,288
Short-term loans payable	–	7,704,000,000	–	7,704,000,000
Lease liabilities	–	3,273,468,037	23,328,681,629	26,602,149,666
Other current liabilities	–	377,825,333	–	377,825,333
	P–	P30,933,065,658	P23,328,681,629	P54,261,747,287

*Excluding statutory liabilities amounting P557,607,651.

December 31, 2021 (Audited)

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	P16,170,113,685	P–	P–	P16,170,113,685
Trade receivables	20,265,363	2,003,560,680	–	2,023,826,043
Nontrade receivables	–	567,232,378	–	567,232,378
Due from franchisees	–	95,989,313	–	95,989,313
Other noncurrent assets:				
Security and other deposits	–	–	2,376,771,232	2,376,771,232
Construction bonds	–	–	85,520,888	85,520,888
FVOCI	–	–	11,482,540,387	11,482,540,387
FVTPL	–	–	143,392,265	143,392,265
	P16,190,379,048	P2,666,782,371	P14,088,224,772	P32,945,386,191
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	P–	P20,733,506,500	P–	P20,733,506,500
Short-term loans payable	–	7,734,000,000	–	7,734,000,000
Lease liabilities	–	4,793,483,951	30,385,069,576	35,178,553,527
Other current liabilities	–	382,355,834	–	382,355,834
	P–	P33,643,346,285	P30,385,069,576	P64,028,415,861

*Excluding statutory liabilities amounting P482,245,261.

Credit Risk

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

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

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

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

The Group's maximum exposure in financial assets (excluding cash on hand amounting to ₱1.37 billion and ₱703.05 million as of June 30, 2022 and December 31, 2021, respectively) are equal to their carrying amounts. This was determined based on the nature of the counterparty and the Group's experience.

Credit Quality

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

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

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

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

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

Financial assets at FVOCI is 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 ₱25.97 billion and ₱32.08 billion as of June 30, 2022 and December 31, 2021, respectively are all graded "A" based on the Group's assessment.

The tables below show the aging analysis of financial assets classified as amortized cost and FVOCI as of June 30, 2022 and December 31, 2021.

June 30, 2022 (Unaudited)

	Neither Past Due Nor Impaired		Past Due or	
	Grade A	Grade B	Impaired	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	₱11,780,148,846	₱-	₱-	₱11,780,148,846
Trade receivables	2,045,571,461	-	20,318,955	2,065,890,416
Nontrade receivables	596,230,387	-	-	596,230,387
Due from franchisees	34,359,380	-	-	34,359,380
Other noncurrent assets:				
Security and other deposits	2,260,867,377	-	-	2,260,867,377
Construction bond	68,506,147	-	-	68,506,147
FVOCI	9,165,698,673	-	-	9,165,698,673
	₱25,951,382,271	₱-	₱20,318,955	₱25,971,701,226

December 31, 2021 (Audited)

	Neither Past Due Nor Impaired		Past Due or	
	Grade A	Grade B	Impaired	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents (excluding cash on hand)	₱15,467,064,816	₱–	₱–	₱15,467,064,816
Trade receivables	2,003,560,680	–	20,265,363	2,023,826,043
Nontrade receivables	567,232,378	–	–	567,232,378
Due from franchisees	95,989,313	–	–	95,989,313
Other noncurrent assets:				
Security and other deposits	2,376,771,232	–	–	2,376,771,232
Construction bond	85,520,888	–	–	85,520,888
FVOCI	11,482,540,387	–	–	11,482,540,387
	₱32,078,679,694	₱–	₱20,265,363	₱32,098,945,057

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

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

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

Cash and Cash Equivalents and Debt Securities at FVOCI. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at FVOCI comprised solely of quoted bonds that are have a minimum BBB- credit rating by S&P Global Ratings and, therefore, are considered to be low credit risk investments. The Group recognized recoveries of (provision for) expected credit losses on its debt instruments at FVOCI amounting to nil and ₱3.34 million in for the six months ended June 30, 2022 and 2021 respectively (Note 11).

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

A summary of Group exposure to credit risk under general and simplified approach as of June 30, 2022 and December 31, 2021 follows:

June 30, 2022

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱11,780,148,846	₱–	₱–	₱–
Trade receivables	–	–	–	2,065,890,416
Due from franchisees	–	–	–	34,359,380
Nontrade receivables	596,230,387	–	–	–
Security and other deposits	2,329,373,524	–	–	–
FVOCI	9,165,698,673	–	–	–
Total gross carrying amounts	23,871,451,430	–	–	2,100,249,796
Less allowance	9,880,788	–	–	20,318,955
	₱23,861,570,642	₱–	₱–	₱2,079,930,841

December 31, 2021

	General Approach			Simplified Approach
	Stage 1	Stage 2	Stage 3	
Amortized cost				
Cash and cash equivalents	₱15,467,064,816	₱–	₱–	₱–
Trade receivables	–	–	–	2,023,826,043
Due from franchisees	–	–	–	95,989,313
Nontrade receivables	567,232,378	–	–	–
Security and other deposits	2,462,292,120	–	–	–
FVOCI	11,625,932,652	–	–	–
Total gross carrying amounts	30,122,521,966	–	–	2,119,815,356
Less allowance	9,880,788	–	–	20,265,363
	₱30,112,641,178	₱–	₱–	₱2,099,549,993

As of June 30, 2022 and December 31, 2021, there were no movements between stage 1, 2 and 3.

Fair Values of Financial Assets and Liabilities

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

- Due to the short-term nature of the transaction, the fair value of cash and cash equivalents and trade and other receivables approximates the carrying values at year-end.
- Security and other deposits and construction bond are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.
- Debt and equity instrument financial assets amounting to ₱9.46 billion and ₱11.63 billion as at June 30, 2022 and December 31, 2021, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.
- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.

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

As of June 30, 2022 and December 31, 2021, the Company's financial assets measured at fair value are categorized within the Level 1 fair value hierarchy.

28. Lease Commitments

Group as Lessee

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

Set out below are the carrying amounts of right-of-use assets recognized and the movements as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱22,639,146,437	₱25,038,299,389
Net additions during the year	2,462,051,096	1,686,469,716
Additions from business combination (Note 19)	—	—
Amortization of ROU assets (Note 21)	(2,078,384,922)	(4,085,622,668)
	₱23,022,812,611	₱22,639,146,437

Set out below are the carrying amounts of lease liabilities and the movements as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance (Note 30)	₱25,832,734,988	₱27,327,440,734
Accretion of interest expense	894,390,646	1,801,627,179
Net additions during the year (Note 30)	2,446,211,499	1,582,366,738
Additions from business combination (Note 19)	—	—
Deconsolidation of a subsidiary (Note 19)	—	—
COVID-19 rent concessions	—	(747,846,177)
Lease payments	(2,571,187,467)	(4,130,853,486)
	26,602,149,666	25,832,734,988
Less current portion of lease liabilities	3,273,468,037	2,965,059,293
Noncurrent portion of lease liabilities	₱23,328,681,629	₱22,867,675,695

The following are the amounts recognized in profit or loss for the six months ended June 30, 2022 and 2021 as follows:

	2022	2021
Amortization of ROU assets (Note 21)	₱2,078,384,922	₱1,940,368,320
Interest expense on lease liabilities	894,390,648	922,792,208
Expenses relating to short-term leases and variable lease payments, net of negative variable lease (Note 21)	1,101,742,822	557,052,562
	₱4,074,518,392	₱3,420,213,090

Shown below is the maturity analysis of the undiscounted lease payments as of June 30, 2022 and December 31, 2021:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one (1) year	₱7,992,111,640	₱4,793,483,951
After one (1) year but not more than five (5) years	21,915,709,501	18,677,600,783
More than five (5) years	13,333,488,876	11,707,468,793
	₱43,241,310,017	₱35,178,553,527

Group as a Lessor

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

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

29. Agreements

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

Royalty expense amounted to ₱7.25 million and ₱22.90 million for the six months ended June 30, 2022 and 2021, respectively (Note 21). Royalty payable to Ministop included under “Other current liabilities” as of June 30, 2022 and December 31, 2021 amounted to ₱46.75 million and ₱53.03 million, respectively (Note 16).

- b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Ministop consist of providing personnel and utilities. The lease/royalty fee is based on a certain percentage of the gross profit of the lessee/franchisee. The related royalty income amounted to ₱103.35 million and ₱72.60 million for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and December 31, 2021, amounts due from franchisees amounted to ₱34.36 million and ₱95.99 million, respectively. No provision for impairment losses on due from franchisees was recognized in 2022, 2021 and 2020 (Note 8).

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

Royalty expenses amounted to ₱5.35 million and ₱3.79 million for the six months ended June 30, 2022 and 2021, respectively.

- d.) The Group is a sub-licensee of Toys R Us in the Philippines. The royalty fee is based on fixed percentage of gross monthly sales of sub-licensee. Royalty expense amounted to ₱25.72 million, and ₱15.05 million for the six months ended June 30, 2022 and 2021, respectively.
- e.) On April 25, 2019, Emart Inc., granted the Group, an exclusive and non-transferrable right to carry on the “NO BRAND” business in the Philippines. The Group pays royalty fee amounting to ₱2.91 million and ₱0.24 million for the six months ended June 30, 2022 and 2021, respectively, representing 0.5% of the net revenue arising from sale of “NO BRAND” products and EMART sourced products in the Philippines.
- f.) The Group has other licenses and franchises to carry various global brands.

30. Changes in Liabilities Arising from Financing Activities

June 30, 2022 (Unaudited)

	January 1, 2022	Net Cash Flows	Dividend Declaration	Others	June 30, 2022
Lease liabilities	₱25,832,734,988	(₱2,571,187,467)	₱–	₱3,340,602,144	₱26,602,149,665
Short-term loans payable	7,734,000,000	(30,000,000)	–	–	7,704,000,000
Dividends payable	–	(3,082,905,700)	3,082,905,700	–	–
Total liabilities from financing activities	₱33,566,734,988	(₱5,684,093,167)	₱3,082,905,700	₱3,340,602,144	₱34,306,149,664

December 31, 2021 (Audited)

	January 1, 2021	Net Cash Flows	Dividend Declaration	Others	December 31, 2021
Lease liabilities	₱27,327,440,734	(₱4,130,853,486)	₱–	₱2,636,147,740	₱25,832,734,988
Short-term loans payable	9,584,000,000	(1,850,000,000)	–	–	7,734,000,000
Dividends payable	–	(3,146,724,424)	3,146,724,424	–	–
Total liabilities from financing activities	₱36,911,440,734	(₱9,127,577,910)	₱3,146,724,424	₱2,636,147,740	₱33,566,734,988

As of June 30, 2022, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱2,446 million and ₱894.39 million, respectively.

As of December 31, 2021, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱1.58 billion and ₱1.80 billion, respectively.

Interest paid for the six months ended June 30, 2022 and 2021 amounted to ₱74.27 million and ₱88.87 million, respectively.

31. Contingencies

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

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

32. Other Matters

COVID-19 Impact

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

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

The effects of the pandemic continued into 2021, albeit with meaningful signs of recovery in daily business operations, which became apparent especially in the fourth quarter of the year. While foot traffic and consumer mobility were affected during periods of community lockdowns, consumers and businesses alike adapted to the changing conditions and the new normal. Compared to 2020, there were less periods of stringent quarantines, which allowed for more operating days for RRHI's discretionary formats. 2021 also saw the rollout of COVID-19 vaccination programs across local government units and corporations. This aided in better performance across RRHI's businesses, as vaccinated individuals allowed for better mobility and rising consumer confidence.

The pandemic affected the Company's strategic pivots towards accelerated e-commerce operations and digitalization. While brick and mortar stores still constitute the significantly larger proportion of sales, RRHI believes in the relevance of e-commerce to serve the rising omnichannel consumer, even in a post-COVID reality.

RRHI continues to monitor the pandemic, as the virus may still result into variants that can harm consumers and industry. However, RRHI is cautiously optimistic that it will be able to remain

resilient to further disruptions caused by COVID-19, as a greater proportion of the population is inoculated with primary, secondary and booster shots through government-led programs, and safety measures continue to be implemented across the various aspects of operations.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES

- I. Supplementary schedules required by Annex 68-J
 - Schedule A. Financial Assets
 - Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - Schedule C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the Consolidation of Financial Statements
 - Schedule D. Long-term Debt
 - Schedule E. Indebtedness to Related Parties
 - Schedule F. Guarantees of Securities of Other Issuers
 - Schedule G. Capital Stock
- II. Map of the relationships of the companies within the group
- III. Schedule of Financial Soundness Indicators

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

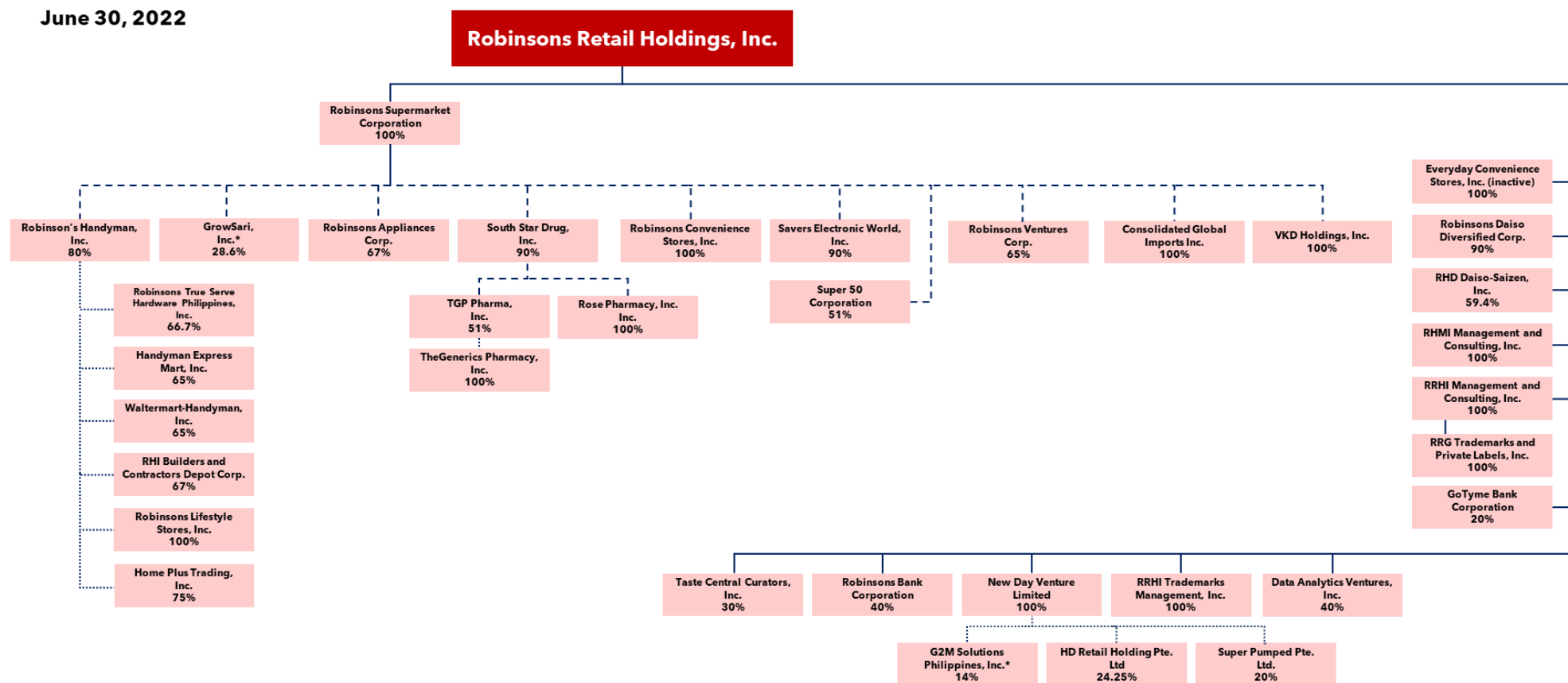
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

June 30, 2022

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of June 30, 2022:

June 30, 2022



*Represent notes with conversion rights

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE A: FINANCIAL ASSETS****JUNE 30, 2022**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Debt and Equity Securities				
Various bonds	₱6,615,097,473	₱6,563,134,801	₱6,563,134,801	₱165,600,134
Investment in preferred shares	3,091,989,250	2,897,552,109	2,897,552,109	85,971,297
	₱9,707,086,723	₱9,460,686,910	₱9,460,686,910	₱251,571,431

See Note 11 of the Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

JUNE 30, 2022

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

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE C: AMOUNTS RECEIVABLE/PAYABLE FROM/TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
JUNE 30, 2022**

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱206,002,676	₱2,195,148,558	₱–	₱2,401,151,234	₱–	₱2,401,151,234
Robinsons Toys, Inc.	–		–		–	
Robinsons Convenience Stores, Inc.	39,106,088		–	39,106,088	–	39,106,088
Robinson's Supermarket Corporation	450,901,830	904,486,450	–	1,355,388,280	–	1,355,388,280
Robinson's Incorporated	193,263,940	-1,532,775,857	–	(1,339,511,917)	–	(1,339,511,917)
Robinsons Handyman, Inc.	61,989,029	40,123,299	–	102,112,328	–	102,112,328
RHD Daiso - Saizen, Inc.	542,403,060	-62,163,165	–	480,239,895	–	480,239,895
	₱1,493,666,623	₱1,544,819,285	₱–	₱3,038,485,908	₱–	₱3,038,485,908

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

JUNE 30, 2022

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Current portion	Noncurrent portion
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NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES****JUNE 30, 2022**

Name of related party	Balance at beginning of period	Balance at end of period
Robinsons Land Corporation	P338,888,700	P267,121,063
Universal Robina Corporation	311,910,323	298,789,929
JG Summit Holdings, Inc.	7,533,073	8,788,801
	P658,332,096	P574,699,793

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS**JUNE 30, 2022**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE G: CAPITAL STOCK****JUNE 30, 2022**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,485,067,020	—	491,299,997	215,835,370	777,931,653
	2,000,000,000	1,485,067,020	—	491,299,997	215,835,370	777,931,653

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS****AS OF JUNE 30, 2022 and DECEMBER 31, 2021**

Financial Soundness Indicator	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
i. Liquidity ratio:		
Current ratio	1.41	1.44
ii. Profitability ratio:		
Gross profit margin	0.23	0.23
Return on assets	0.02	0.04
Return on equity	0.04	0.06
iii. Stability ratio:		
Solvency ratio	0.11	0.21
Debt to equity ratio	0.78	0.75
Asset to equity ratio	1.78	1.75
Interest rate coverage ratio	3.75	3.09

**See attached reporting computation.*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF JUNE 30, 2022 AND DECEMBER 31, 2021

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current assets	₱44,668,696,571	₱46,915,955,701
Current liabilities	31,677,006,696	32,525,716,501
Current ratio	1.41	1.44
Gross profit	19,317,605,701	35,226,010,934
Net sales	82,366,533,350	153,327,360,466
Gross profit margin	0.23	0.23
After tax net profit	2,961,634,941	4,850,441,473
Depreciation and amortization	3,565,258,293	7,087,772,782
	6,526,893,234	11,938,214,255
Total liabilities	57,467,188,848	57,721,564,978
Solvency ratio	0.11	0.21
Total liabilities	57,467,188,848	57,721,564,978
Total equity	73,955,482,880	76,512,717,621
Debt to equity ratio	0.78	0.75
Total assets	131,422,671,728	134,234,282,599
Total equity	73,955,482,880	76,532,158,207
Asset to equity ratio	1.78	1.75
Earnings before interest and taxes	3,632,326,548	6,059,451,315
Interest expense	968,662,222	1,960,893,202
Interest rate coverage ratio	3.75	3.09
Net income	2,961,634,941	4,850,441,473
Average total assets	132,828,477,162	137,915,232,791
Return on assets	0.02	0.04
Net income	2,961,634,941	4,850,441,473
Average total equity	75,234,100,251	77,051,475,938
Return on equity	0.04	0.06

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

Robinsons Retail Holdings, Inc. reported net income attributable to equity holders of the parent company (NIAT) at ₱1.6 billion in the second quarter of 2022, more than double the ₱724 million in the same period last year and higher than pre-pandemic level in 2019 by 44.7%. The surge in profitability is on account of good operating performance and full quarter impact of the austerity measures implemented last year. Coupled with the ongoing share buyback program, earnings per share had a bigger lift by 122.2% to ₱1.04/share.

Net sales reached ₱42.9 billion in the second quarter, growing by 19.8% versus last year and surpassing pre-pandemic level by 7.7%. Improved overall sales were driven by the 15.5% Same Store Sales Growth (SSSG). The significant increase in SSSG, which was a huge turnaround from previous year's minus 3.4%, was due to higher transaction count across segments, given improvements in mobility and easing of border restrictions.

Gross profit climbed 25.5% to ₱10.2 billion mainly due to better product mix, with margin rising 100bps year-on-year. EBITDA advanced by 32.7% to ₱3.8 billion.

Robust gains from the second quarter enhanced performance for the first half of 2022. Net sales jumped 15.3% to ₱82.4 billion. E-commerce sales accounted for 3.6% of sales, an increase from 2.8% last year. EBITDA improved by 25.8% to ₱7.2 billion resulting in net income attributable to the parent company amounting to ₱2.7 billion, up by 64.0% vs. last year

COVID-19 Impact, Risks and Mitigation

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID 19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until May 16, 2020 when quarantine restrictions were relaxed, save for a reimposition of MECQ in Metro Manila and nearby provinces in the 1st 2 weeks of August 2020.

In January to April 2021, GCQ was imposed in some areas including Metro Manila. This was replaced by MECQ from April 12 to April 30, 2021 for Metro Manila and neighboring areas such as Bulacan, Cavite, Laguna, Batangas and for some areas in the provinces. The president ordered a small lifting of quarantine regulations in NCR and the province of Bulacan on June 14, 2021, as the two areas were shifted to GCQ with "some restrictions" from June 16 to 30, 2021. On July 7, 2021, the president has approved returning NCR and 29 other locations in the country to the usual GCQ status till the end of the month, after their previous COVID-19 quarantine classification expired on July 15, 2021.

The government's pandemic task team has agreed to lower NCR and Laguna from ECQ to MECQ commencing August 21, 2021.

The government approved placing Metro Manila and Laguna under MECQ from August 21 to 31, 2021. By the end of August, the Government announced that the National Capital Region, Bataan, and Laguna will remain under MECQ from September 1 to 7, 2021, with the same additional restrictions.

In the same month, the COVID-19 Alert Levels System was tested in NCR. It's a new system of quarantine categories that applies to entire cities, municipalities, or regions.

This method is made up of five alert levels and the granular lockdown technique, which is a two-week micro-level quarantine for regions declared "critical zones" by local government units (LGUs). Starting September 8, 2021. until the end of the month, Metro Manila shifted back to GCQ. Metro Manila was placed under Alert Level 4 on September 16, 2021, enforcing granular lockdowns only in vital sectors. By the end of September, the Government placed 11 regions under MECQ until October 15, 2021, while 25 areas went under GCQ with heightened restrictions until the end of the month.

On October 13, 2021, IATF approved the recommendation to reduce the alert level in NCR from alert level 4 to alert level 3 until October 31, 2021. On November 4, 2021, the Government approved the de-escalation of NCR from alert level 3 to alert level 2.

On January 3, 2022, Metro Manila and most other provinces were placed to Alert Level 3 status due to the surge of Covid cases caused by the Omicron variant until January 31, 2022.

On February 1, 2022, Metro Manila and most other provinces were de-escalated to Alert Level 2 until February 28, 2022 in which the government approved the further de-escalation to Alert Level 1. As of June 30, 2022, Metro Manila and the other provinces maintained Alert Level 1 status.

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

Segment Operations

- (i) **Supermarket.** The supermarket segment recorded net sales of ₱24.3 billion in 2Q, 15.2% ahead vs. the same period last year. SSSG was at 9.4%, a turnaround from minus 14.4% in 2Q 2021, driven by higher transaction count despite lower basket size. Consumers are shrinking their purchases or buying cheaper items in response to the high inflation that reached 6.1% in June. Supermarket's June 2022 net sales ended at ₱46.7 billion, up by 10.8%. E-commerce as % of sales grew to 3.5% in 1H 2022 from 2.9% the previous year.

Gross margin improvements were attributable to higher transaction count, increase in indent penetration across all banners and improvement in assortment mix.

EBITDA margins were at par vs. last year as gross margin improvements were offset by additional expenses from the new stores and distribution center and lower rent concessions.

- (ii) **Drug Stores.** The drugstore segment generated net sales of ₱6.9 billion, up by 9.4% in 2Q 2022 and ₱14.0 billion in 1H, an increase of 14.2%, on the back of healthy SSSG and sales contribution from new stores. E-commerce sales also doubled and accounted for 5.9% of sales in 1H 2022.

Blended SSSG of Southstar and Rose Pharmacy remained robust at 3.7% in 2Q 2022 and 9.0% in 1H 2022 with improved sales from mall and supermarket-based stores, buoyed by the effects of election spending. Prescription drugs remained as a top driver of growth.

Gross margin expanded by 40bps in 2Q 2022 and 1H 2022 to 20.3% and 20.1%, respectively.

EBITDA margin grew by 90bps to 8.9% in 1H 2022 with continued improvement in Rose Pharmacy.

- (iii) **DIY Stores.** The DIY segment expanded net sales by 14.5% to ₱3.1 billion in 2Q 2022 and 7.2% to ₱6.0 billion in 1H 2022. E-commerce sales contributed 3.6% of sales from 2.8% last year.

Same store sales grew 15.5% in 2Q 2022, a turnaround from minus 0.1% in the first quarter, with transaction count increasing by 14.5% in 2Q 2022 vs. last year. This resulted in YTD SSSG at 7.4%.

Gross margins were down by 140bps to 30.0% in 2Q 2022 and 170bps to 30.9% due to sales promotions to move out ageing inventories. OPEX as % of sales fell significantly as a result

of increased productivity driven by improvement in sales. This lifted EBITDA margins by 190bps to 12.9% in 2Q 2022 and 50bps to 13.6% in 1H 2022.

- (iv) **Department Stores.** Department store net sales more than doubled to ₱3.5 billion in 2Q 2022, bringing 1H 2022 net sales to ₱6.1 billion, a 68.9% increase from last year. E-commerce grew 34% vs. last year and accounted for 0.9% of sales.

Same stores sales advanced by 94.5% in 2Q 2022 and 55.9% in 1H 2022. Shoes, bags & luggage and apparel continued to be the top categories due to people going back to their offices and with people now starting to travel for business and vacation given the easing of travel restrictions.

Gross margins advanced by 100bps to 30.3% in 2Q 2022 and 80bps to 30.5% in 1H 2022 coming from the increased share of outright sales vs concessionaire sales.

Strong topline growth more than compensated for increased OPEX to improve EBITDA margin by 650bps to 8.4%.

- (v) **Convenience stores.** Net sales accelerated by 27.3% to ₱1.6 billion and 16.5% to ₱2.8 billion, in 2Q 2022 and 1H 2022, respectively. E-commerce sales rose to 2.9% of sales from 2.6% last year.

Same store sales surged by 34.6% in 2Q 2022 and 19.3% in 1H 2022, given spike in transaction count by 35.8% and 21.1%, respectively, on top of the new product launches and consistent marketing promotions. The number of stores opened for 24 hours also grew vs. last year. The BPO and commercial areas, where 55% of our stores are located, are leading the growth with SSSG of 46% and 31% for 2Q 2022 and 52% and 30% for 1H 2022.

Gross margin and royalty income expanded by 580bps and 330bps in to 38.6% in 2Q 2022 and 1H 2022, respectively, as RTE products continued to increase its share in the mix.

EBITDA margin expanded by 740bps to 10.7% in 2Q 2022 and 570bps to 10.3% in 1H 2022, given strong sales, coupled with improvement in gross margin, better sales mix and control in OPEX.

- (vi) **Specialty Stores Segment.** Net sales for the specialty segment grew by 26.5% in 2Q 2022 to ₱3.6 billion, with YTD sales at ₱6.7 billion. Bulk of the sales came from the Appliances and Consumer Electronics Segment. E-commerce sales as % of sales was 2.1% for 1H 2022.

SSSG remained robust at 24.1% in 2Q 2022, with all formats contributing double-digit growth. This resulted in a significant jump in YTD SSSG to 22.7%

Blended gross margin expanded by 150bps to 25.5% in 2Q 2022 and 20bps to 25.8% in 1H 2022.

The strong SSSG, helped by gross margin gains, lifted EBITDA margins by 210bps to 9.9% in 2Q 2022 and 130bps to 9.0% in 1H 2022.

Financial Position

As of June 30, 2022, the Group's balance sheet showed consolidated assets of ₱131,423 million.

Cash and cash equivalents as of June 30, 2022 is at ₱13,146 million. Net cash provided by operating activities totaled ₱5,154 million. Net cash spent from investing activities amounted to ₱940 million,. Excluding the impact of PFRS 16, net cash spent by financing activities amounted to ₱4,669 million of which ₱2,810 million came from loan payments, ₱2,780 million came from additional loans with ₱3,083 million payment of dividends and ₱1,482 million to buy back treasury shares.

Trade and other receivables increased by 0.4% from ₱2,667 million to ₱2,676 million as of June 30, 2022.

Debt and equity instrument financial assets declined by ₱2,165 million or 18.6% due to redemptions during the period.

Trade and other payables decreased from ₱21,216 million to ₱20,135 million as of June 30, 2022 reflecting faster payment to vendors in order to load up purchases at lower prices before vendors effect price increases. Current loans payable decreased by ₱30 million due to loan payments net of availments.

Stockholder's equity stood at ₱73,955 million as of June 30, 2022.