C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 2 0 0 2 0 1 7 5 6

COMPANY NAME

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corpsec@robinsonretail.com.ph	8635-0751	0998-8465-086

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱8,199,112,878**	₱17,766,987,346
Trade and other receivables (Notes 8, 24 and 27)	**3,008,883,564**	3,527,552,514
Merchandise inventories (Note 9)	**29,519,045,004**	27,469,818,076
Other current assets (Note 10)	**2,609,199,521**	2,434,118,767
Total Current Assets	**43,336,240,967**	51,198,476,703
Non Current Assets Held For Sale (Note 13)	**8,318,381,007**	8,318,381,007
Noncurrent Assets		
Debt and equity instrument financial assets (Notes 11 and 27)	**29,571,404,266**	8,965,043,768
Property and equipment (Note 12)	**22,500,994,214**	22,647,559,783
Right-of-use assets (Note 28)	**20,297,918,235**	22,154,925,469
Investment in associates (Note 13)	**1,769,673,755**	1,635,146,466
Intangible assets (Notes 14 and 19)	**22,645,237,214**	22,645,616,385
Deferred tax assets - net (Note 25)	**1,273,374,820**	1,272,895,980
Retirement plan asset (Note 23)	**290,531,620**	290,531,620
Other noncurrent assets (Notes 15 and 27)	**2,457,888,310**	2,397,560,807
Total Noncurrent Assets	**100,807,022,434**	82,009,280,278
	₱152,461,644,408	₱141,526,137,988
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 24 and 27)	**₱22,389,260,521**	₱27,490,345,252
Short-term loans payable (Notes 17 and 27)	**8,109,000,000**	8,409,000,000
Lease liabilities - current portion (Note 27 and 28)	**3,528,808,271**	3,500,576,587
Income tax payable	**144,360,933**	154,839,061
Other current liabilities (Note 27)	**555,079,893**	542,609,390
Total Current Liabilities	**34,726,509,618**	40,097,370,290
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 27 and 28)	**20,863,300,910**	22,523,077,675
Loans payable – net of current portion (Notes 17 and 27)	**15,378,044,718**	–
Deferred tax liabilities - net (Note 25)	**2,057,680,576**	2,052,932,515
Retirement obligation (Note 23)	**363,836,708**	279,090,496
Total Noncurrent Liabilities	**38,662,862,912**	24,855,100,686
Total Liabilities	**73,389,372,530**	64,952,470,976
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	**(5,877,430,277)**	(5,425,324,182)
Other comprehensive income (Notes 11, 13 and 23)	**3,760,470,267**	(417,678,756)
Equity reserve	**(742,678,028)**	(742,678,028)
Retained earnings		
Appropriated	**17,277,752,847**	17,277,752,847
Unappropriated	**18,246,010,526**	19,392,171,193
Total equity attributable to equity holders of the Parent Company	**75,008,817,592**	72,428,935,331
Non-controlling interest in consolidated subsidiaries	**4,063,454,286**	4,144,731,681
Total Equity	**79,072,271,878**	76,573,667,012
	₱152,461,644,408	₱141,526,137,988

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30 (Unaudited)		Six Months Ended June 30 (Unaudited)	
	2023	2022	**2023**	2022
SALES - Net of sales discounts and returns (Notes 6, 20 and 24)	**₱46,384,750,974**	₱42,943,523,251	**₱90,977,935,196**	₱82,366,533,350
COST OF MERCHANDISE SOLD (Notes 6 and 9)	**35,385,776,139**	32,710,799,261	**69,449,543,813**	63,048,927,649
GROSS PROFIT (Note 6)	**10,998,974,835**	10,232,723,990	**21,528,391,383**	19,317,605,701
ROYALTY, RENT AND OTHER REVENUE (Notes 6, 20, 24 and 29)	**244,951,748**	282,342,219	**580,220,343**	572,778,456
GROSS PROFIT INCLUDING OTHER REVENUE (Note 6)	**11,243,926,583**	10,515,066,209	**22,108,611,726**	19,890,384,157
OPERATING EXPENSES (Notes 21, 22, 23, 28 and 29)	**(9,189,989,966)**	(8,471,474,858)	**(18,231,073,924)**	(16,258,057,609)
OTHER INCOME (CHARGES)				
Interest income (Notes 6, 7 and 11)	**60,436,622**	77,302,377	**165,680,427**	179,361,682
Equity in net earnings in associates (Notes 6 and 13)	**(150,486,100)**	113,643,653	**(279,758,026)**	172,651,278
Dividend income (Notes 6 and 11)	**569,664,562**	43,038,713	**612,658,331**	85,971,297
Foreign currency exchange gains (loss) - net (Note 6)	**17,991,385**	253,180,182	**(73,192,346)**	304,455,391
Interest expense (Notes 6, 17 and 28)	**(778,891,385)**	(478,155,577)	**(1,519,218,187)**	(968,662,222)
Others (Notes 11 and 14)	**(18,488,371)**	20,347,597	**(36,822,774)**	182,616,702
	(299,773,287)	29,356,945	**(1,130,652,575)**	(43,605,872)
INCOME BEFORE INCOME TAX (Note 6)	**1,754,163,330**	2,072,948,296	**2,746,885,227**	3,588,720,676
PROVISION FOR INCOME TAX (Note 25)				
Current	**336,689,271**	439,533,337	**661,344,884**	774,546,103
Deferred	**19,950,581**	(51,819,552)	**4,733,009**	(147,460,368)
	356,639,852	387,713,785	**666,077,893**	627,085,735
NET INCOME	**1,397,523,478**	1,685,234,511	**2,080,807,334**	2,961,634,941
OTHER COMPREHENSIVE INCOME (LOSS)				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Changes in fair value of debt securities at fair value through other comprehensive income (FVOCI) (Note 11)	**8,638,286**	(153,769,743)	**123,296,564**	(359,602,247)
Share in change in fair value of debt and equity financial assets in associates (Note 13)	–	978,593,144	–	229,702,893
Share in change in translation adjustment in associates (Note 13)	–	6,985,779	–	(5,471,262)
Cumulative translation adjustment	**3,140,487**	(295,787)	**(28,018,734)**	23,959,502
Income tax effect	–	(248,553,781)	–	(56,057,908)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:	–	–	–	–
Changes in fair value of equity securities at FVOCI (Note 11)	**1,406,833,964**	(470,706,623)	**4,082,871,193**	(585,479,833)
Share in actuarial gain (losses) on retirement obligation in associates (Note 13)	–	–	–	(8,636,198)
Income tax effect	–	2,159,050	–	2,159,050
	1,418,612,737	114,412,039	**4,178,149,023**	(759,426,003)
TOTAL COMPREHENSIVE INCOME	**₱2,816,136,215**	₱1,799,646,550	**₱6,258,956,357**	₱2,202,208,938

	Three Months Ended June 30 (Unaudited)		Six Months Ended June 30 (Unaudited)	
	2023	2022	**2023**	2022
Net income attributable to:				
Equity holders of the Parent Company	**₱1,261,836,266**	₱1,557,295,821	**₱1,798,538,913**	₱2,736,910,972
Non-controlling interest in consolidated subsidiaries	**135,687,212**	127,938,690	**282,268,421**	224,723,969
	₱1,397,523,478	₱1,685,234,511	**₱2,080,807,334**	₱2,961,634,941
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**₱2,680,449,003**	₱1,671,707,860	**₱5,976,687,936**	₱1,977,534,202
Non-controlling interest in consolidated subsidiaries	**135,687,212**	127,938,690	**282,268,421**	224,674,736
	₱2,816,136,215	₱1,799,646,550	**₱6,258,956,357**	₱2,202,208,938
Basic/Diluted Earnings Per Share (Note 26)	**₱0.86**	₱1.04	**₱1.22**	₱1.83

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity Attributable to Equity Holders of the Parent Company									
						Retained Earnings				
	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Treasury Stock (Note 18)	Other Comprehensive Income (Loss) (Notes 11, 13,and 23)	Equity Reserve (Note 18)	Appropriated (Note 18)	Unappropriated (Note 18)	Total	Non-controlling Interest inc Consolidated Subsidiaries (Note 18)	Total
For the Six Months Ended June 30, 2023 (Unaudited)										
Balance at beginning of year	**₱1,576,489,360**	**₱40,768,202,897**	**(₱5,425,324,182)**	**(₱417,678,756)**	**(₱742,678,028)**	**₱17,277,752,847**	**₱19,392,171,193**	**₱72,428,935,331**	**₱4,144,731,681**	**₱76,573,667,012**
Net income	–	–	–	–	–	–	**1,798,538,913**	**1,798,538,913**	**282,268,421**	**2,080,807,334**
Other comprehensive income	–	–	–	**4,178,149,023**	–	–		**4,178,149,023**	–	**4,178,149,023**
Total comprehensive income	–	–	–	**4,178,149,023**	–	–	**1,798,538,913**	**5,976,687,936**	**282,268,421**	**6,258,956,357**
Dividends declared	–	–	–	–	–	–	**(2,944,699,580)**	**(2,944,699,580)**	**(363,545,816)**	**(3,308,245,396)**
Purchase of treasury shares	–	–	**(452,106,095)**	–	–	–	–	**(452,106,095)**	–	**(452,106,095)**
Others	–	–	–	–	–	–	–	–	–	–
Balance at end of year	**₱1,576,489,360**	**₱40,768,202,897**	**(₱5,877,430,277)**	**₱3,760,470,267**	**(₱742,678,028)**	**₱17,277,752,847**	**₱18,246,010,526**	**₱75,008,817,592**	**₱4,063,454,286**	**₱79,072,271,878**
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)
Acquisiton of noncontrolling interest	–	–	–	–	225,473,856	–	–	225,473,856	(434,860,120)	(209,386,264)
Realized FV changes from disposal of equity securities	–	–	–	–	–	–	14,395,367	14,395,367	–	14,395,367
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

See accompanying Notes to Consolidated Financial Statements.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,746,885,227**	₱3,588,720,676
Adjustments for:		
Depreciation and amortization (Notes 6, 12, 14, 21 and 28)	**3,644,989,392**	3,565,258,293
Interest expense (Notes 6, 17 and 28)	**1,519,218,187**	968,662,222
Retirement expense (Notes 22 and 23)	**84,746,212**	100,184,896
Provision for inventory obsolescence (Note 9)	**14,570,499**	19,196,235
Provision for (reversal of) expected credit losses (Notes 8 and 11)	**(8,358,806)**	220,054
Unrealized foreign currency exchange loss (gain) - net (Note 6)	**73,192,346**	(304,455,391)
Others	**(39,374,279)**	12,330,956
Equity in net earnings in associates (Notes 6 and 13)	**279,758,026**	(172,651,278)
Dividend income (Notes 6 and 11)	**(612,658,331)**	(85,971,297)
Interest income (Notes 6, 7 and 11)	**(165,680,427)**	(179,361,682)
Operating income before working capital changes	**7,537,288,046**	7,512,133,684
Decrease (increase) in:		
Trade and other receivables	**837,853,159**	(5,982,108)
Merchandise inventories	**(2,063,797,427)**	(1,128,350,213)
Other current assets	**(175,080,754)**	341,397,376
Increase (decrease) in:		
Trade and other payables	**(2,972,492,450)**	(934,747,697)
Other current liabilities	**12,470,503**	(4,530,500)
Net cash flows generated from operations	**3,176,241,077**	5,779,920,542
Interest received	**165,680,427**	215,224,334
Retirement contributions and benefits paid (Note 23)	**–**	(24,175,861)
Income tax paid	**(671,823,012)**	(816,762,329)
Net cash flows (used in) provided by operating activities	**2,670,098,492**	5,154,206,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in associates (Note 13)	**(414,285,315)**	(713,473,449)
Debt and equity instrument financial assets (Note 11)	**(19,478,601,036)**	(207,445,972)
Property and equipment (Note 12)	**(3,557,749,476)**	(1,742,853,347)
Proceeds from disposals of debt and equity instrument financial assets (Note 11)	**2,946,154,752**	1,713,835,494
Dividends received (Note 11)	**335,830,543**	85,971,297
Acquisition of non-controlling interest	**–**	(209,386,260)
Decrease (increase) in other noncurrent assets	**(60,327,502)**	132,918,596
Net cash flows provided by (used in) investing activities	**(20,228,978,034)**	(940,433,641)

	Six Months Ended June 30 (Unaudited)	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availments (Notes 17 and 30)	**₱24,965,594,718**	₱2,780,000,000
Interest paid (Notes 17 and 30)	**(684,488,570)**	(74,271,574)
Dividends paid	**(3,308,245,396)**	(3,082,905,700)
Acquisition of own shares (Note 18)	**(452,106,095)**	(1,481,547,082)
Payment of loans (Notes 17 and 30)	**(9,887,550,000)**	(2,810,000,000)
Lease payments (Notes 28 and 30)	**(2,621,467,170)**	(2,571,187,467)
Net cash flows used in financing activities	**8,011,737,487**	(7,239,911,823)
EFFECTS OF FOREIGN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**(20,732,413)**	1,744,188
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,567,874,468)**	(3,024,394,590)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,766,987,346**	16,170,113,685
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱8,199,112,878**	₱13,145,719,095

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 December 31, 2022, the Parent Company is 33.21% owned by JE Holdings, Inc., 24.64% owned by PCD Nominee Corporation, 21.31% 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 retirement 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, 2023, December 31, 2022 and 2021 and for each of the three (3) years in the period ended December 31, 2022 represent the consolidation of the financial statements of RRHI and the following subsidiaries directly and indirectly owned by the Parent Company.

	Effective Percentages of Ownership					
	2022		2021		2020	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Robinson’s Supermarket Corporation (RSC)	100.00%	–	100.00%	–	100.00%	–
Consolidated Global Imports, Inc. (CGII)	–	100.00%	–	100.00%	–	–
Robinsons Appliances Corp. (RAC)	–	67.00%	–	67.00%	–	67.00%
Robinsons Ventures Corporation (RVC)	–	65.00%	–	65.00%	–	65.00%
Robinsons Convenience Stores, Inc. (RCSI/Ministop)	–	100.00%	–	60.00%	–	60.00%
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%

	Effective Percentages of Ownership					
	2022		2021		2020	
Investee Companies	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
(Forward)						
South Star Drug, Inc. (SSDI)					–	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)	–	80.00%	–	53.60%	–	53.60%
Home Plus Trading Depot, Inc. (HPTDI)	–	60.00%	–	40.20%	–	40.20%
Robinsons Lifestyle Stores, Inc. (RLSI)	–	80.00%	–	80.00%	–	80.00%
Everyday Convenience Stores, Inc. (ECSI)	100.00%	–	100.00%	–	100.00%	–
Robinsons Daiso Diversified Corp. (RDDC)	90.00%	–	90.00%	–	90.00%	–
RHD Daiso-Saizen, Inc. (RHDDS)	59.40%	–	59.40%	–	59.40%	–
RHMI Management and Consulting, Inc.	–	–	100.00%	–	100.00%	–
RRHI Management and Consulting, Inc.	–	–	100.00%	–	100.00%	–
RRG Trademarks and Private Labels, Inc.	–	–	100.00%	–	100.00%	–
RRHI Trademarks Management, Inc. (RRHI-TMI)	100.00%	–	100.00%	–	100.00%	–
New Day Ventures Limited (NDV Limited)	100.00%	–	100.00%	–	100.00%	–

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

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 VKD Holdings, Inc. (VHI) for a total consideration ₱40.87 million. VHI is a holding of a 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 2022, RSC acquired the remaining 70% ownership in VKD Holdings, Inc. for a total selling price of ₱236.63 million.

On December 28, 2021, the Parent Company acquired 20.0% ownership interest in GoTyme Bank Corportion (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). In 2023 and 2022, the Company infused an additional ₱235.1 million and ₱356.5 million to GoTyme.

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 Rustan Supercenters, Inc. (RSCI) (Note 12).

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

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

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

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

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

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

On November 23, 2018, RRHI subscribed 40% ownership interest in Data Analytics Ventures, Inc. (DAVI) of which ₱0.40 million was paid. DAVI's principal activities include building a digital rewards program and creating a robust data infrastructure and analytics business. Accordingly, the Group accounted the investment in DAVI under investment in associates (Note 13). In 2020 and 2019, RRHI made additional capital infusion to DAVI amounting to ₱192.00 million and ₱239.60 million, respectively (Note 13).

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

In 2022 and 2021, the Group made additional cash infusion to G2M amounting to ₱495.33 million and ₱33.89 million, respectively (Note 13).

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

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

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

Mergers
On April 22, 2022, the BOD and stockholders of RCSI 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 13, 2022, the SEC approved the Plan of Merger.

On February 11, 2022, the BOD and stockholders of CGII 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 December 19, 2022, the SEC approved the Plan of Merger. The merger is effective July 1, 2023.

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

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

On October 21, 2019, the BOD and stockholders of RSC, ASI, RSSI and RSCI approved the plan of merger of the companies with RSC as the surviving company. The merger was approved by the stockholders representing at least 2/3 vote of the outstanding capital stock of the companies. On 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**

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2022. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- 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.

- 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 Company.

<u>Standards Issued But Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will 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, 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.

- 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.

  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 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.

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.

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

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

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

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, 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, 2022 and 2021. 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 ot assets and the arrangement conveys a right to use the asset or assets, evein if that right is not explicitly specified in an arrangement.

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

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

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

ROU assets are presented separately in the consolidated 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 period ended June 30, 2023 and years ended December 31, 2022 and 2021 (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 14.90% ownership interest, respectively, upon conversion of the note. The Group assessed that it has significant influence as evidenced by provision of technical information, board seats and service agreement in the term sheet. Thus, the investments are accounted for as investments in associates.

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

The following were also considered:

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

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

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

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

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

The Group performed its annual impairment test as at December 31, 2022 and 2021. 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, 2022 and 2021, 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, 2022 and 2021, below are the CGUs from which goodwill is allocated and tested for annual impairment:

	Basis	**2022**	2021
RSCI	VIU	**₱9,109,386,061**	₱9,109,386,061
RPI	EV/EBITDA	**2,343,614,826**	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	**4,248,153**	30,000,000
GNC Pharma Corp.	EV/EBITDA	**23,250,000**	23,250,000
		₱14,725,338,315	₱14,751,090,162

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 10.91% to 9.63% to 11.67% for pharmaceutical and non-pharmaceutical group respectively in 2022 (5.76% to 11.40% in 2021) and cash flows beyond the five-year period are extrapolated using a 1.00% to 5.00% in 2022 growth rate (1.00% to 5.00% in 2021) 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 8.1% to 2.3% to 6.0% in 2022 and 2021 respectively. 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 2022 and 2021, the Group used the EV/EBITDA multiple ranging from 4.6x to 8.7x multiples and 6.82x multiples for pharmaceutical and non-pharmaceutical group, respectively, in 2022, (8.1x to 9.40x multiples and 9.72x multiples for pharmaceutical and non-pharmaceutical group, respectively, in 2021) for impairment testing of goodwill and concluded and satisfied that goodwill from the acquired entities are not impaired.

As of December 2022 and 2021, the recoverable amount of trademark is higher than its carrying value. Management believe that's that a decrease in discount rate by 8.6% and 5.16% as of December 2022 and 2021 would cost a carrying value of the trademarks to equal the recoverable amount. The discount rate is the assumption to which the recoverable amount of CGU is most sensitive to.

As of December 31, 2022 and 2021, the recoverable amount of goodwill is higher than its carrying value. Management believes that the decrease in growth rate by 6.39% and 8.5% as of 2022 and 2021 would cost the carrying value of the CGU including goodwill to equal the recoverable amount. The growth rate is the assumption to which the recoverable amount of CGU is most sensitive to.

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, 2023 and 2022 amounted to ₱1.35 million and ₱0.22 million, respectively. As of June 30, 2023 and December 31, 2022, allowance for expected credit losses on trade and other receivables amounted to ₱25.43 million and ₱ 33.79 million, respectively.

As of June 30, 2023 and December 31, 2022, the carrying value of the Group's trade and other receivables amounted to ₱3.00 billion and ₱3.53 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, 2023 and 2022 amounted to ₱14.57 million and ₱19.20 million, respectively.

Merchandise inventories amounted to ₱29.52 billion and ₱27.47 billion as of June 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the carrying value of the Group's property and equipment amounted to ₱22.50 billion and ₱22.65 billion, respectively (Note 12), ROU assets amounted to ₱20.30 billion and ₱22.15 billion, respectively (Note 28), investment in associates amounted to ₱1.77 billion and ₱1.64 billion, respectively (Note 13) and trademarks and franchise with definite useful life amounted to ₱3.98 million and ₱4.36 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, 2023 and December 31, 2022, the carrying value of the retirement plan asset amounted to ₱290.53 million. As of June 30, 2023 and December 31, 2022, retirement obligation amounted to ₱363.84 million and ₱279.09 million, respectively.

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, 2023 and December 31, 2022, the Group has deferred tax assets amounting ₱6.35 billion and ₱6.85 billion, respectively.

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, 2023 and December 31, 2022, contract liabilities arising from gift checks amounted to ₱212.69 million and ₱239.49 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 five (5) formats. It has Robinsons Supermarket, Robinsons Easymart, The Marketplace, Shopwise, 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*
  DIY brands of Handyman Do it Best, True Value, and True Home, 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*
  Uncle John's is a 24 - hour convenience store chain in the Philippines. 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 stores such as Benefit, Shiseido and Clē de Peau 4) mass merchandise stores under Daiso Japan, Arcova and Super50, 5) pet retail under Pet Lovers Centre

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	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	₱51,852,942,562	₱6,832,042,598	₱5,921,018,264	₱3,103,661,411	₱16,128,502,509	₱7,139,767,852	₱–	₱–	₱90,977,935,196
Intersegment net sales	–	–	–	–	–	–	–	–	–
Total net sales	51,852,942,562	6,832,042,598	5,921,018,264	3,103,661,411	16,128,502,509	7,139,767,852	–	–	90,977,935,196
Segment cost of merchandise sold	40,766,729,741	4,726,815,333	4,037,591,763	1,991,686,585	12,748,518,776	5,178,201,615	–	–	69,449,543,813
Intersegment cost of merchandise sold	–	–	–	–	–	–	–	–	–
Total cost of merchandise sold	40,766,729,741	4,726,815,333	4,037,591,763	1,991,686,585	12,748,518,776	5,178,201,615	–	–	69,449,543,813
Gross profit	11,086,212,821	2,105,227,265	1,883,426,501	1,111,974,826	3,379,983,733	1,961,566,237	–	–	21,528,391,383
Segment other income	331,542,231	14,508,166	–	104,712,722	95,389,916	34,067,308	–	–	580,220,343
Intersegment other income	162,546,435	–	–	–	–	23,500,451	–	(186,046,886)	–
Total other income	494,088,666	14,508,166	–	104,712,722	95,389,916	57,567,759	–	(186,046,886)	580,220,343
Gross profit including other income	11,580,301,487	2,119,735,431	1,883,426,501	1,216,687,548	3,475,373,649	2,019,133,996	–	(186,046,886)	22,108,611,726
Segment operating expenses	7,211,009,405	1,656,795,020	1,258,151,888	897,211,736	2,058,699,837	1,448,694,683	55,521,963	–	14,586,084,532
Intersegment operating expenses	23,500,451	66,178,872	30,425,355	2,330	41,405,010	24,534,868	–	(186,046,886)	–
Total operating expenses	7,234,509,856	1,722,973,892	1,288,577,243	897,214,066	2,100,104,847	1,473,229,551	55,521,963	(186,046,886)	14,586,084,532
Earnings before interest, taxes and depreciation and amortization	4,345,791,631	396,761,539	594,849,258	319,473,482	1,375,268,802	545,904,445	(55,521,963)	–	7,522,527,194
Depreciation and amortization	1,899,693,150	335,584,316	427,121,338	214,794,961	354,918,325	412,877,302	–	–	3,644,989,392
Earnings (loss) before interest and taxes	2,446,098,481	61,177,223	167,727,920	104,678,521	1,020,350,477	133,027,143	(55,521,963)	–	3,877,537,802
Interest income	24,702,192	7,171,830	21,878,423	31,262	7,590,429	16,483,662	87,822,629	–	165,680,427
Equity in net earnings of an associate	–	–	–	–	–	–	(279,758,026)	–	(279,758,026)
Dividend income	–	–	–	–	–	–	612,658,331	–	612,658,331
Foreign exchange gain (loss) – net	(4,978,477)	295,887	(13,923)	–	(574,055)	(229,435)	(67,692,343)	–	(73,192,346)
Interest expense	(617,967,585)	(108,376,507)	(77,063,838)	(31,883,671)	(192,337,969)	(70,693,915)	(420,894,702)	–	(1,519,218,187)
Others	36,919,825	–	(220,287)	–	652,535	1,801,921	(76,206,565)	229,797	(36,822,774)
Income before income tax	₱1,884,774,436	(39,731,567)	₱112,308,295	₱72,826,112	₱835,681,417	₱80,389,376	₱(199,592,639)	₱229,797	₱2,746,885,227
Assets and liabilities									
Segment assets	₱49,703,967,052	₱5,525,098,534	₱8,212,821,302	₱2,640,701,787	₱21,427,427,468	₱7,983,856,540	₱43,079,476,158	₱13,888,295,567	₱152,461,644,408
Investment in subsidiaries - at cost	4,662,839,856	3,888,568,592	–	–	–	–	24,130,589,151	(32,681,997,599)	–
Total segment assets	₱54,366,806,908	₱9,413,667,126	₱8,212,821,302	₱2,640,701,787	₱21,427,427,468	₱7,983,856,540	₱67,210,065,309	₱(18,793,702,032)	₱152,461,644,408
Total segment liabilities	₱32,157,492,086	₱5,898,542,646	₱3,547,001,137	₱1,673,982,649	₱12,130,235,642	₱4,601,523,354	₱12,907,784,659	₱472,810,357	₱73,389,372,530
Other segment information:									
Capital expenditures	₱714,146,662	₱ 155,880,244	₱ 199,189,516	₱ 102,349,184	₱ 179,566,056	₱ 98,734,721	₱–	₱–	₱1,449,866,383

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	₱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
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	₱1,715,296,924	(₱17,625,807)	₱205,646,923	₱6,464,308	₱796,526,237	₱69,381,912	₱813,030,179	₱–	₱3,588,720,676
Assets and liabilities									
Segment assets	₱46,426,083,351	₱6,254,180,086	₱10,076,612,910	₱3,120,374,859	₱19,465,223,197	₱8,526,146,748	₱25,835,903,476	₱11,718,147,101	₱131,422,671,728
Investment in subsidiaries - at cost	4,614,291,927	3,888,568,592	–	–	–	–	24,132,839,151	(32,635,699,670)	–
Total segment assets	₱51,040,375,278	₱10,142,748,678	₱10,076,612,910	₱3,120,374,859	₱19,465,223,197	₱8,526,146,748	₱49,968,742,627	(₱20,917,552,569)	₱131,422,671,728
Total segment liabilities	₱28,450,731,562	₱7,655,179,928	₱4,762,185,107	₱2,087,457,466	₱11,073,804,034	₱4,562,619,272	₱1,795,907,687	(₱2,920,696,208)	₱57,467,188,848
Other segment information:									
Capital expenditures	₱1,255,269,476	₱129,424,002	₱76,500,366	₱20,873,839	₱178,907,017	₱81,878,647	₱–	₱–	₱1,742,853,347

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 ₱8.20 billion and ₱17.77 billion as of June 30, 2023 and December 31, 2022, 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 1.60% to 4.80% as of June 30, 2023, 0.40% to 4.60% and 0.10% to 0.70% as of December 31, 2022 and 2021, respectively.

Interest income arising from cash in banks and cash equivalents amounted to ₱87.77 million, and ₱13.76 million for the six months ended June 30, 2023 and 2022, respectively.

8. Trade and Other Receivables

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade (Notes 24 and 27)	**₱2,145,314,028**	₱2,915,553,193
Nontrade (Notes 24 and 27)	**677,084,188**	586,457,967
Due from franchisees (Notes 27 and 29)	**211,915,184**	59,329,996
	3,034,313,400	3,561,341,156
Less allowance for impairment losses (Notes 27 and 29)	**25,429,836**	33,788,642
	₱3,008,883,564	₱3,527,552,514

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 ₱39.56 million as of June 30, 2023 and December 31, 2022, respectively. The remaining balance consists of operational advances, receivable from lessees and interest receivable arising from short-term investments.

Movement in the allowance for impairment losses is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱33,788,642**	₱46,902,975
Provision for impairment losses (Note 21)	**1,348,174**	3,329,780
Reversals and write-off	**(9,706,980)**	(16,444,113)
Balance at end of year	**₱25,429,836**	₱33,788,642

9. **Merchandise Inventories**

The rollforward analysis of this account follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱27,469,818,076**	₱25,089,664,818
Add purchases - net of purchase discounts and allowances	**71,598,641,819**	139,079,284,034
Cost of goods available for sale	**99,068,459,895**	164,168,948,852
Less Cost of merchandise sold	**69,449,543,813**	136,538,881,790
Allowance for inventory obsolescence	**99,871,078**	160,248,986
Balance at end of year	**₱29,519,045,004**	₱27,469,818,076

The cost of merchandise inventories charged to the consolidated statements of comprehensive income amounted to ₱69.45 billion and ₱63.05 billion for the six months ended June 30, 2023 and 2022, respectively.

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱160,248,986**	₱154,970,068
Provisions	**14,570,499**	62,513,748
Write-off	**(74,948,407)**	(57,234,830)
Balance at end of year	**₱99,871,078**	₱160,248,986

There are no merchandise inventories pledged as security for liabilities as of June 30, 2023 and December 31, 2022.

10. Other Current Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT – net	**₱1,253,293,594**	₱1,430,521,725
Prepayments	**1,355,905,927**	1,003,597,042
	₱2,609,199,521	₱2,434,118,767

Input VAT will be applied against output VAT in the succeeding periods. 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 are as follows:

		June 30, 2023	December 31, 2022
Debt securities			
FVOCI with recycling	(a)	**₱4,614,752,293**	₱7,524,048,032
FVTPL	(b)	**294,988,235**	294,988,235
		4,909,740,528	7,819,036,267
Equity securities at FVOCI without recycling		**24,661,663,738**	1,146,007,501
		₱29,571,404,266	₱8,965,043,768

Debt Securities

a. The Group's debt securities consist of Peso and Dollar-denominated bond securities with fixed coupon rate per annum ranging from 4.35% to 5.88% and term of five (5) to ten (10) years.

Rollforward analysis of debt securities at FVOCI with recycling as of June 30, 2023 and December 31, 2022 follows:

	June 30, 2023	December 31, 2022
Amortized cost:		
At beginning of year	**₱8,014,035,816**	₱9,722,307,924
Additions	**–**	55,850,000
Disposals	**(2,946,134,752)**	(2,119,292,329)
Foreign exchange gain	**(52,459,937)**	355,170,221
At end of year	**5,015,441,127**	8,014,035,816
Amortization of discount on debt securities	**(1,146,536)**	32,851,079
Change in fair value of financial assets:		
At beginning of year	**(519,288,808)**	485,765,587
Changes in fair value recognized in OCI	**22,203,661**	(1,029,352,266)
Transfer to profit or loss	**101,092,903**	24,297,871
At end of year	**(395,992,244)**	(519,288,808)
Allowance for expected credit losses	**(3,550,054)**	(3,550,055)
	₱4,614,752,293	₱7,524,048,032

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.

Interest income arising from debt instrument financial assets amounted to ₱77.90 million, and ₱165.60 million for the six months June 30, 2023 and 2022, respectively.

b. The Group's debt securities at FVTPL as of June 30, 2023 and December 31, 2022 amounting to ₱294.99 million pertain to investments in Edamama Pte. Ltd., Wholeselect Technology Pte. Ltd. and Quick Commerce Technologies lnc. Pte. Ltd. through Simple Agreement for Future Equity (SAFE).

	June 30, 2023	December 31, 2022
At beginning of year	**₱294,988,235**	₱143,392,265
Additions	**–**	151,595,970
	₱294,988,235	₱294,988,235

Equity Securities

Quoted equity securities pertain to investment in stocks listed in the PSE. The Group elected to classify irrevocably its listed equity investments (mainly AC preferred shares, a domestic listed entity) under FVOCI as it intends to hold these investments for the foreseeable future. Rollforward analysis of equity securities at FVOCI without recycling for the years ended December 31, 2022 and 2021 follows:

	June 30, 2023	December 31, 2022
Cost:		
At beginning and end of year	**₱1,197,500,000**	₱1,197,500,000
Additions	**19,478,601,036**	–
Disposals	**20,000**	–
	20,676,081,036	₱1,197,500,000
Change in fair value of equity instrument financial assets:		
At beginning of year	**(51,492,499)**	46,103,750
Changes in fair value	**4,037,074,523**	(97,596,249)
Disposals	**678**	–
At end of year	**3,985,582,702**	(51,492,499)
	₱24,661,663,738	₱1,146,007,501

Dividend income earned by the Group amounted to ₱612.66 million and ₱85.97 million for the six months ended June 30, 2023 and 2022, respectively.

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

	June 30, 2023	December 31, 2022
Balances at the beginning of year	**(₱570,076,182)**	₱532,574,462
Change in fair value during the year - OCI	**4,059,278,864**	(1,126,948,515)
Transfers to profit or loss	**101,092,903**	24,297,871
Balances at the end of year	**(₱3,590,295,585)**	(₱570,076,182)

Investment in Bank of the Philippine Islands (BPI)
The Board of Directors of the Company (RRHI), at its special meeting held on January 5, 2023, approved and confirmed the purchase of the 4.4% effective equity interest of Arran Investment Pte. Ltd. ("Arran") (an affiliate of GIC Private Limited "GIC") in the Bank of the Philippine Islands ("BPI"). Through Redeemable Preferred Shares ("Preferred Shares"), GIC via Arran currently owns 21.9% of Liontide Holdings, Inc. ("Liontide"), which in turn has a 20.0% equity interest in BPI.

As part of the transaction, Arran will redeem a portion of its preferred shares in Liontide. The underlying 148,698,943 BPI shares, representing 3.3% equity interest, will then be purchased directly by the Parent Company. Simultaneously, Parent Company will acquire 10,384,903 redeemable preferred shares in Liontide, which is redeemable to 49,566,314 BPI shares, representing 1.1% equity interest. A Share Purchase Agreement between the Parent Company, Arran, Liontide, and BPI for the Parent Company to acquire was executed on January 5, 2023.

On January 13, 2023, the Parent Company paid a total amount of ₱14.80 billion to Liontide representing 148,698,943 shares or 3.3% of BPI shares at 99.5 per share.

On January 13, 2023, Arran also completed the sale of 10,384,903 Preferred Shares in Liontide to the Parent Company for a total amount of ₱4.68 billion. The preferred shares is redeemable equivalent to 49,566,314 BPI shares or 1.1% equity. A new Shareholders Agreement among the Parent Company, Liontide and Ayala Corporation was entered into on the same date.

12. Property and Equipment

June 30, 2023 (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	**₱5,019,412,246**	**₱3,226,995,622**	**₱20,088,805,998**	**₱10,451,632,119**	**₱6,251,441,326**	**₱254,839,737**	**₱4,551,993,632**	**₱49,845,120,680**
Additions	**12,570,856**	**42,324,782**	**378,655,929**	**326,086,896**	**481,576,599**	**643,613**	**208,007,708**	**1,449,866,383**
Transfers	**–**	**12,054**	**(12,054)**		**–**	**–**	**–**	**–**
Disposals and reclassifications			**(33,544,683)**	**(36,972,263)**	**(3,298,890)**		**(808,546)**	**(74,624,382)**
At end of year	**5,031,983,102**	**3,269,332,458**	**20,433,905,190**	**10,740,746,752**	**6,729,719,035**	**255,483,350**	**4,759,192,794**	**51,220,362,681**
Accumulated depreciation and amortization								
At beginning of year	**–**	**1,357,082,595**	**12,130,813,265**	**7,001,884,900**	**3,492,810,833**	**225,674,795**	**2,989,294,509**	**27,197,560,897**
Depreciation and amortization (Note 21)	**–**	**77,328,479**	**699,214,881**	**342,116,087**	**274,285,219**	**7,619,140**	**192,472,427**	**1,593,036,233**
Disposals and reclassifications	**–**		**(30,794,372)**	**(36,410,412)**	**(3,298,890)**	**–**	**(724,989)**	**(71,228,663)**
At end of year	**–**	**1,434,411,074**	**12,799,233,774**	**7,307,590,575**	**3,763,797,162**	**233,293,935**	**3,181,041,947**	**28,719,368,467**
	5,031,983,102	**₱1,834,921,384**	**₱7,634,671,416**	**₱3,433,156,177**	**₱2,965,921,873**	**₱22,189,415**	**₱1,578,150,847**	**₱22,500,994,214**

December 31, 2022

December 31, 2022

	Land	Building and Other Equipment	Leasehold Improvements	Store Furniture and Fixtures	Office Furniture and Fixtures	Transportation Equipment	Computer Equipment	Total
Cost								
At beginning of year	₱1,056,774,298	₱2,983,595,031	₱18,396,717,340	₱9,844,850,992	₱5,483,654,315	₱258,219,449	₱4,090,056,833	₱42,113,868,258
Additions	3,962,637,948	243,967,555	2,005,470,993	718,613,086	825,867,839	993,337	506,222,796	8,263,773,554
Disposals and reclassifications	–	(566,964)	(313,382,335)	(111,831,959)	(58,080,828)	(4,373,049)	(44,285,997)	(532,521,132)
At end of year	5,019,412,246	3,226,995,622	20,088,805,998	10,451,632,119	6,251,441,326	254,839,737	4,551,993,632	49,845,120,680
Accumulated depreciation and amortization								
At beginning of year	–	1,212,808,458	11,016,332,018	6,378,880,208	3,026,608,065	193,473,849	2,665,719,113	24,493,821,711
Depreciation and amortization (Note 21)	–	144,841,101	1,355,374,632	710,196,405	489,425,186	13,827,511	372,676,010	3,086,340,845
Disposals and reclassifications	–	(566,964)	(240,893,385)	(87,191,713)	(23,222,418)	18,373,435	(49,100,614)	(382,601,659)
At end of year	–	1,357,082,595	12,130,813,265	7,001,884,900	3,492,810,833	225,674,795	2,989,294,509	27,197,560,897
	₱5,019,412,246	₱1,869,913,027	₱7,957,992,733	₱3,449,747,219	₱2,758,630,493	₱29,164,942	₱1,562,699,123	₱22,647,559,783

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, 2023 and December 31, 2022, the Group disposed property and equipment with net book value of ₱3.40 million and ₱149.92 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 ₱13.17 billion and ₱10.59 billion as of June 30, 2023 and December 31, 2022.

There are no property and equipment pledged as security for liabilities as of June 30, 2023 and December 31, 2022.

13. Investment in Associates

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
RBC	**₱–**	₱–
TCCI	**225,050,964**	235,406,514
DAVI	**–**	6,809,960
G2M	**871,057,729**	881,200,636
GoTyme	**377,175,856**	342,153,153
HD Retail	**243,116,968**	113,683,012
Super Pumped Pte. Ltd.	**53,272,238**	55,893,191
	₱1,769,673,755	₱1,635,146,466

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

	December 31, 2022 (Audited)
Shares of stock - at equity:	
At beginning and end of year	₱5,950,238,902
Accumulated equity in net earnings:	
Balance at beginning of year	2,100,220,505
Equity in net earnings	516,422,438
Balance at end of year	2,616,642,943
Share in fair value changes of financial assets of RBC:	
Balance at beginning of year	(364,228,122)
Share in fair value changes of financial assets at FVOCI	96,151,121
Balance at end of year	(268,077,001)
Share in translation loss adjustments:	
Balance at beginning of year	10,531,251
Share in translation adjustments	2,335,822
Balance at end of year	12,867,073

	December 31, 2022 (Audited)
Share in remeasurement losses on retirement obligation:	
Balance at beginning of year	(₱13,481,607)
Share in remeasurement loss on retirement obligation	20,190,697
Balance at end of year	6,709,090
	₱8,318,381,007
Transfer to non current asset held for sale (Note 5)	(8,318,381,007)
	₱–

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.

The consolidated statements of comprehensive income follows:

	December 31, 2022 (Audited)	December 31, 2021 (Audited)	December 31, 2020 (Audited)
Total operating income	**₱7,762,498,589**	₱9,512,327,791	₱8,790,116,183
Total operating expenses and tax	**6,458,376,220**	8,278,334,057	7,855,529,266
Net income	**1,304,122,369**	1,233,993,734	934,586,917
Other comprehensive income (loss)	**376,748,628**	(1,134,251,060)	237,875,695
Total comprehensive income	**₱1,680,870,997**	₱99,742,674	₱1,172,462,612
Group's share of profit for the year	**₱516,422,438**	₱493,597,494	₱373,834,767

The reconciliation of the net assets of RBC to the carrying amounts of the interest in RBC recognized in the consolidated financial statements as of December 31, 2021 follows:

Net assets of RBC	₱18,486,127,758
Proportionate ownership in the associate	40%
Total share in net assets	7,394,451,103
Carrying amount of the investment	7,683,280,929
Goodwill subsumed in carrying amount of investment	₱288,829,826

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Changes in fair value of financial assets of associates:		
Balances at the beginning of year	**(₱268,077,001)**	(₱364,228,122)
Change in fair value during the year	–	96,151,121
Balances at end of year	**(268,077,001)**	(268,077,001)
Remeasurement gain (losses) on retirement obligation of associates:		
Balances at the beginning of year	**₱6,709,090**	(₱13,481,607)
Remeasurement gain (loss) during the year	–	20,190,697
Balances at end of year	**6,709,090**	6,709,090
	(₱261,367,911)	(₱261,367,911)

Merger between RBC and BPI
In relation to the ownership interest of the Group in RBC, the BOD of RRHI at its meeting held on September 30, 2022, approved the execution of an agreement among Bank of the Philippine Islands (BPI), RRHI and JG Summit Capital Services Corporation (JG Capital) for the merger of BPI and RBC, with BPI as the surviving entity, subject to the shareholders and regulatory approvals (i.e., Philippine Competition Commission, Bangko Sentral ng Pilipinas, Philippine Deposit Insurance Corporation, and Securities and Exchange Commission). Upon the effectivity of the merger, both the Parent Company and JG Capital will become shareholders of the merged entity. On January 17, 2023, the aforementioned merger was approved by the stockholders of BPI. In 2022, the parties to the merger were also able to determine the exchange ratio to be used in the share swap.

As a result of events and agreements signed in September 2022, the Group reclassified its investment in RBC from investment in associate to noncurrent asset held for sale, and thereby stopped the equity method of accounting. Management assessed, in accordance with the exchange ratio finalized, that the carrying amount of asset held for sale is lower than its fair value less cost to sell, thus, the amount recognized in the 2022 consolidated statement of financial position is equal to the carrying amount at the time of reclassification and initial recognition. In December 2022, the Group received dividends from RBC amounting to P122.16 million, and this was recognized as income following the discontinuance of the equity method of accounting.

TCCI
On December 13, 2017, the Parent Company acquired 20.00% ownership interest in TCCI or 1.00 million shares for a total consideration amounting to ₱125.00 million or ₱25.00 per share. On March 28, 2019, the Parent Company acquired additional 875,011 common shares representing 10% ownership interest for a total consideration amounting to ₱280.00 million. Ownership interest of the Parent Company in TCCI as of December 31, 2022 and 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, 2023 and December 31, 2022 amounted to ₱225.05 million and ₱235.41 million, respectively. Details follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance at beginning and end of year	**₱405,000,000**	₱405,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(169,593,486)**	(147,659,452)
Equity in net loss	**(10,355,550)**	(21,934,034)
Balance at end of year	**(179,949,036)**	(169,593,486)
	₱225,050,964	₱235,406,514

DAVI

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

Carrying value of DAVI's investment as of June 30, 2023 and December 31, 2022 amounted to nil and ₱6.81 million, respectively. Details follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance at beginning and end of year	**₱432,000,000**	₱432,000,000
Accumulated equity in net earnings:		
Balance at beginning of year	**(425,190,040)**	(284,276,155)
Equity in net loss	**(6,809,960)**	(140,913,885)
Balance at end of year	**(432,000,000)**	(425,190,040)
	₱–	₱6,809,960

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, 2023 and December 31, 2022 amounted to ₱871.06 million and ₱881.20 million, respectively. Details follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance at beginning of year	**₱909,710,295**	₱414,378,261
Additional investment (Note 2)	–	495,332,034
Balance at end of year	**₱909,710,295**	909,710,295
Accumulated equity in net earnings:		
Balance at beginning of year	**(28,509,659)**	(8,223,852)
Equity in net loss	**(10,142,907)**	(20,285,807)
Balance at end of year	**(38,652,566)**	(28,509,659)
	₱871,057,729	₱881,200,636

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. Carrying value of GoTyme's investment as of December 31, 2021 amounted to ₱200.00 million. In 2022, the Group made additional cash infusion to GoTyme amounting to ₱356.53 million.

Carrying value of GoTyme's investment as of June 30, 2023 and December 31, 2022 amounted to ₱377.18 million and ₱342.15 million, respectively. Details follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance at beginning of year	**₱556,530,333**	₱200,000,000
Additional investment (Note 2)	**235,107,867**	356,530,333
Balance at end of year	**791,638,200**	556,530,333
Accumulated equity in net earnings:		
Balance at beginning of year	**(214,377,180)**	–
Equity in net loss	**(200,085,164)**	(214,377,180)
Balance at end of year	**(414,462,344)**	(214,377,180)
	₱377,175,856	₱342,153,153

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 2023 and 2022 amounted to ₱49.74 million and ₱22.26 million, respectively.

Carrying value of HD Retail's investment as of June 30, 2023 and December 31, 2022 amounted to ₱243.12 million and ₱113.68 million, respectively. Details follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Balance at beginning of year	**₱231,471,237**	₱179,076,562
Additional investment (Note 2)	**179,177,448**	52,394,675
Balance at end of year	**410,648,685**	231,471,237
Accumulated equity in net earnings:		
Balance at beginning of year	**(117,788,225)**	(18,301,241)
Equity in net loss	**(49,743,492)**	(99,486,984)
Balance at end of year	**(167,531,717)**	(117,788,225)
	₱243,116,968	₱113,683,012

VKD Holdings
In December 2021, RSC acquired 30% ownership in VKD Holdings, Inc. (VHI) for a total consideration ₱40.87 million. VHI is a holding of a 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. Carrying value of VHI's investment as of December 31, 2021 amounted to ₱40.87 million. In 2022, RSC acquired the remaining 70% ownership in VHI for a total consideration of ₱236.63 million. The transaction is treated as an acquisition of an asset.

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, 2023 and December 31, 2022 amounted to nil. Details follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Shares of stock - at equity:		
At beginning of year	**₱–**	₱105,000,000
Return of investment	–	(105,000,000)
At end of year	–	–
Accumulated equity in net earnings:		
At beginning of year	–	(105,000,000)
Gain on reversal of accumulated equity in net loss	–	105,000,000
At end of year	–	–
	₱–	₱–

On February 4, 2022, G2M purchased from the Group the convertible note for a total consideration of $4.0 million. Gain on reversal of accumulated equity is presented under "Other income (charges)" in the consolidated statements of comprehensive income.

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, 2023 and December 31, 2022 amounted to ₱53.27 million and ₱55.89 million, respectively. NDV's share in the net loss of Super Pumped for 2023 amounted to ₱2.62 million.

14. **Intangible Assets**

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Goodwill (Note 19)	**₱14,725,338,315**	₱14,725,338,315
Trademarks (Note 19)	**7,915,917,598**	7,915,917,598
Franchise	**3,981,301**	4,360,472
	₱22,645,237,214	₱22,645,616,385

Goodwill
The Group's goodwill as of June 30, 2023 and December 31, 2022 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, 2023 (Unaudited)	December 31, 2022 (Audited)
RSCI (Note 19)	**₱9,109,386,061**	₱9,109,386,061
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	**4,248,153**	4,248,153
GPC	**23,250,000**	23,250,000
	₱14,725,338,315	₱14,725,338,315

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
RSCI (Note 19)	**₱3,205,411,607**	₱3,205,411,607
RPI (Note 19)	**1,514,575,531**	1,514,575,531
SSDI	**1,566,917,532**	1,566,917,532
TGPPI	**1,264,098,435**	1,264,098,435
SEWI	**364,914,493**	364,914,493
	₱7,915,917,598	₱7,915,917,598

Included in the trademarks acquired through acquisition of RSCI in 2018 is the right to use a brand and trademark for a period of almost five (5) years. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	**₱4,360,472**	₱5,118,811
Amortization (Note 21)	**(379,171)**	(758,339)
	₱3,981,301	₱4,360,472

15. Other Noncurrent Assets

This account consists of:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Security and other deposits	**₱2,397,022,893**	₱2,337,728,937
Construction bonds	**60,865,417**	59,831,870
	₱2,457,888,310	₱2,397,560,807

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	**₱12,461,690,831**	₱14,613,653,620
Nontrade (Note 24)	**8,610,388,280**	11,791,754,628
Others	**1,317,181,410**	1,084,937,004
	₱22,389,260,521	₱27,490,345,252

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, 2023 and December 31, 2022. 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, 2023 (Unaudited)	December 31, 2022 (Audited)
Gift check outstanding	**₱212,693,470**	₱239,492,755
Deferred revenue	**1,070,536**	1,551,192
	₱213,764,006	₱241,043,947

Below is the rollforward of contract liabilities as of June 30, 2023 and December 31, 2022:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At January 1	**₱241,043,947**	₱243,488,155
Deferred during the year	**236,136,250**	537,402,450
Recognized as revenue during the year	**(263,416,191)**	(539,846,658)
At December 31	**₱213,764,006**	₱241,043,947

17. **Loans Payable**

Details of loans are as follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱8,409,000,000**	₱7,734,000,000
Availments	**24,965,594,718**	5,395,000,000
Payments	**(9,887,550,000)**	(4,720,000,000)
	₱23,487,044,718	₱8,409,000,000
Less: Short Term Loans	**8,109,000,000**	8,409,000,000
Long Term Loans	**₱15,378,044,718**	₱–

The balances of loans of the subsidiaries are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
RRHI	**₱12,373,001,346**	₱–
RSC	**6,505,043,372**	3,750,000,000
SSDI	**3,239,000,000**	3,389,000,000
RCSI	**470,000,000**	620,000,000
RHDDS	**405,000,000**	385,000,000
RPI	**400,000,000**	250,000,000
HPTD	**35,000,000**	15,000,000
RTSHPI	**60,000,000**	
	₱23,487,044,718	₱8,409,000,000

a.) RRHI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 6.30% per annum. RRHI paid a loan of ₱6.50 billion on April 13, 2023. The loan was used to acquire 4.4% ownership in BPI (Note 11). On April 13, 2023, RRHI availed long term loan of ₱10.65 billion with an interest rate of 6.75% per annum payable after five years.

b.) RSC's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 5.80%- 6.45% per annum in 2023 and 2.55% - 5.80% per annum in 2022. In 2023 and 2022, RSC availed short-term loans amounting to ₱0.40 billion and ₱5.22 billion, respectively. In 2022 and 2021, RSC paid ₱2.46 billion and ₱4.20 million, respectively. The short-term loans payable of RSC as of June 30, 2023 and December 31, 2022 amounted to ₱1.70 billion and ₱3.75 billion, respectively.

On April 11, 2023, RSC availed a long term loan of ₱4.84 billion with an interest rate of 6.75% per annum payable after five years.

c.) SSDI's short-term loans payable consist of loans availed from local commercial banks at interest rates of 5.80%-6.45% per annum in 2023 and 2.30%-2.40% per annum in 2022. SSDI paid ₱150.0 million and ₱20.0 million as of March 31, 2023 and December 31, 2022, respectively. The short-term loans payable of SSDI as of June 30, 2023 and December 31, 2022 amounted to ₱3.24 billion.

d.) RCSI's short-term loans payable consist of loans availed from a local commercial bank at interest rates of 6.0%- 6.75% per annum in 2023 and 2.40% - 5.00% per annum in 2022. In

2023 and 2022, RCSI availed short-term loan amounting to ₱570.00 million and ₱100.00 million, respectively. In addition, RCSI paid ₱720.00 million in 2023 and ₱450.00 million in 2022. The short-term loans payable as of June 30, 2023 and December 31, 2022 amounted to ₱ 470.00 million and ₱620.0 million, respectively.

e.) RHDDS's short-term loans payable consist of a loan availed from a local commercial bank at an interest rates of 5.9%-6.75% per annum in 2023 and 2.40%-5.90% per annum in 2022. RHDDS availed loans in the amount of ₱180.00 million and paid ₱195.00 million in 2022. The company paid
₱50.0 million in 2023. The short-term loans payable as of June 30, 2023 and December 31, 2022 amounted to ₱405.00 million and ₱385.00 million, respectively.

f.) RPI's short-term loans payable consists of loans availed from a local commercial bank at an interest rate of 5.5% - 6.30% per annum in 2023 and 2.40% - 5.50% per annum in 2022. In 2023 and 2022, RPI availed short-term loan amounting to ₱150.00 million and ₱200.00 million, respectively. In addition, RPI paid ₱400.00 million in 2022. The short-term loans payable as of June 30, 2023 and December 31, 2022 amounted to ₱400.00 million and ₱250.00, respectively.

g.) HPTD's short-term loans payable consist of loans availed from local commercial banks at an interest rates of 6.0%-6.50% per annum in 2023 and 2.40% - 5.70% per annum in 2022. In 2022, HPTD availed short-term loan amounting to ₱15.00 million. In 2023 and 2022, HPTD paid ₱25.00 million and ₱25.00 million, respectively. The short-term loans payable as of June 30, 2023 and December 31, 2022 amounted to ₱35.00 million and ₱15.00 million, respectively.

h.) In 2023, RTSHPI availed a short term loan of ₱60.0 million at an interest rate of 6.5% per annum.

Total interest expense charged to operations for the six months ended June 30, 2023 and 2022 amounted to ₱684.50 million and ₱74.27 million, respectively.

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

18. Equity

Capital Stock

The details of this account follow:

	Number of Shares					
	Authorized			Issued and Outstanding		
	June 30, 2023	December 31, 2022	December 31, 2021	**June 30, 2023**	December 31, 2022	December 31, 2021
Issued	**1,576,489,360**	1,576,489,360	1,576,489,360	**1,576,489,360**	1,576,489,360	1,576,489,360
Less: Treasury stock	**–**	–	–	**(105,673,690)**	(97,313,220)	(64,479,160)
Issued and Outstanding	**1,576,489,360**	1,576,489,360	1,576,489,360	**1,470,815,670**	1,479,176,140	1,512,010,200

	Amount		
	June 30, 2023	December 31, 2022	December 31, 2021
Common stock - ₱1 par value			
Authorized shares	**₱2,000,000,000**	₱2,000,000,000	₱2,000,000,000
Outstanding shares	**1,470,815,670**	1,479,176,140	1,512,010,200
Treasury shares	**5,877,430,277**	5,425,324,182	3,616,057,963

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 ₱2.00 billion. The repurchased shares are presented under 'Treasury stock' account in the consolidated statement of changes in equity.

On February 26, 2021, the BOD of the Parent Company agreed to extend the share buyback program for an additional amount of ₱2.0 billion to improve shareholder value. This will be on top of the ₱2.00 billion share buyback approved last March 9, 2020.

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, 2023 and December 31, 2022, RRHI has repurchased 105.67 million shares for ₱5,877.43 million and 97.31 million shares for ₱5,425.32 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, 2023	December31, 2022	December 31, 2021
Acquisition of additional shares from non-controlling interest			
Beginning	(₱742,678,028)	(₱995,284,977)	(₱995,284,977)
Additions/Deductions	–	252,606,949	–
	(₱742,678,028)	(₱742,678,028)	(₱995,284,977)

Acquisition of Additional Shares from a Non-Controlling Shareholder
On February 22, 2022, RSC acquired Ministop Japan's (MSJ) 40% stake in RCSI for a consideration of ₱209.39 million, increasing its share from 60% to 100%. The Group recognized equity reserve from the acquisition amounting to ₱225.47 million representing the difference between the consideration and the net book value of NCI.

On July 1, 2022, the Group bought the remaining 33% ownership in RHIB from an NCI for a total consideration of ₱117.56 million. The Group recognized equity reserves in the amount of ₱27.13 million representing the difference between the consideration and the net book value of NCI.

On November 4, 2019, RI acquired additional 18,947,368 common shares, representing 0.95% of RCSI from a non-controlling shareholder for ₱18.95 million. The Group recognized equity reserve from the acquisition amounting to ₱1.36 million.

On April 3, 2019, RSC acquired additional 1,650,000 common shares, representing 33% of ASI from a non-controlling shareholder for ₱50.00 million. The Group recognized equity reserve from the acquisition amounting to ₱17.98 million.

On August 28, 2018, RI acquired additional 161,052,632 common shares, representing 8.05% of RCSI from a non-controlling shareholder for ₱85.36 million. The Group recognized equity reserve from the acquisition amounting to ₱51.46 million.

On December 5, 2014, RSC acquired additional 2,500,000 common shares, representing 25%, of RHMI from a non-controlling shareholder for ₱1.45 billion. The Group recognized equity reserve from the acquisition amounting to ₱1.02 billion. 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. 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.

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 ₱ 22.76 billion and ₱20.76 billion as of June 30, 2023 and December 31, 2022, respectively, while the accumulated equity in net income of the associates amounted to ₱ 1,034.04 million and ₱1,672.62 million as of June 30, 2023 and December 31, 2022, respectively (Note 13).

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

	2023	2022	2021
Date of declaration	**May 12, 2023**	April 27, 2022	April 27, 2021
Dividend per share	**₱2.00**	₱2.00	₱1.83
Total dividends	**₱2,944,699,580**	₱2,984,905,600	₱2,813,524,076
Date of record	**May 26, 2023**	May 20, 2022	May 20, 2021
Date of payment	**June 9, 2023**	June 10, 2022	June 10, 2021

Appropriation of Retained Earnings

Rollforward analysis of appropriated retained earnings follows:

	2022	2022	2021
Balance at beginning of year	**₱17,277,752,847**	₱23,965,752,847	₱27,852,852,847
Appropriation	**-**	1,528,000,000	888,500,000
Reversal of appropriation	**-**	(8,216,000,000)	(4,775,600,000)
Balance at end of year	**₱17,277,752,847**	₱17,277,752,847	₱23,965,752,847

In 2022, 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 follows:

Entity	Amount
RRHI	₱530,000,000
RHMI	407,000,000
WHMI	54,000,000
RTSH	30,000,000
RDSI	162,000,000
RAC	345,000,000
	₱1,528,000,000

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 follows:

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 on top of the previously appropriated retained earnings amounting to ₱26.94 billion in previous years. The appropriated retained earnings 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 follows:

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

Reversal of appropriation
In 2022, 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
RSC	₱7,000,000,000
RRHI	530,000,000
RHMI	278,000,000
RDSI	162,000,000
WHMI	11,000,000
RAC	235,000,000
Total	₱8,216,000,000

On 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	₱484,000,000
RDSI	162,000,000
WHMI	67,000,000
TV	50,000,000
RAC	10,000,000
HEMI	2,600,000
Total	₱775,600,000

On February 6, 2021, the Parent Company's BOD authorized and approved the reversal of the appropriation of ₱4.00 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 ₱40.00 million due to completion of certain store expansions and renovations.

Declaration of Dividends of the Subsidiaries
On March 9, 2023, RHMI's BOD declared cash dividend in the amount of ₱100.0 million for stockholders of record March 20, 2023 payable on or before March 31, 2023. The dividend was paid on March 30, 2023.

On March 15, 2023, WHMI's BOD declared cash dividend in the amount of ₱100.0 million for stockholders of record March 31, 2023 payable on or before April 5, 2023. The dividend was paid on April 4, 2023.

On May 2, 2023, TGP's BOD declared cash dividend in the amount of ₱200.0 million for stockholders of record as of April 15, 2023 payable on or before May 19, 2023. The dividend was paid on May 19, 2023.

On June 30, 2023, SSDI's BOD declared cash dividend in the amount of ₱288.22 million for stockholders of record as of June 30, 2023 payable on or before July 31, 2023. The dividend was paid on July 31, 2023.

On June 30, 2023, TGP's BOD declared cash dividend in the amount of ₱200.0 million for stockholders of record as of July 15, 2023 payable on or before July 28, 2023. The dividend was paid on July 28, 2023.

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
RSC	December 9	4,500,000,000
RRHI - TMI	April 27	700,000,000
RRHI - TMI	December 1	740,000,000
RHMI	June30	300,000,000
SEWI	September 30	230,000,000
TGP	March 30	200,000,000
TGP	July 11	200,000,000
TGP	October 3	200,000,000
TGP	December 9	150,000,000
RTSH	March 29	5,000,000
Total		₱9,725,000,000

Of these amounts, ₱452.17 million relate to non-controlling interest.

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. Of these amounts, ₱332.20 million relate to non-controlling interest.

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. Of these amounts, ₱308.70 million relate to non-controlling interest.

NCI

Acquisition of NCI

In 2022, the Group acquired NCI in RCSI and VKD Holding increasing the Group's ownership stake from 60% to 100% and 70% to 100%, respectively.

Investment from NCI

In August 2022, an NCI made an investment in SUPER50 amounting to ₱12.25 million. In September 2020, an NCI made an investment in SSDI amounting to ₱200.0 million.

Material Partly-Owned Subsidiary

In 2023 and 2022, the Group has 45.90% proportion of equity interest held by non-controlling interests attributable to TGPPI. Accumulated balances of material non-controlling interest amounted to ₱594.02 million, ₱598.03 million and ₱577.47 million in 2023, 2022 and 2021, respectively. Profit allocated to material non-controlling interest amounted to ₱179.34 million, ₱311.08 million and ₱325.31 million in 2023, 2022 and 2021, respectively. Total assets of TGPPI as of June 30, 2023 and December 31, 2022 amounted to ₱2,541.83 million and ₱2,080.22 million, respectively, while total liabilities as of June 30, 2023 and December 31, 2022 amounted to ₱1,245.70 million and ₱974.80 million, respectively. Total sales as of June 30, 2023 and December 31, 2022 and 2021 amounted to ₱2,657.86 million, ₱5,043.00 million and ₱4,940.03 million, respectively. Net income as of June 30, 2023 and December 31, 2022 and 2021 amounted to ₱390.72 million, ₱677.74 million and ₱648.99 million, respectively.

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2022 and 2021.

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

	June 30, 2023	December 31, 2022
Capital stock	**₱1,576,489,360**	₱1,576,489,360
Additional paid-in capital	**40,768,202,897**	40,768,202,897
Treasury stock	**(5,877,430,277)**	(5,425,324,182)
Other comprehensive income	**3,760,470,267**	(417,678,756)
Equity reserve	**(742,678,028)**	(742,678,028)
Retained earnings		
Appropriated	**17,277,752,847**	17,277,752,847
Unappropriated	**18,246,010,526**	19,392,171,193
Total equity attributable to equity holders of the Parent Company	**75,008,817,592**	72,428,935,331
Non-controlling interest in consolidated subsidiaries	**4,063,454,286**	4,144,731,681
	₱79,072,271,878	₱76,573,667,012

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

	Fair values recognized on acquisition
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
	₱4,081,314,515

Acquisition of RSCI

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

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

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

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

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

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

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

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

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

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

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

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

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

20. Sales Revenue

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

Sales returns and sales discounts deducted from the sales to arrive at the net sales amounted to ₱3.32 billion and ₱3.08 billion for the six months ended June 30, 2023 and 2022, respectively.

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

	For the six months ended June 30, 2023						
Segments	**Supermarket**	**Department Store**	**DIY**	**Convenience Store**	**Drug Store**	**Specialty Store**	**Total**
Type of goods or service							
Sale of goods – retail	**₱ 51,852,942,562**	**₱ 6,832,042,598**	**₱ 5,921,018,264**	**₱ 2,588,704,694**	**₱16,128,502,509**	**₱ 7,139,767,852**	**₱90,462,978,479**
Sale of merchandise to franchisees	–	–	–	**514,956,717**	–	–	**514,956,717**
Franchise revenue	–	–	–	**75,369,805**	**14,559,499**	–	**89,929,304**
Royalty fee	–	–	–	**1,070,536**	**23,374,039**	–	**24,444,575**
	₱51,852,942,562	**₱6,832,042,598**	**₱5,921,018,264**	**₱3,180,101,752**	**₱16,166,436,047**	**₱7,139,767,852**	**₱91,092,309,075**
Timing of revenue recognition							
Goods transferred at point in time	**₱51,852,942,562**	**₱6,832,042,598**	**₱5,921,018,264**	**₱3,103,661,411**	**₱16,128,502,509**	**₱7,139,767,852**	**₱90,977,935,196**
Services transferred over time	–	–	–	**76,440,341**	**37,933,538**	–	**114,373,879**
	₱51,852,942,562	**₱6,832,042,598**	**₱5,921,018,264**	**₱3,180,101,752**	**₱16,166,436,047**	**₱7,139,767,852**	**₱91,092,309,075**

	For the six months ended June 30, 2022						
Segments	Supermarket	Department Store	DIY	Convenience Store	Drug Store	Specialty Store	Total
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

21. **Operating Expenses**

This account consists of:

	Six Months Ended June 30 (Unaudited)	
	2023	2022
Rental and utilities (Notes 24 and 28)	**₱5,033,104,077**	₱4,217,060,233
Personnel costs and contracted services (Notes 22 and 23)	**5,552,625,006**	4,871,332,917
Depreciation and amortization (Notes 12, 14 and 28)	**3,644,989,392**	3,565,258,293
Transportation and travel	**1,061,624,057**	969,840,059
Supplies	**560,399,120**	505,009,484
Repairs and maintenance	**443,749,717**	428,513,033
Advertising	**612,918,817**	468,858,763
Bank and credit charges	**399,502,341**	347,673,885
Royalty expense (Note 29)	**52,824,105**	53,184,950
Others	**869,337,292**	831,325,992
	₱18,231,073,924	₱16,258,057,609

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

Depreciation and amortization pertains to:

	Six Months Ended June 30 (Unaudited)	
	2023	2022
Property and equipment (Note 12)	**₱1,593,036,233**	₱1,486,494,200
Trademarks, franchise and license fees (Note 14)	**379,171**	379,171
Amortization of ROU assets (Note 28)	**2,051,573,988**	2,078,384,922
	₱3,644,989,392	₱3,565,258,293

22. **Personnel Costs and Contracted Services**

This account consists of:

	Six Months Ended June 30 (Unaudited)	
	2023	2022
Salaries, allowances and benefits (Note 21)	**₱3,502,653,442**	₱3,046,649,207
Contracted services (Note 21)	**2,049,971,564**	1,824,683,710
	₱5,552,625,006	₱4,871,332,917

Details of salaries, allowances and benefits:

	Six Months Ended June 30 (Unaudited)	
	2023	2022
Salaries, wages and allowances	**₱3,417,907,230**	₱2,946,464,311
Retirement expense (Note 23)	**84,746,212**	100,184,896
	₱3,502,653,442	₱3,046,649,207

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)	
	2023	2022
Current service cost	**₱ 84,895,676**	₱99,571,902
Net interest cost	**(149,464)**	612,994
Retirement expense	**₱84,746,212**	₱100,184,896

Net retirement obligation as of June 30, 2023 and December 31, 2022 recognized in the consolidated statements of financial position follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Present value of defined benefit obligation	**₱1,559,085,398**	₱1,474,339,187
Fair value of plan assets	**(1,485,780,310)**	(1,485,780,311)
Net retirement obligation	**₱73,305,088**	(₱11,441,124)

As of December 31, 2022, RHIB, HPTD, RHMI, WHMI, HEMI, TV, RSC, RVC, RCSI, RAC and RDSI have net plan asset position totalling to ₱290.53 million while TGP, SSDI, RPI, S50, SEWI have net retirement obligation totalling to ₱279.09 million.

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**(₱11,441,124)**	₱248,927,210
Remeasurement gain	–	(241,543,942)
Retirement expense	**84,746,212**	200,723,439
Actual contribution	–	(207,994,424)
Benefits paid from direct payments	–	(11,553,407)
Balance at end of year	**₱73,305,088**	(₱11,441,124)

Remeasurement effects recognized in OCI:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Remeasurement gains (losses) on:		
Retirement obligation	**₱–**	**₱282,219,904**
Retirement plan assets	–	**(40,675,962)**
	₱–	**₱241,543,942**

Movements of cumulative remeasurement effect recognized in OCI:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**(₱259,816,525)**	(₱104,878,091)
Actuarial loss (gain)	**–**	(282,219,904)
Return on assets excluding amount included in net interest cost	**–**	40,675,962
Total remeasurement	**(259,816,525)**	(346,422,033)
Income tax effect	**–**	86,605,508
	(₱259,816,525)	(₱259,816,525)

Changes in the present value of defined benefit obligation follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱1,474,339,187**	₱1,538,372,980
Current service cost	**84,895,676**	202,090,464
Remeasurement (gain) loss arising from:		
Changes in financial assumptions	**–**	(225,050,070)
Changes in demographic assumptions	**–**	(83,559,573)
Experience adjustments	**–**	26,389,739
Interest cost	**(149,464)**	75,658,159
Past service income	**–**	(7,802,248)
Benefits paid	**–**	(51,760,264)
Balance at end of year	**₱1,559,085,399**	₱1,474,339,187

Movements in the fair value of plan assets follow:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱1,485,780,311**	₱1,289,445,770
Actual contribution	**–**	207,994,424
Interest income included in net interest cost	**–**	69,222,936
Remeasurement loss	**–**	(40,675,962)
Benefits paid	**–**	(40,206,857)
Balance at end of year	**₱1,485,780,311**	₱1,485,780,311

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents		
Savings deposit	**₱140,438,426**	₱140,438,426
Investments in government securities		
Fixed rate treasury notes	**9,409,324**	9,409,324
Retail treasury bonds	–	–
Investments in UITF	**1,335,076,399**	1,335,076,399
Other receivables	**901,376**	901,376
Accrued trust fee payable	**(45,214)**	(45,214)
	₱1,485,780,311	₱1,485,780,311

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

	2022
Discount rates	**7.0% - 7.4%**
Salary increase rates	**2.0% - 4.0%**

The carrying amounts disclosed above reasonably approximate fair values at each reporting period. The actual return on plan assets amounted to ₱28.55 million, ₱260.12 million and ₱55.96 million in 2022, 2021 and 2020, respectively.

The Group expects to contribute ₱237.68 million to the defined benefit plan in 2023.

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balances at the beginning of year	**₱519,816,295**	₱343,303,004
Remeasurement losses during the year	**–**	176,513,291
Balances at end of year	**₱519,816,295**	₱519,816,295

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 on Defined Benefit Obligation**
2022	**Salary increase**		
		+1.00%	**₱158,017,669**
		-1.00%	**(136,470,089)**
	Discount rates		
		+1.00%	**(127,078,022)**
		-1.00%	**149,031,719**

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:

	2022
Less than 1 year	**₱194,532,015**
More than 1 year but less than 5 years	**451,879,557**
More than 5 years but less than 10 years	**965,236,288**
More than 10 years but less than 15 years	**1,556,377,396**
More than 15 years but less than 20 years	**2,265,958,706**
More than 20 years	**7,054,648,150**

24. Related Party Disclosures

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

Significant Related Party Transactions

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

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

	Amount			**Due from (Due to)**	
	June 30	December 31		**June 30**	December 31
	2023	2022	2021	**2023**	2022
Other affiliates under common control					
a. Trade and other receivables					
Sales	**₱ 20,424,932**	₱71,220,826	₱42,197,527	**₱–**	₱–
Royalty income	**–**	–	–	**–**	–
b. Trade and other payable					
Purchases – net	**(1,897,129,127)**	(7,625,655,574)	(3,409,328,464)	**(858,341,839)**	(2,598,303,943)
Rent and utilities	**(2,461,248,761)**	(5,158,480,639)	(4,036,187,235)	**(279,873,516)**	(944,864,210)

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

a. As of June 30, 2023 and December 31, 2022, the Group has outstanding balances from its other affiliates arising primarily from sales of merchandise inventories and royalty income for grant of use and right to operate stores of the Group.

b. As of June 30, 2023 and December 31, 2022, 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. Purchases for 2022 includes land amounting to ₱3.53 billion of which ₱2.38 billion is still outstanding as of December 31, 2022.

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.

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 2022, 2021 and 2020 follow:

	2022	2021	2020
Short-term employee benefits	**₱198,976,002**	₱192,258,333	₱182,790,525
Post-employment benefits	**42,108,436**	53,888,531	38,966,507
	₱241,084,438	₱246,146,864	₱221,757,032

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Group did not recognize provision for expected credit losses relating to amounts due from related parties for the years ended December 31, 2022, 2021 and 2020. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

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

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

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

25. **Income Tax**

a. Provision for income tax for three months ended June 30 follows:

	2023	2022
Current	**₱661,344,884**	₱774,546,103
Deferred	**4,733,009**	(147,460,368)
	₱666,077,893	₱627,085,735

b. The components of the net deferred tax assets of the Group as of June 30, 2023 and December 31, 2022 pertain to the deferred tax effects of the following:

	June 30, 2023	December 31, 2022 (Audited)
Tax effects of:		
Items recognized in profit or loss:		
Lease liabilities	**₱6,098,027,295**	₱6,505,913,566
NOLCO	**54,781,937**	123,155,533
Unamortized past service cost	**72,702,607**	79,570,350
MCIT	**31,587,186**	29,066,368
Allowance for impairment losses	**41,554,679**	72,581,283
Others	**30,874,402**	4,200,528
Retirement obligation	**12,818,647**	35,987,623
Right-of-use assets	**(5,074,479,558)**	(5,538,731,367)
	1,267,867,195	1,311,743,884
Item recognized directly in other comprehensive income:		
Remeasurement loss (gain) on retirement obligation	**5,507,625**	(38,847,904)
	₱1,273,374,820	₱1,272,895,980

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

a. The components of the net deferred tax liabilities of the Group as of June 30, 2023 and December 31, 2022 represent deferred tax effects of the following:

	June 30, 2023	December 31, 2022
Tax effect of:		
Items recognized in profit or loss:		
Business combination (Note 19)	**₱1,979,723,402**	₱1,979,723,402
Asset revaluation	**11,053,587**	11,353,200
	1,990,776,989	1,991,076,602
Item recognized directly in other comprehensive income:		
Fair value adjustments on investment in an associate	**66,903,587**	61,855,913
	₱2,057,680,576	₱2,052,932,515

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

	December 31, 2022	December 31, 2021
Tax effects of:		
Allowance for impairment losses	**₱48,484,484**	₱75,799,932
NOLCO	**19,603,665**	210,769,709
MCIT	**12,963,159**	49,928,585
Lease liabilities	**–**	65,473,132
Retirement asset	**–**	10,454,704
	₱81,051,308	₱412,426,062

c. 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.

RRHI, RHIB, HPTD, RCSI, RDDC, RVC, TMI and VKD has incurred NOLCO before taxable year 2020 and after 2021which 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	Balance	Expiry Year
2022	₱52,758,155	₱–	₱–	₱52,758,155	2025
2019	181,771,572	170,550,888	11,220,684	–	2022
	₱234,529,727	₱170,550,888	₱11,220,684	₱52,758,155	

As of December 31, 2021, RRHI, RHIB, HPTD, RCSI, RDSI, RDDC, RVC, TMI and VKD 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	Balance	Expiry Year
2021	₱516,450,474	₱32,826,752	₱483,623,722	2026
2020	474,091,916	392,448,563	81,643,353	2025
	₱990,542,390	₱425,275,315	₱565,267,075	

d. 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
2022	₱17,213,887	₱–	₱–	₱17,213,887	2025
2021	19,305,555	9,475,638	–	9,829,917	2024
2020	55,575,712	40,589,989	–	14,985,723	2023
2019	60,537,258	35,922,219	24,615,039	–	2022
Total	₱152,632,412	₱85,987,846	₱24,615,039	₱42,029,527	

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 consolidated 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 consolidated 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)	
	2023	2022
Net income attributable to equity holders of the Parent Company	**₱1,798,538,913**	₱2,736,910,972
Weighted average number of common shares	**1,475,300,415**	1,497,149,028
Basic and Diluted EPS	**₱1.22**	₱1.83

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
No. of shares at the beginning of year	**₱1,489,082,013**	1,535,225,570
Weighted average number of shares issued during the year	**–**	–
Weighted average number of treasury shares	**(13,781,598)**	(46,143,557)
Weighted average number of common shares	**₱1,475,300,415**	1,489,082,013

The Parent Company has no dilutive potential common shares in 2023 and 2022.

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 exchange currency rate		**Effect on income before income tax (₱)**	
	June 30, 2023	December 31, 2022	**June 30, 2023**	December 31, 2022
USD	**+2.20%**	+3.16%	**₱27,870,651**	**₱137,835,755**
	-2.20%	-3.16%	**(27,870,651)**	**(137,835,755)**

The Group used foreign exchange rate of ₱55.20:USD1 and ₱55.75:USD1 as of June 30, 2023 and December 31, 2022 , 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 1.85% and 3.16% as of June 30, 2023 and December 31, 2022, respectively. The forecasted movements in percentages used were sourced by management from an affiliated bank. These are forecasted movements in the next twelve months.

The foreign currency-denominated financial assets in original currencies and equivalents to the functional and presentation currency in June 30, 2023 and December 31, 2022 are as follows:

	June 30,2023		December 31, 2022	
	USD	**PHP**	USD	PHP
Cash and cash equivalents	**$11,185,624**	**₱617,446,445**	$13,497,178	₱752,535,159
Receivables	**463,386**	**25,578,907**	1,217,382	67,875,133
FVOCI with recycling	**11,253,330**	**621,183,816**	63,522,513	3,541,697,712
Total	**$22,902,340**	**₱1,264,209,168**	$78,237,073	₱4,362,108,004

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, 2023 and December 31, 2022. 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 as of June 30, 2023 and December 31, 2022.

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, 2023 and December 31, 2022.

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**
June 30, 2023	**+12.33%**	**1,398,683,500**
	-12.33%	**(1,398,683,500)**
December 31, 2022	+14.38%	₱10,905,463
	-14.38%	(10,905,463)

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 12.33% and 14.38% as of June 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022 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, 2023 (Unaudited)

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱ 8,199,112,878	₱–	₱–	₱8,199,112,878
Trade receivables	25,429,836	2,119,884,192	–	2,145,314,028
Nontrade receivables	–	677,084,188	–	677,084,188
Due from franchisees	–	211,915,184	–	211,915,184
Other noncurrent assets:				
Security and other deposits	–	–	2,397,022,893	2,397,022,893
Construction bonds	–	–	60,865,417	60,865,417
FVOCI	–	–	29,276,416,031	29,276,416,031
FVTPL	–	–	294,988,235	294,988,235
	₱8,224,542,714	₱3,008,883,564	₱32,029,292,576	₱43,262,718,854
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱ 21,757,457,592	₱–	₱21,757,457,592
Short-term loans payable	–	8,109,000,000	–	8,109,000,000
Long-term loan payable	–	–	15,378,044,718	15,378,044,718
Lease liabilities	–	3,528,808,271	20,863,300,910	24,392,109,181
Other current liabilities	–	555,079,893	–	555,079,893
	₱–	₱33,950,345,756	₱36,241,345,628	₱70,191,691,384

**Excluding statutory liabilities amounting ₱631,802,929.*

December 31, 2022

	On Demand	One (1) year	More than One (1) year	Total
Financial Assets				
Amortized cost				
Cash and cash equivalents	₱17,766,987,346	₱–	₱–	₱17,766,987,346
Trade receivables	33,788,642	2,881,764,552	–	2,915,553,194
Nontrade receivables	–	586,457,967	–	586,457,967
Due from franchisees	–	59,329,996	–	59,329,996
Other noncurrent assets:				
Security and other deposits	–	–	2,337,728,937	2,337,728,937
Construction bonds	–	–	59,831,870	59,831,870
FVOCI	–	–	8,670,055,533	8,670,055,533
FVTPL	–	–	294,988,235	294,988,235
	₱17,800,775,988	₱3,527,552,515	₱11,362,604,575	₱32,690,933,078
Financial Liabilities				
Other financial liabilities				
Trade and other payables*	₱–	₱26,968,991,101	₱–	₱26,968,991,101
Short-term loans payable	–	8,409,000,000	–	8,409,000,000
Lease liabilities	–	3,500,576,587	22,523,077,675	26,023,654,262
Other current liabilities	–	542,609,390	–	542,609,390
	₱–	₱39,421,177,078	₱22,523,077,675	₱61,944,254,753

**Excluding statutory liabilities amounting ₱521,354,151.*

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 ₱ 780.42 million and ₱1,066 million as of June 30, 2023 and December 31, 2022, 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 ₱42.16 billion and ₱31.30 billion as of June 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022.

June 30, 2023 (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)	**₱7,418,697,218**	**₱–**	**₱–**	**7,418,697,218**
Trade receivables	**2,119,884,192**	–	**25,429,836**	**2,145,314,028**
Nontrade receivables	**677,084,188**	–	–	**677,084,188**
Due from franchisees	**211,915,184**	–	–	**211,915,184**
Other noncurrent assets:				
Security and other deposits	**2,397,022,893**	–	–	**2,397,022,893**
Construction bond	**60,865,416**	–	–	**60,865,416**
FVOCI	**29,276,416,031**	–	–	**29,276,416,031**
FVTPL	**294,988,235**	–	–	**294,988,235**
	₱42,456,873,357	**₱–**	**₱25,429,836**	**₱42,482,303,193**

December 31, 2022 (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)	₱16,700,667,375	₱–	₱–	₱16,700,667,375
Trade receivables	2,881,764,552	–	33,788,642	2,915,553,194
Nontrade receivables	586,457,967	–		586,457,967
Due from franchisees	59,329,996	–		59,329,996
Other noncurrent assets:				
Security and other deposits	2,337,728,937	–	–	2,337,728,937
Construction bond	59,831,870	–	–	59,831,870
FVOCI	8,670,055,533	–	–	8,670,055,533
FVTPL	294,988,235	–	–	294,988,235
	₱31,590,824,465	₱–	₱33,788,642	₱31,624,613,107

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 in for the six months ended June 30, 2023 and 2022 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 lo
ss 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, 2023 and December 31, 2022 follows:

June 30, 2023

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	**₱7,418,697,218**	**₱–**	**₱–**	**₱–**
Trade receivables	–	–	–	**2,145,314,028**
Due from franchisees	–	–	–	**211,915,184**
Nontrade receivables	**677,084,188**	–	–	–
Security and other deposits	**2,457,888,309**	–	–	–
FVOCI	**29,276,416,031**	–	–	–
FVTPL	**294,988,235**	–	–	–
Total gross carrying amounts	**40,125,073,981**	–	–	**2,357,229,212**
Less allowance	**3,550,055**	–	–	**25,429,836**
	₱40,121,523,926	**₱–**	**₱–**	**2,331,799,376**

December 31, 2022

	General Approach			Simplified
	Stage 1	Stage 2	Stage 3	Approach
Amortized cost				
Cash and cash equivalents	₱16,700,667,375	₱–	₱–	₱–
Trade receivables	–	–	–	2,915,553,194
Due from franchisees	–	–	–	59,329,996
Nontrade receivables	586,457,967	–	–	–
Security and other deposits	2,397,560,807	–	–	–
FVOCI	8,670,055,533	–	–	–
FVTPL	294,988,235			
Total gross carrying amounts	28,649,729,917	–	–	2,974,883,190
Less allowance	3,550,055	–	–	33,788,642
	₱28,646,179,862	₱–	₱–	₱2,941,094,548

As of June 30, 2023 and December 31, 2022, 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 ₱29.28 billion and ₱8.67 billion as at June 30, 2023 and December 31, 2022, respectively were carried at fair values. Investments in bonds and quoted equity securities are derived from quoted market prices in active markets.
- Due to the short-term nature of trade and other payables, short-term loans payable and other current liabilities, their carrying values approximate fair values.
- Due to the long-term nature of lease contracts, lease payments are discounted using an incremental borrowing rate to approximate the fair value of lease liablities.

As of June 30, 2023 and December 31, 2022, 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. 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 for the period ended June 30, 2023 and year ended December 31, 2022 as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	**₱22,154,925,469**	₱22,639,146,437
Additions	**457,375,157**	4,485,965,925
Derecognition	**(262,808,403)**	(877,656,524)
Amortization of ROU assets (Note 21)	**(2,051,573,988)**	(4,092,530,369)
	₱20,297,918,235	₱22,154,925,469

Set out below are the carrying amounts of lease liabilities and the movements for the period ended June30, 2023 and year ended December 31, 2022 as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance (Note 30)	**₱26,023,654,262**	₱25,832,734,988
Accretion of interest expense	**834,729,616**	1,762,566,120
Additions (Note 30)	**457,375,157**	4,559,825,836
Derecognition	**(302,182,684)**	(1,030,911,849)
COVID-19 rent concessions	**–**	–
Lease payments	**(2,621,467,170)**	(5,100,560,833)
	24,392,109,181	26,023,654,262
Less current portion of lease liabilities	**3,528,808,271**	3,500,576,587
Noncurrent portion of lease liabilities	**₱20,863,300,910**	₱22,523,077,675

The following are the amounts recognized in profit or loss for the six months ended June 30, 2023 December 31, 2022 and 2021 as follows:

	As of June 30, 2023	As of December 31, 2022	As of December 31, 2021
Amortization of ROU assets (Note 21)	**₱2,051,573,988**	₱4,092,530,369	₱4,085,622,668
Interest expense on lease liabilities	**834,729,616**	1,762,566,120	1,801,627,179
Expenses relating to short-term leases and variable lease payments, net of negative variable lease (Note 21)	**1,447,335,417**	2,635,290,008	1,118,056,727
	₱4,333,639,021	₱8,490,386,497	₱7,005,306,574

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

	As of June 30, 2023	**As of December 31, 2022**	As of December 31, 2021
Within one (1) year	**₱4,820461,128**	**₱4,930,419,510**	₱4,793,483,951
After one (1) year but not more than five (5) years	**16,342,406,665**	**17,412,657,203**	18,677,600,783
More than five (5) years	**11,937,854,845**	**13,000,220,022**	11,707,468,793
	₱33,100,722,638	**₱35,343,296,735**	₱35,178,553,527

The Company's additions to ROU assets and lease liabilities are considered non-cash activities. The Company recorded gain on derecognition of lease liability amounting to ₱153.26 million, ₱93.71 million and 153.26 million and ₱925.56 million in 2022, 2021 and 2020, respectively due to the pre-termination of leases on stores presented under "Other income (charges)" in the consolidated statements of comprehensive income.

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 nil , ₱7.25 million and ₱22.90 million as of June 30, 2023, 2022 and 2021, respectively (Note 21). Royalty payable to Ministop included under “Other current liabilities” as of December 31, 2022 and 2021 amounted to ₱46.75 million and ₱53.03 million, respectively (Note 16).

   In February 2022, the Group through RSC, acquired the remaining 40.0% stake of Ministop Japan in RCSI, which resulted in RSC increasing its share in RCSI from 60.0% to 100%. RCSI has subsequently rebranded its convenience store business to Uncle John’s following the exit of Ministop Japan.

b) The Group has franchise agreements which mainly include providing store facilities and equipment to franchisees. Other services rendered by Uncle John’s 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 ₱81.09 million, ₱103.35million and ₱72.60 million for the period ended June 30, 2023, 2022 and 2021, respectively.

   As of June 30, 2023 and December 31, 2022, amounts due from franchisees amounted to ₱211.92 million and ₱59.33 million, respectively. No provision for impairment losses on due from franchisees was recognized in 2023, 2022 and 2021 (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 ₱6.30 million, ₱5.35 million and ₱3.79 million for the period ended June 30, 2023, 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 ₱30.69 million, ₱25.72 million and ₱15.05 million in as of June 30, 2023, 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 ₱4.31 million ₱2.91 million and ₱0.24 million for the period ended June 30, 2023, 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, 2023 (Unaudited)

	January 1, 2023	Net Cash Flows	Dividend Declaration	Others	June 30, 2023
Lease liabilities	**₱26,023,654,262**	**(₱2,621,467,170)**	**₱–**	**989,922,089**	**₱24,392,109,181**
Short-term loans payable	**8,409,000,000**	**(300,000,000)**	**–**	**–**	**8,109,000,000**
Long-term loan payable	**–**	**15,378,044,718**	**–**	**–**	**15,378,044,718**
Dividends payable	**–**	**(3,308,245,396)**	**3,308,245,396**	**–**	**–**
Treasury Stock	**(5,425,324,182)**	**(452,106,095)**	**–**	**–**	**(5,877,430,277)**
Total liabilities from financing activities	**₱29,007,330,080**	**₱8,696,226,057**	**₱3,308,245,396**	**₱989,922,089**	**₱42,001,723,622**

December 31, 2022 (Audited)

	January 1, 2022	Net Cash Flows	Dividend Declaration	Noncash	Others	December 31, 2022
Lease liabilities	₱25,832,734,988	(₱5,100,560,833)	₱–	₱1,762,566,120	₱3,528,913,987	₱26,023,654,262
Short-term loans payable	7,734,000,000	675,000,000	–	–	–	8,409,000,000
Interest payable	–	(225,569,729)	–	225,569,729	–	–
Dividends payable	–	(3,437,072,485)	3,437,072,485	–	–	–
Treasury stock	(3,616,057,963)	(1,821,678,154)	–	12,411,935	–	(5,425,324,182)
Non-controlling interest	4,543,640,152	12,250,000	–	–	(411,158,471)	4,144,731,681
Total liabilities from financing activities	₱34,494,317,177	(₱9,897,631,201)	₱3,437,072,485	₱2,000,547,784	₱3,117,755,516	₱33,152,061,761

As of June 30, 2023, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱457.38 million and ₱834.73 million, respectively.

As of December 31, 2022, others include new leases of the Group and accretion of interest expense on lease liabilities amounted to ₱4.56 billion and ₱1.76 billion, respectively.

Interest paid for the six months ended June 30, 2023 and 2022 amounted to ₱684.5 million and ₱74.27 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.

Recovery in discretionary formats from the effects of the pandemic continued in 2022 as less stringent mobility restrictions was imposed during the year. As of December 2022, most of the country is under Alert level 1 which is the lowest level of restriction under the Government guidelines.

As of June 30, 2023 and December 31, 2022, the Group continues to monitor the pandemic, as the virus may still result into variants that can harm consumers and industry. However, the Group is cautiously optimistic that it will be able to remain resilient against disruptions caused by COVID-19, as a greater proportion on 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.

On July 21st, 2023, the office of the President issued Proclamation no. 297 lifting the public health emergency in the Philippines due to COVID 19.

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES
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II. Supplementary schedules required by Annex 68-J

- Schedule A. Financial Assets
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- Schedule C. Amounts Receivable/Payable From/To Related Parties which are Eliminated During the Consolidation of Financial Statements
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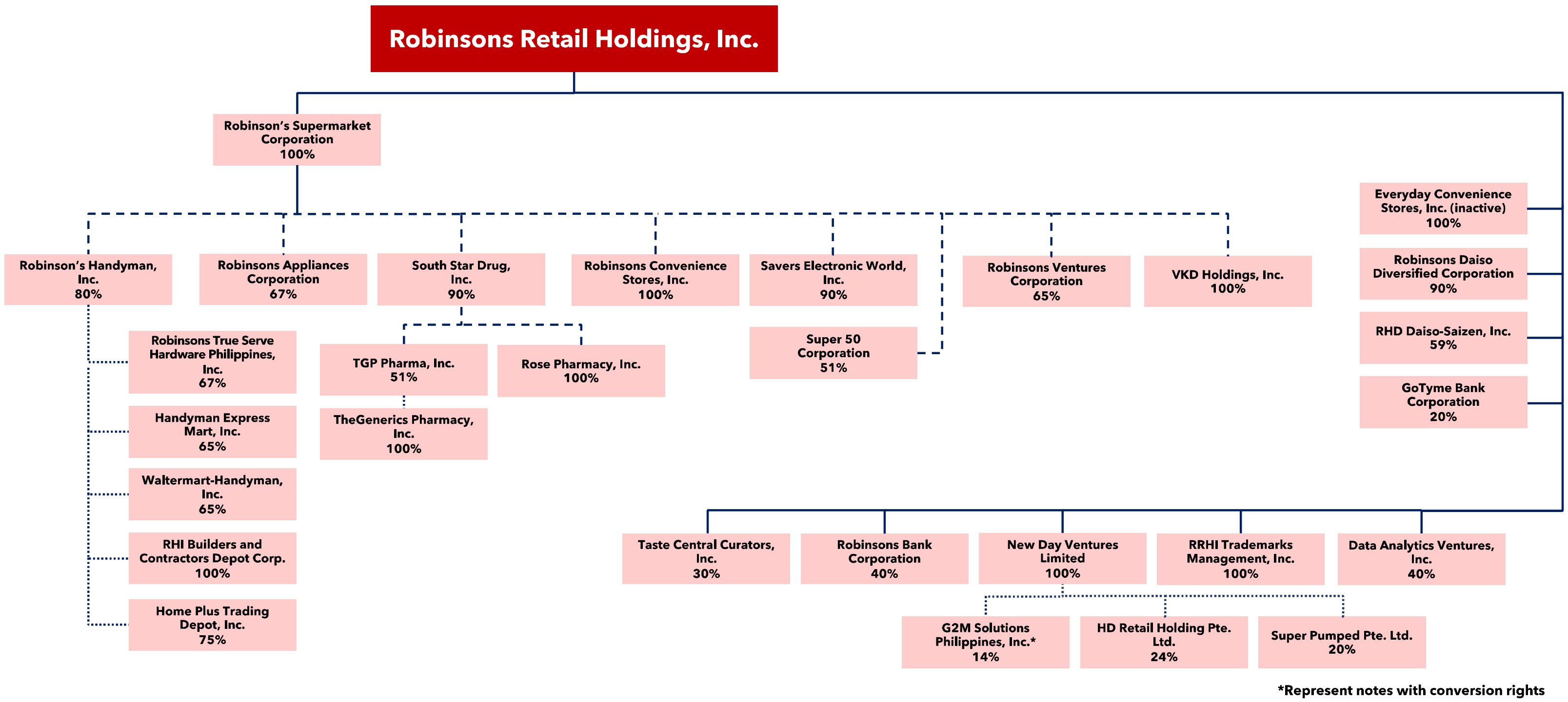
III. Schedule of financial soundness indicators

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
June 30, 2023

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, 2023:



ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

June 30, 2023

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	₱5,014,294,592	₱4,909,740,524	₱4,909,740,524	₱75,989,858
Investment in equity shares	20,676,081,036	24,661,663,742	24,661,663,742	612,658,331
	₱ 25,690,375,628	₱29,571,404,266	₱29,571,404,266	₱688,648,189

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, 2023

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

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

June 30, 2023

Entity with Receivable Balance	Balance at Beginning of Period	Net Movement	Write-offs	Current	Noncurrent	Balance at end of period
Robinsons Retail Holdings, Inc.	₱21,578,000	₱-	₱-	₱21,578,000	₱-	₱21,578,000
Robinsons Convenience Stores, Inc.	48,952,716	(48,952,716)		-		-
Robinson's Supermarket Corporation	318,431,749	82,409,302		400,841,051		400,841,051
Robinsons Handyman, Inc.	266,587,830	(65,894,846)		200,692,984		200,692,984
RHD Daiso - Saizen, Inc.	500,556,835	-		500,556,835		500,556,835
	₱1,156,107,130	(₱32,438,260)		₱1,123,668,870		₱1,123,668,870

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D: LONG TERM DEBT

June 30, 2023

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

June 30, 2023

Name of related party	Balance at beginning of period	Balance at end of period
Universal Robina Corporation	₱2,592,266,408	₱856,958,066
Robinsons Land Corporation	944,864,210	279,873,516
JG Summit Holdings, Inc.	6,037,535	1,383,774
	₱3,543,168,153	₱1,138,215,356

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

June 30, 2023

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

NOT APPLICABLE

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

June 30, 2023

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	1,470,815,670	–	491,299,997	215,835,379	763,680,294
	2,000,000,000	1,470,815,670	–	491,299,997	215,835,379	763,680,294

See Note 18 of the Consolidated Financial Statements

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

As of June 30, 2023 and December 31, 2022

Financial Soundness Indicator	**As of June 30, 2023**	As of December 31, 2022
i. Liquidity ratio:		
Current ratio	**1.49**	1.48
ii. Profitability ratio:		
Gross profit margin[1]	**0.24**	0.24
Return on assets[1]	**0.04**	0.05
Return on equity[1]	**0.07**	0.08
iii. Stability ratio:		
Solvency ratio	**0.13**	0.21
Debt to equity ratio	**0.93**	0.85
Asset to equity ratio	**1.93**	1.85
Interest rate coverage ratio[1]	**10.70**	4.38

[1]*See attached reporting computation, 12 months trailing*

ROBINSONS RETAIL HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

AS OF JUNE 30, 2023 AND DECEMBER 31, 2022

	As of June 30, 2023	As of December 31, 2022
Current assets	**₱51,654,621,975**	₱59,516,857,710
Current liabilities	**34,726,509,618**	40,097,370,290
Current ratio	**1.49**	1.48
Gross profit[1]	**44,492,972,952**	42,282,187,270
Net sales[1]	**187,432,470,906**	178,821,069,060
Gross profit margin	**0.24**	0.24
After tax net profit[1]	**5,555,220,219**	6,436,047,828
Depreciation and amortization[1]	**3,193,641,221**	7,179,629,553
	8,748,861,440	13,615,677,381
Average total liabilities	**65,428,280,688**	64,952,470,976
Solvency ratio	**0.13**	0.21
Total liabilities	**73,389,372,530**	64,952,470,976
Total equity	**79,072,271,878**	76,573,667,012
Debt to equity ratio	**0.93**	0.85
Total assets	**152,461,644,408**	141,526,137,988
Total equity	**79,072,271,878**	76,573,667,012
Asset to equity ratio	**1.93**	1.85
Earnings before interest and taxes[1]	**8,943,634,420**	8,698,423,166
Interest expense[1]	**835,786,726**	1,988,135,849
Interest rate coverage ratio	**10.70**	4.38
Net income[1]	**5,555,220,219**	6,436,047,828
Average total assets	**141,942,158,068**	137,880,210,293
Return on assets	**0.04**	0.05
Net income[1]	**5,555,220,219**	6,436,047,828
Average total equity	**76,513,877,379**	76,543,192,326
Return on equity	**0.07**	0.08

[1] *12 months trailing*

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

Consolidated Results of Operations

Robinsons Retail Holdings, Inc.'s core net income (net income excluding foreign exchange gains/losses, interest income from bonds, equity in earnings from associates, interest expense related to the BPI shares, and others) surged by 10.6% to ₱2,362 billion in the first half of 2023 on the back of the company's 10.5% increase in consolidated net sales.

Consolidated net sales came in ₱46.39 billion in the second quarter, 8.0% higher year-on- year. This was underpinned by healthy blended same store sales growth (SSSG) of 6.3% augmented by fresh revenue contributions from new stores. The supermarkets, drugstores and department stores segment continued to deliver double-digit revenue growth owing to sustained demand from the broad middle market.

Operating income increased by 6.8% to ₱3.9 billion underpinned by positive topline growth.

Meanwhile, net income attributable to equity holders of the parent company (NIAT) declined by 34.3% to ₱1.8 billion weighed down by foreign exchange losses, and lower earnings from associates. The interest expense from the acquisition financing of the Bank of the Philippine Island (BPI) shares which were acquired earlier this year was fully offset by the dividend income from BPI shares.

Segment Operations

(i) ***Supermarket***. The Supermarket segment continued to account for the largest share in the Group's sales, EBIT and EBITDA. First half consolidated net sales of the whole supermarket segment was at ₱51.9 billion, 11.0% higher than last year. Revenue growth was supported by the contribution of new stores opened in the last year and strong SSSG of 5.7% which benefitted from higher transaction count.

GPM eased by 20bps to 21.4% in the first half of 2023 largely due to increasing business share of Growsari. Excluding Growsari, gross margin increased by 30bps to 22.9% due to price increase and higher sales contribution from imported products. Meanwhile, EBITDA grew by 12.2% for the first half of 2023 to ₱4.3 billion driven by strong topline growth resulting to improved operating leverage as fixed cost grew in line with inflation.

(ii) ***Drug Stores***. Net sales of the drugstore segment grew by 15.3% in the first half of 2023 to ₱16.1 billion on the back of resilient SSSG and contributions from new stores. Blended SSSG of Southstar Drug and Rose Pharmacy still grew by a healthy 8.2%. Prescription drugs, in particular maintenance medications, and over the counter cough and cold medicines and antihistamines helped the topline.

Gross margins increased by 90bps to 21.0%, which we attribute to category mix improvements, price adjustments, and stronger penetration of our own brands.

EBITDA grew by 11.0% to ₱1.40 billion due to positive topline growth and gross margin expansion.

(iii) ***DIY Stores.*** The DIY segment saw same store sales grow by a modest 1.0% in the first half of 2023 as stiffer competition capped the recovery in our SSSG. We also note that overall segment revenues were slightly lower by 1.9% to ₱5,921 million mainly due to our exit and subsequent transition from Robinsons Builders to Handyman Do it Best big box stores.

The segment saw a 90bps recovery in gross margins to 31.8% in the first half of 2023. Recall that in the same period last year, GPM was affected by the move-out of pandemic-related SKUs such as cleaning supplies and gardening items.

Meanwhile, EBITDA fell by 27.5% to ₱595 million as of June 2023 due to decline in net sales while key operating expenses such as rent, manpower and utilities accelerated.

(iv) ***Department Stores.*** Department store net sales grew by 12.6% in the first half of 2023 to ₱6.8 billion. SSSG was robust at 11.9%, accelerating from last year's high base of 55.9%. The sssg is driven by shoes, bags and sports, cosmetics, and men and ladies apparel which were supported by continued out-of-home activities.

The business continues to benefit from reopening momentum. Apparel categories saw a surge in sales, while strong demand was also seen in the Shoes & Bags category, particularly for Luggages due to the recovery in travel & tourism.

Gross margins expanded by 30bps to 30.8% due to changes in category mix and an increase in outright sales. This enabled EBITDA to grow by 4.2% to ₱397 million in the first half of 2023.

(v) ***Convenience stores.*** Uncle John's was able to sustain strong topline trends in the first half of 2023, with net sales increasing by 9.5% to ₱3.1 billion. SSSG is sustained from a high base of 19.3% last year to 9.8% in 1H 2023 mainly driven by the strong performance of our CBD stores which was slightly tempered by the lower number of operating stores.

Gross margins plus other income expanded by 60bps year-on-year at 39.2% due to increased contribution of the higher-margin RTE category.

The recovery in topline augmented by cost controls enabled EBITDA to grow by 9.6% to ₱319 million. EBITDA margins was maintained at 10.3% in 1H23.

(vi) ***Specialty Stores Segment***. Net sales for the specialty segment grew by 6.2% to ₱7.2 billion in the first half of 2023 with segment SSSG coming in at 4.9%.

Mass Merchandise, Toys, Beauty and Pet Retail all delivered double-digit topline growth for the period. However, revenues of Appliances & Electronics were flattish in the first half as sales of gadgets and kitchen appliances eased as people went back to work and e-commerce sales declined.

The segment's gross margins expanded by 170bps year-on-year to 27.5% owing to changes in product mix, and campaign and promotional support from vendors.

The segment's EBITDA declined by 9.9% to ₱546 million with EBITDA margins easing to 7.6% from 9.0% in 1H2023. This is due the reinstatement of full rental rates in the malls coupled with higher utility costs.

Financial Position

As of June 30, 2023, the Group's balance sheet showed consolidated assets of ₱152,462 million.

Cash and cash equivalents as of June 30, 2023 is at ₱8,199 million. Net cash provided by operating activities totaled ₱2,670 million. Net cash spent from investing activities amounted to ₱20,229 million driven by investment in BPI shares. Net cash provided by financing activities amounted to ₱8,012 million of which ₱15,078 million came from net loan availment.

Trade and other receivables decreased by 14.7% from ₱3,528 million to ₱3,009 million as of June 30, 2023.

The Group's investment in Rbank was classified as asset held for sale amounting to ₱8,318 million. RRHI's ownership in Rbank will be converted to BPI shares once the merger between BPI and Rbank is completed.

Debt and equity instrument financial assets increased by ₱19,511 million due to purchase of BPI shares in January 2023.

Trade and other payables decreased from ₱27,490 million to ₱22,389 million as of June 30, 2023 mainly driven by payment of libis property and payment to suppliers. Current loans payable increased by ₱15,078 million due to loan availments to purchase BPI shares in the beginning of the year.

Stockholder's equity stood at ₱79,072 million as of June 30, 2023.