



WILCON

90 E. Rodriguez Jr. Ave., Ugong Norte Libis, Quezon City
Tels: 634-8387 (connecting all departments)
Fax: 636-2950, 636-1837
Website: www.wilcon.com.ph

15 May 2017

SECURITIES and EXCHANGE COMMISSION
Pasay City, Philippines

Attention: **DIRECTOR VICENTE GRACIANO P. FELIZMENIO**
Market and Securities Regulation Department

Mr. Mike Ferdinand Santos
SEC Examiner

Gentlemen:

For submission is the attached SEC 17-Q/ First Quarter Condensed Financial Statements of Wilcon Depot, Inc.

Thank you.

Very truly yours,



SHEILA P. PASICOLAN
Corporate Secretary

COVER SHEET

C S 2 0 1 5 2 4 7 1 2

S.E.C Registration No.

W	I	L	C	O	N		D	E	P	O	T	,		I	N	C	.		D	O	I	N	G		B
U	S	I	N	E	S	S		U	N	D	E	R		T	H	E		N	A	M	E		A	N	D
	S	T	Y	L	E		O	F		W	I	L	C	O	N		D	E	P	O	T		A	N	D
W	I	L	C	O	N		H	O	M	E		E	S	S	E	N	T	I	A	L	S				

(Company's Full name)

NO. 90 E. RODRIGUEZ JR. AVE., UGONG NORTE, QUEZON CITY

Atty. Sheila Pasicolan
Contact Person

634-83-87
Tel. No.

1 7 - Q

FORM TYPE

Secondary License, (if applicable type)

S E C

Dept. requiring this doc

N/A

Amended Articles number

Total stockholders

Domestic

Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2017
2. Commission identification number CS201524712
3. BIR Tax Identification No. 009-192-878
4. Exact name of issuer as specified in its charter
WILCON DEPOT, INC.
5. Province, country or other jurisdiction of incorporation or organization
QUEZON CITY, PHILIPPINES
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code: 1110
90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY
8. Issuer's telephone number, including area code: (02) 634 8387
9. Former name, former address and former fiscal year, if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON SHARES	4,099,724,116

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

Yes [] No []]

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

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [] No []]

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

Yes [] No []]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited condensed interim financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at March 31, 2017 and December 31, 2016 and for the three-month period ended March 31, 2017 are filed as part of this form 17-Q.

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

Wilcon Depot, Inc. (the Company) was established on December 17, 2015 and started commercial operations on April 1, 2016. As such, there are no operating results yet for the comparative quarter ended March 31, 2016.

For the three-month period ended March 31, 2017

Net Sales

The Company generated net sales of ₱4,182 million for the three-month period ended March 31, 2017, the bulk of which was accounted for by depot sales, contributing 96.7% or ₱4,045 million. Sales generated by the home essentials format stores comprised the remaining 3.3% or ₱137 million. The three new depot-format stores, two of which were opened in April and September of 2016 and one on January 31, 2017, meanwhile accounted for 5.27% or ₱220 million of total sales while sales from existing stores made up the majority with 94.7% or ₱3,962 million.

Cost of Sales

Cost of sales closed at ₱2,920 million, resulting in a gross profit margin of 30.2% for the three-month period ended March 31, 2017.

Operating Expenses

The Company's operating expenses amounted to ₱851 million for the three-month period ended March 31, 2017. Rent, outsourced services and salaries made up the majority of expenses accounting for 59.6% of the total. No expenses were recorded for the first quarter ended March 31, 2016.

Interest Expense

Interest expense for the first quarter of 2017 amounted to ₱10 million for both short-term and long-term loans.

Other Income (Charges)

For the three-month period ended March 31, 2017, the Company generated a net other income of ₱43 million consisting of rent income from gondola lightings, façade billboards and display windows, interest income and other income representing amounts charged to and from suppliers for the use of billboards, signage and other reimbursable costs.

Earnings Before Interest and Tax (Operating Income/EBIT) / Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Operating Income for the three-month period ended March 31, 2017 closed at ₱453 million, while sEBITDA amounted to ₱476 million, equivalent to 10.8% and 11.4% of total sales, respectively.

Income Tax Expense

Income tax expense for the three-month period ended March 31, 2017 netted out at ₱53 million.

Net income

Net income for the three-month period ended March 31, 2017 reached ₱391 million for a 9.3% net profit margin.

Financial Condition

Assets

Current assets. Cash increased by ₱6,633 million reaching ₱7,271 million by the close of the first quarter ended March 31, 2017, from the ₱638 million cash balance as at December 31, 2016. The substantial increase was accounted for mainly by the initial public offering net proceeds. The Company was listed on the Philippine Stock Exchange on March 31, 2017.

Trade and other receivables totaled ₱432 million, a 2.3% increment from the December 31, 2016 balance of ₱423 million, traced mainly to new project sales.

Merchandise inventories totaling ₱6,631 million was slightly higher than the 2016 yearend balance of ₱6,576.

Noncurrent assets. The Company's noncurrent assets totaled ₱787 million as at March 31, 2017, a 6.8% increase from the yearend 2016 balance of ₱737 million, traced mainly to additional furniture and equipment and other noncurrent assets such as refundable deposits and tax assets.

Liabilities

Current liabilities amounted to ₱4,169 million at the close of the first quarter of 2017. This represented a ₱328 million or 7.3% drop traced mainly to the decrease in trade payables of 9.6% to settle at ₱3,274 million at the end of the quarter.

Noncurrent liabilities totaled ₱1,013 million as of March 31, 2017, a ₱50 million or 4.7% decrease over the yearend balance of ₱1,064 million mainly due to the decrease in the long term debt.

Equity

Total equity amounted to ₱10,741 million, a 199.8% or ₱7,158 million jump from the December 31, 2016 balance of ₱3,582 million, attributed mainly to the equity infusion from the initial public offering of the Company.

PART II--OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

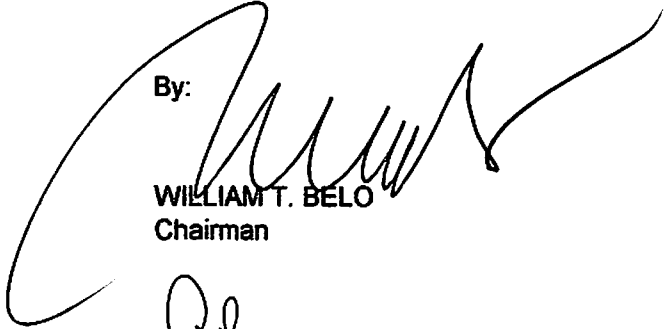
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this **FIRST QUARTER FINANCIAL STATEMENTS OF WILCON DEPOT, INC.** to be signed on its behalf by the undersigned thereunto duly authorized.


15 May 2017

WILCON DEPOT, INC.

By:



WILLIAM T. BELO
Chairman



LORRAINE BELO-CINCOCHAN
President-CEO



MARK ANDREW Y. BELO
Treasurer-CFO



ANNIE E. VARGAS
Comptroller

WILCON DEPOT, INC.

**Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS**

(A Subsidiary of WILCON CORPORATION

*Doing Business under the Name and Style of
WILCON CITY CENTER)*

**Unaudited Interim Condensed Financial Statements
As at March 31, 2017 and December 31, 2016 and
For the Three-Month Period Ended March 31, 2017**

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION

Doing Business under the Name and Style of WILCON CITY CENTER)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS			
Current Assets			
Cash	5	P7,271,082,466	P638,072,093
Trade and other receivables	6	432,476,791	422,593,586
Merchandise inventories	7	6,631,481,167	6,575,843,901
Other current assets	8	801,216,147	769,937,004
Total Current Assets		15,136,256,571	8,406,446,584
Noncurrent Assets			
Property and equipment	9	371,273,384	341,897,899
Deferred tax assets	19	178,384,126	184,261,772
Other noncurrent assets	10	237,588,938	210,984,752
Total Noncurrent Assets		787,246,448	737,144,423
		P15,923,503,019	P9,143,591,007
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term debt	11	P445,000,000	P445,000,000
Current portion of long-term debt	12	258,461,539	278,461,539
Trade and other payables	13	3,273,762,292	3,619,679,500
Income tax payable		192,004,390	154,094,765
Total Current Liabilities		4,169,228,221	4,497,235,804
Noncurrent Liabilities			
Long-term debt - net of current portion	12	584,743,589	649,358,974
Retirement liability	14	428,713,304	414,571,587
Total Noncurrent Liabilities		1,013,456,893	1,063,930,561
Total Liabilities		5,182,685,114	5,561,166,365
Equity			
Capital stock	15	4,099,724,116	2,705,817,916
Additional paid-in capital		5,373,738,427	-
Other comprehensive loss		(9,640,325)	(9,640,325)
Retained earnings		1,276,995,687	886,247,051
Total Equity		10,740,817,905	3,582,424,642
		P15,923,503,019	P9,143,591,007

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017*

	Note	
NET SALES		₱4,182,087,422
COST OF SALES	16	2,920,439,611
GROSS INCOME		1,261,647,811
OPERATING EXPENSES	17	(851,181,120)
INTEREST EXPENSE	12	(9,822,790)
OTHER INCOME – Net	18	42,940,028
INCOME BEFORE INCOME TAX		443,583,929
INCOME TAX EXPENSE	19	
Current		46,957,647
Deferred		5,877,646
		52,835,293
NET INCOME		390,748,636
OTHER COMPREHENSIVE LOSS		–
TOTAL COMPREHENSIVE INCOME		₱390,748,636
BASIC AND DILUTIVE EARNINGS PER SHARE	22	₱0.14

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 31, 2015 and started its commercial operations on April 1, 2016.

WILCON DEPOT, INC.
Doing Business under the Name and Style of
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(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017*

	Note	
CAPITAL STOCK		
Balance at beginning of period	15	₱2,705,817,916
Issuances		1,393,906,200
Balance at end of period		4,099,724,116
ADDITIONAL PAID-IN CAPITAL		
	15	5,373,738,427
OTHER COMPREHENSIVE LOSS		
Remeasurement loss on retirement liability, net of deferred income tax		(9,640,325)
RETAINED EARNINGS		
Balance at beginning of period		886,247,051
Net income		390,748,636
Balance at end of period		1,276,995,687
		₱10,740,817,905

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 31, 2015 and started its commercial operations on April 1, 2016.

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017*

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax		P443,583,929
Adjustments for:		
Depreciation and amortization	9	22,798,556
Retirement benefits	14	14,141,717
Interest expense	12	9,822,790
Net reversal of allowance for:		
Impairment losses on receivables	6	(2,344,666)
Inventory write down and losses	7	(28,201,283)
Interest income	5	(235,039)
Operating income before working capital changes		459,566,004
Increase in:		
Trade and other receivables		(7,538,539)
Merchandise inventories		(27,435,983)
Other current assets		(31,279,143)
Decrease in trade and other payables		(345,917,208)
Net cash generated from operations		47,395,131
Income tax paid		(9,048,022)
Interest received		235,039
Net cash provided by operating activities		38,582,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	9	(51,705,951)
Computer software	10	(6,297,900)
Increase in other noncurrent assets		(20,774,376)
Cash used in investing activities		(78,778,227)

(Forward)

	Note	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	15	₱6,767,644,627
Payments of:		
Long-term debt		(64,615,385)
Short-term debt		(20,000,000)
Interest		(9,822,790)
Net cash provided by financing activities		6,673,206,452
NET INCREASE IN CASH		6,633,010,373
CASH AT BEGINNING OF PERIOD		638,072,093
CASH AT END OF PERIOD	5	₱7,271,082,466

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 31, 2015 and started its commercial operations on April 1, 2016.

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION

Doing Business under the Name and Style of WILCON CITY CENTER)

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company and formerly Wilcon Depot, Inc.), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 17, 2015. The change in corporate name of the Company was approved by the SEC on April 29, 2016. The Company is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail.

The Company started its commercial operations on April 1, 2016.

The Company is a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (the Parent Company and formerly WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER), a holding company incorporated in the Philippines. The Parent Company is previously engaged in the same line of business as the Company. The ultimate parent company is LIAM ROS HOLDINGS INC., an entity incorporated in the Philippines and is a holding company.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock were approved by the SEC on November 15, 2016 (see Notes 4 and 15).

The transfer of net assets, assessed to be tax free exchange, was approved by the Bureau of Internal Revenue (BIR) on January 26, 2017.

On September 13, 2016, the BOD and stockholders of the Company authorized the Company to undertake an initial public offering of its shares with the Philippine Stock Exchange, Inc. (PSE). Subsequently, on February 23 and March 8, 2017, the SEC and the PSE, respectively, approved the Company's application for initial public offering (IPO).

The shares of stock of the Company are officially listed in the PSE on March 31, 2017. The Company listed 1,393,906,200 common shares at an offer price of ₱5.05 per share. Proceeds from IPO amounted to ₱6,767.6 million (see Note 15).

The registered office address of the Company is at No. 90 E. Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The unaudited interim condensed financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provisions.

The significant accounting policies that have been used in the preparation of the unaudited interim condensed financial statements have been consistently applied to all the periods presented, unless otherwise stated.

The unaudited interim condensed financial statements have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual audited financial statements as at and for the year ended December 31, 2016, which have been prepared in accordance with PFRS.

Measurement Bases

The unaudited interim condensed financial statements have been presented in Philippine Peso, which is the functional currency of the Company. All amounts are in absolute values, unless otherwise stated.

The unaudited interim condensed financial statements of the Company have been prepared on the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability.

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 transaction date. The Company 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 market 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 Company 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 Company 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.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3, Significant Accounting Judgments, Estimates and Assumptions
- Note 24, Fair Value of Financial Instruments

Adoption of New and Amended PFRS

The Company adopted the amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*, effective January 1, 2017. The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

The adoption of the amended PAS 7 did not have any material effect on the unaudited interim condensed financial statements of the Company. Additional disclosures have been included in the notes to unaudited interim condensed financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS, which are not yet effective for the period ended March 31, 2017 and have not been applied in preparing the unaudited interim condensed financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken - the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary to have an objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual period beginning on or after January 1, 2019 –

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. Additional disclosures will be included in the unaudited interim condensed financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Company commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial Recognition. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Company determines the appropriate method of recognizing a "Day 1" difference amount.

Classification. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized in profit or loss. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Company classifies its financial assets into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities.

The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Company determines the classification of the financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at March 31, 2017 and December 31, 2016.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" in profit or loss on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization, included as part of "Interest income," is recognized in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Cash, trade and other receivables, container deposits (presented as part of "Other current assets") and security, rental and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included in this category.

Other Financial Liabilities. Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

Payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

The short-term and long-term debts and trade and other payables (excluding statutory liabilities, unredeemed gift certificates, and unearned revenue) are included in this category.

Impairment of Financial Assets

The Company assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount

of the asset is reduced through the use of an allowance account. The amount of loss is recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Company of financial assets with similar credit risk and characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset has expired; or
- the Company 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 Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control over the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 profit or loss.

Offsetting of Financial Instruments

Financial assets and 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.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the period when the related revenue is recognized.

Other Current Assets

Other current assets mainly consist of input value-added tax (VAT), deferred input VAT, container deposits, and prepaid expenses.

VAT. Revenue, expenses and assets are recognized, net of the amount of VAT, except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the statement of financial position.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold, wherein the suppliers' invoices are received consequently. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Container Deposits. Container deposits qualify as financial assets and are disclosed under financial instruments.

Prepaid Expenses. Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the asset has been put into operations, such as repairs and maintenance, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Construction in progress represents structures under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Leasehold improvements	5 or term of lease, whichever is shorter
Furniture and equipment	5
Transportation equipment	5

The estimated useful lives and depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date to ensure that such years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

Other Noncurrent Assets

Other noncurrent assets comprise of security, rental and electricity deposits, refundable cash bonds and computer software. These, except advance rental and computer software, qualify as financial assets and are disclosed under financial instruments.

Security and Rental Deposits. Security and rental deposits represent deposits made in relation to the lease agreements entered into by the Company. These are carried at cost less any impairment in value, and will generally be returned and applied at the end of the lease term, respectively.

Electricity Deposits. Electricity deposits are carried at cost less any impairment in value, and will be refunded upon termination of the contract.

Computer Software. Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally generated computer software, excluding capitalized development costs, is not capitalized and expenditure is charged against profit or loss in the period in which the expenditure is incurred.

Computer software is amortized over the economic useful life of eight years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method for computer software are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from disposition of computer software measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. An asset's (or group of assets') recoverable amount is the higher of an asset's fair value less cost 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 group of assets. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior period. A reversal of an impairment loss is recognized immediately in profit or loss.

Nonfinancial assets include property and equipment, computer software and advance rental.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss.

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to remeasurement loss on retirement liability.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized when the significant risks and benefits of ownership of the goods have passed to the buyer, which is normally upon delivery, and is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and unearned revenue from loyalty program.

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale. The Company recognizes the consideration received allocated to award credits as sale when award credits are redeemed and it fulfills its obligations to supply the award credits. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number that are expected to be redeemed. Any unredeemed award credits as at reporting date are recognized as unearned revenue included under "Trade and other payables" account in the statement of financial position.

Rent Income. Revenue arising from rentals of property is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

Other Income. Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon receipt of goods, utilization of services or at the date the costs and expenses are incurred.

Employee Benefits

Short-term Employee Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

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 obligation) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent period.

The retirement liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is substantial change to the asset.

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

Leases where a significant portion of the risks and reward of ownership over the asset are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at end of the reporting period.

Deferred Tax. Deferred tax is provided on all temporary differences 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. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Earnings per Share

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

The Company has no dilutive potential common shares.

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more

intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Segment Reporting

Operating segments are components of the Company: (a) that engage in business activities from which this may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Company; (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Company has only one reportable operating segment, which is the Trading Business. The Company has only one geographical segment as all of its assets are located in the Philippines. The Company operates and derives all its revenue from domestic operations.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Events after the Reporting Date

Events after the reporting date that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim condensed financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the unaudited interim condensed financial statements and accompanying notes. The judgments and estimates are based on management's evaluation of relevant facts and circumstances as of the date

of the comparative financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgments

In the process of applying the 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 unaudited interim condensed financial statements.

Determining the Operating Segments. Determination of operating segments is based on the information about components of the Company that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance. The Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Company has only one reportable operating segment which is the Trading Business, and one geographical segment as all of the assets are located in the Philippines. The Company operates and derives all its revenue from domestic operations. Thus, no further disclosures of operating and geographical segments are necessary.

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, computer software and transportation equipment. The Company has determined that the lessor retains all significant risks and benefits of ownership over the leased properties. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent expense amounted to ₱181.4 million for the three-month period ended March 31, 2017 (see Note 20).

The Company, as a lessor, has existing lease agreements for commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risks and benefits of ownership over the leased properties remain with the Company. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent income amounted to ₱3.5 million for the three-month period ended March 31, 2017 (see Note 20).

Estimates and Assumptions

The key estimates and assumptions used in the unaudited interim condensed financial statements are based upon management's evaluation of relevant facts and circumstances of the unaudited interim condensed financial statements. Actual results could differ from those estimates. Presented below is the relevant estimate performed by management on its unaudited interim condensed financial statements.

Determining Fair Values of Financial Instruments. Fair value determinations for financial assets are based generally on quoted market prices. If market prices are not available, fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 24 to unaudited interim condensed financial statements.

Estimating Impairment Losses on Trade and Other Receivables (including Refundable Cash Bonds). Impairment losses on receivables are provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses on receivables would increase the recorded expenses and decrease current assets. In addition, accounts specifically identified to be potentially uncollectible are also provided with adequate allowance.

The carrying value of trade and other receivables amounted to ₱432.5 million and ₱422.6 million as at March 31, 2017 and December 31, 2016, respectively (see Note 6). Allowance for impairment losses on receivables amounted to ₱38.8 million and ₱45.8 million as at March 31, 2017 and December 31, 2016, respectively (see Note 6).

As at March 31, 2017 and December 31, 2016, refundable cash bonds amounting to ₱83.4 million have been assessed as unrecoverable (see Note 10). Accordingly, allowance for impairment losses amounted to ₱83.4 million as at March 31, 2017 and December 31, 2016.

Determining Net Realizable Value of Merchandise Inventories. The Company recognizes inventory write down and losses whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of 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. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying value of merchandise inventories amounted to ₱6,631.5 million and ₱6,575.8 million as at March 31, 2017 and December 31, 2016, respectively (see Note 7). Allowance for inventory write down and losses amounted to ₱73.5 million and ₱101.7 million as at March 31, 2017 and December 31, 2016, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment and Computer Software. The Company estimates the useful lives of property and equipment and computer software based on the periods over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

There is no change in estimated useful lives of property and equipment and computer software as at March 31, 2017 and December 31, 2016. The carrying value of depreciable property and equipment and computer software follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Property and equipment*	9	₱366,912,277	₱341,897,899
Computer software	10	16,385,119	10,555,309
		₱383,297,396	₱352,453,208

*Excludes construction in progress amounting to ₱4.4 million as at March 31, 2017.

Assessing Impairment of Nonfinancial Assets. The Company assesses any impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying value of assets or group of assets may not be recoverable. Factors that the Company considered in deciding when to perform impairment review includes the following among others:

- significant under-performance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. Recoverable amount represents the value in use, determined as the present value of estimated future cash flow expected to be generated from the continued use of the assets. The estimated cash flow are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit to which the assets belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2017 and 2016.

The carrying values of nonfinancial assets assessed for possible impairment are presented below.

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Property and equipment	9	₱371,273,384	₱341,897,899
Computer software	10	16,385,119	10,555,309
		₱387,658,503	₱352,453,208

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 14 to financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement liability amounted to ₱428.7 million and ₱414.6 million as at March 31, 2017 and December 31, 2016, respectively (see Note 14).

Assessing Realizability of Deferred Tax Assets. The Company reviews the carrying amount of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets amounted to ₱178.4 million and ₱184.3 million as at March 31, 2017 and December 31, 2016, respectively (see Note 19).

4. Transfer of the Trading Business from the Parent Company

As discussed in Note 1, the Parent Company transferred its Trading Business, including the related assets and liabilities, to the Company in exchange for the shares of stock, effective April 1, 2016.

Details of the assets and liabilities transferred to the Company are as follows:

Cash	₱199,731,283
Trade and other receivables	377,126,849
Merchandise inventories	7,214,079,609
Other current assets	14,210,928
Property and equipment	339,385,907
Other noncurrent assets	49,403,111
Short-term debt	(603,504,383)
Long-term debt	(1,101,666,666)
Trade and other payables	(3,461,894,391)
Retirement liability	(371,054,331)
<u>Net assets transferred</u>	<u>₱2,655,817,916</u>

The transfer of net assets in exchange for shares of stock of the Company was approved by the SEC on November 15, 2016 (see Notes 1 and 15). Consequently, the Parent Company received 2,655.8 million shares of stock of the Company.

The transfer of net assets in exchange for shares of stock of the Company was acquired pursuant to Section 40(c) of the Tax Code, as amended.

5. Cash

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	P5,869,742	P6,329,849
Cash in banks	7,265,212,724	631,742,244
	P7,271,082,466	P638,072,093

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to P235,039 for the three-month period ended March 31, 2017 (see Note 18).

6. Trade and Other Receivables

Details of this account are as follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade:			
Third parties		P321,531,258	P337,631,279
Related parties	21	92,866,240	100,146,597
Rental	20	2,700,277	15,137,938
Advances to suppliers		8,574,514	13,796,318
Others		45,597,514	1,715,832
		471,269,803	468,427,964
Allowance for impairment losses		(38,793,012)	(45,834,378)
		P432,476,791	P422,593,586

Trade receivables are unsecured, noninterest-bearing and have credit terms of 30 to 60 days.

Rental receivables, which are collectible within one year, include receivables from the lease of gondola lightings, facade billboards, window displays and street banners.

Advances to suppliers pertain to advance payments on purchases of goods for trading which will be refunded or applied against billings.

Movements of allowance for impairment losses on receivables are as follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period		P45,834,378	P-
Reversal	17	(4,957,622)	(10,894,782)
Provision	17	2,612,956	
Write-off		(4,696,700)	-
Transferred from Parent Company		-	56,729,160
Balance at end of period		P38,793,012	P45,834,378

7. Merchandise Inventories

Details of this account are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
At cost	P6,368,360,905	P6,459,355,675
At net realizable value	263,120,262	116,488,226
	P6,631,481,167	P6,575,843,901

Merchandise inventories pertain to goods being traded under the normal course of business, which include construction supplies, bathroom and kitchen supplies and equipment, furniture, among others, on wholesale and retail basis.

The cost of merchandise inventories stated at net realizable value amounted to P336.6 million and P218.2 million as at March 31, 2017 and December 31, 2016, respectively.

Movements of allowance for inventory write down and losses are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	P101,651,425	P-
Reversal	(28,201,283)	-
Provision	-	51,594,828
Transferred from Parent Company	-	50,056,597
Balance at end of period	P73,450,142	P101,651,425

Inventories charged to cost of sales amounted to P2,920.4 million for the three-month period ended March 31, 2017 (see Note 16).

8. Other Current Assets

Details of this account are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Input VAT	P578,425,689	P629,154,525
Current portion of deferred input VAT	206,238,640	124,614,030
Container deposits	8,993,257	9,034,191
Prepaid expenses	7,558,561	7,134,258
	P801,216,147	P769,937,004

Deferred input VAT pertains to the current unamortized portion of input VAT on furniture and equipment and transportation equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

9. Property and Equipment

Details and movements of this account are as follows:

	March 31, 2017 (Unaudited)				Total
	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	
Cost					
Balance at beginning of period	P143,583,260	P255,022,262	P5,576,964	P-	P404,182,486
Additions	-	47,344,844	-	4,361,107	51,705,951
Balance at end of period	143,583,260	302,367,106	5,576,964	4,361,107	455,888,437
Accumulated Depreciation					
Balance at beginning of period	9,430,748	52,463,387	390,452	-	62,284,587
Depreciation and amortization	2,782,028	19,269,590	278,848	-	22,330,466
Balance at end of period	12,212,776	71,732,977	669,300	-	84,615,053
Net book value	P131,370,484	P230,634,129	P4,907,664	P4,361,107	P371,273,384

	December 31, 2016 (Audited)				Total
	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	
Cost					
Transferred from Parent Company	P31,211,210	P198,805,682	P-	P109,369,015	P339,385,907
Additions	3,003,035	56,216,580	5,576,964	-	64,796,579
Reclassification	109,369,015	-	-	(109,369,015)	-
Balance at end of period	143,583,260	255,022,262	5,576,964	-	404,182,486
Depreciation and amortization for the period and balance at end of period	9,430,748	52,463,387	390,452	-	62,284,587
Net book value	P134,152,512	P202,558,875	P5,186,512	P-	P341,897,899

The depreciation and amortization for the three-month period ended March 31, 2017 are summarized below:

	Note	
Property and equipment		P22,330,466
Computer software	10	468,090
	17	P22,798,556

10. Other Noncurrent Assets

Details of this account are as follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Security and rental deposits	20	P165,426,786	P161,334,786
Noncurrent deferred input VAT		36,562,267	22,292,311
Electricity deposits		19,214,766	16,802,346
Computer software		16,385,119	10,555,309
Refundable cash bonds, net of allowance for impairment losses of P83.4 million		-	-
		P237,588,938	P210,984,752

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. These refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively. As at March 31, 2017 and December 31, 2016, advance rentals to various lessors amounted to ₱67.6 million and ₱64.8 million, respectively.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies. This will be refunded upon termination of the contract.

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at March 31, 2017, the refund of cash bonds is still pending with the BOC.

Details of computer software follow:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost			
Balance at beginning of period		₱10,985,329	₱-
Additions		6,297,900	10,985,329
Balance at end of period		17,283,229	10,985,329
Accumulated Amortization			
Balance at end of period		430,020	-
Amortization	9	468,090	430,020
Balance at end of period		898,110	430,020
Net book value		₱16,385,119	₱10,555,309

11. Short-term Debt

Short-term loans amounting to ₱445.0 million as at March 31, 2017 and December 31, 2016 bear interest, which are being repriced monthly, ranging from 2.50% to 2.90%.

Interest expense amounted to ₱3.6 million for the three-month period ended March 31, 2017 (see Note 12).

12. Long-term Debt

Details of long-term debt are as follows:

	Terms	Principal	Outstanding Balance	
			March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Loan 1	Quarterly installment payment until December 2019	₱500,000,000	₱275,000,000	₱300,000,000
Loan 2	Quarterly installment payment until March 2020	320,000,000	240,000,000	280,000,000
Loan 3	Monthly installment payment until August 2021	210,000,000	142,692,308	150,769,231
Loan 4	Monthly installment payment until August 2021	170,000,000	115,512,820	122,051,282
Loan 5	Monthly installment payment until March 2018	100,000,000	70,000,000	75,000,000
		₱1,300,000,000	843,205,128	927,820,513
Current portion			(258,461,539)	(278,461,539)
Noncurrent portion			₱584,743,589	₱649,358,974

The loans bear interest ranging from 2.50% to 2.75% for the three-month period ended March 31, 2017.

Interest expense for the three-month period ended March 31, 2017 is summarized below:

	Note	
Long-term debt		₱6,234,526
Short-term debt	11	3,588,264
		₱9,822,790

As at March 31, 2017 and December 31, 2016, certain loans are collateralized by property and equipment and investment properties of the Parent Company with a carrying value of ₱791.8 million and ₱725.2 million, respectively.

The maturities of the long-term debt as at March 31, 2017 are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Less than one year	₱308,461,538	₱278,461,539
Between one to two years	238,461,540	516,923,077
Between two to five years	296,282,050	132,435,897
	₱843,205,128	₱927,820,513

13. Trade and Other Payables

Details of this account are as follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade:			
Third parties		₱1,698,407,541	₱2,307,558,266
Related parties	21	920,582,283	901,164,379
Accrued expenses:			
Stock transaction costs		79,629,794	-
Rent	20	51,668,114	42,680,810
Utilities		36,491,613	62,536,306
Trucking services		20,425,490	16,237,760
Others		117,613,409	38,184,017
Advances from customers		161,347,005	151,970,218
Nontrade		120,916,808	39,524,714
Others		66,680,235	59,823,030
		₱3,273,762,292	₱3,619,679,500

Trade payables and accrued expenses are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Accrued expenses refer to accruals for utilities, rentals from related parties and third parties, trucking services, stock transaction costs, postage and telecommunications, outside services, salaries and wages and other expenses incurred which are payable in the succeeding month.

Advances from customers pertain to refundable payments and deposits made by the customers pending the delivery of goods purchased. Refundable deposits amounted to ₱87.6 million and ₱87.1 million as at March 31, 2017 and December 31, 2016, respectively.

Nontrade payables pertain to unpaid advertising and promotions and transportation and travel which, are payable in the succeeding month.

Others pertain to unearned revenue on loyalty program, unredeemed gift certificates, withholding taxes and statutory obligations.

14. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible employees. The latest actuarial valuation report was dated as at September 30, 2016.

Retirement benefits for the three-month period ended March 31, 2017, presented under salaries, wages and employees' benefits, are as follows:

	Amount
Current services cost	₱8,928,479
Interest cost	5,213,238
	₱14,141,717

The changes in the present value of the defined benefit obligation are as follows:

	Note	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period		₱414,571,587	₱-
Retirement benefits		14,141,717	29,745,363
Transferred from Parent Company	4	-	371,054,331
Remeasurement loss		-	13,771,893
Balance at end of year		₱428,713,304	₱414,571,587

The principal actuarial assumptions used to determine the retirement liability as at March 31, 2017 and December 31, 2016 are as follows:

Discount rate	4.65%
Annual salary increase rate	8.00%

Sensitivity analysis on retirement liability is as follows:

	Basis Points	Amount
Discount rate	+100	(₱71,825,943)
	-100	91,543,937
Salary rate	+100	83,336,718
	-100	(67,646,560)
Turnover rate	0%	132,750,497

As at March 31, 2017, the expected future benefits payments are as follow:

Year	Amount
2018	₱7,344,000
2019	-
2020	382,395
2021	4,109,643
2022 to 2026	38,623,444
	₱50,459,482

15. Equity

Capital stock

Details of capital stock are as follow:

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - at ₱1 a share				
Balance at beginning of period	5,000,000,000	₱5,000,000,000	200,000,000	₱200,000,000
Increase	-	-	4,800,000,000	4,800,000,000
Balance at end of period	5,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Issued and outstanding:				
Balance at beginning of period	2,705,817,916	₱2,705,817,916	50,000,000	₱50,000,000
Issuances	1,393,906,200	1,393,906,200	2,655,817,916	2,655,817,916
Balance at end of period	4,099,724,116	₱4,099,724,116	2,705,817,916	₱2,705,817,916

On April 1, 2016, the Company's BOD and stockholders approved the increase in authorized capital stock of the Company from ₱200.0 million, consisting of 200,000,000 shares of common stock with par value of ₱1.00 per share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock with par value of ₱1.00 per share.

On the same date, the Parent Company subscribed to 2,655.8 million shares of stock of the Company in exchange for the net assets of its Trading Business amounting to ₱2,655.8 million determined as at March 31, 2016 (see Notes 1 and 4).

On November 15, 2016, the SEC approved the increase in authorized capital stock and the transfer of net assets in exchange for shares of stock of the Company (see Notes 1 and 4).

Additional Paid-in Capital

On March 31, 2017, the Company listed 1,393,906,200 common shares in the PSE at an offer price of ₱5.05 per share. Proceeds from IPO amounted to ₱6,767.6 million. The Company incurred transaction costs incidental to the IPO amounting to ₱271.6 million which was subsequently charged against additional paid-in capital.

16. Cost of Sales

Details of this account for the three-month period ended March 31, 2017 follow:

	Note	
Merchandise inventories at beginning of period	7	₱6,575,843,901
Net purchases		2,976,076,877
Goods available for sale		9,551,920,778
Merchandise inventories at end of period	7	(6,631,481,167)
		₱2,920,439,611

17. Operating Expenses

Details of this account for the three-month period ended March 31, 2017 follow:

	Note	Amount
Rent	20	₱181,378,041
Outsourced services		152,074,321
Salaries, wages and employees' benefits		148,373,301
Utilities		95,989,737
Trucking services		59,709,536

(Forward)

	Note	Amount
Taxes and licenses		₱58,047,418
Credit card charges		35,765,791
Security services		25,076,344
Depreciation and amortization	9	22,798,556
Advertising and promotions		18,495,071
Repairs and maintenance		12,178,460
Supplies		10,280,685
Professional fees		9,047,543
Postage, telephone and telegraph		7,159,446
Transportation and travel		5,940,488
Net reversal of allowance for impairment losses on receivables	6	(2,344,666)
Donations and contributions		2,254,814
Fuel and oil		2,166,284
Others		6,789,950
		<u>₱851,181,120</u>

18. Other Income

Details of this account for the three-month period ended March 31, 2017 follow:

	Note	Amount
Rent	20	₱3,528,857
Interest	5	235,039
Others - net		39,176,132
		<u>₱42,940,028</u>

Rent income pertains to lease of gondola lightings, facade billboards, window displays and street banners.

Other income includes amounts charged to and from the suppliers for the use of billboards and signage, office supplies, promotion rebates and other reimbursable costs.

19. Income Tax

The current income tax expense for the three-month period ended March 31, 2017 amounting to ₱47.0 million represents regular corporate income tax.

The Company will be subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the BIR on December 17, 2015.

The reconciliation between income tax expense at statutory tax rate and income tax expense presented in the unaudited interim condensed statement of comprehensive income is as follows:

Income tax expense at statutory rate	₱133,075,179
Income tax effects of:	
Stock transaction costs	(80,198,460)
Interest income already subjected to final tax	(70,512)
Nondeductible expenses	29,086
	<u>₱52,835,293</u>

Net deferred tax assets relate to the tax effect of the temporary differences as follows:

	March 31, 2016 (Unaudited)	December 31, 2016 (Audited)
Deferred tax assets:		
Retirement liability	₱128,613,991	₱124,371,476
Allowance for impairment of refundable cash bonds	25,022,980	25,022,980
Allowance for inventory write down and losses	22,035,043	30,495,428
Allowance for impairment losses on receivables	11,637,904	13,750,313
Unearned revenue from loyalty program	8,909,563	8,227,996
Accrued rent on straight-line basis	2,437,927	1,822,779
	<u>198,657,408</u>	<u>203,690,972</u>
Deferred tax liabilities:		
Advance rentals	(20,271,600)	(19,429,200)
Unrealized foreign exchange gain	(1,682)	-
	<u>(20,273,282)</u>	<u>(19,429,200)</u>
	<u>₱178,384,126</u>	<u>₱184,261,772</u>

The presentation of net deferred tax assets are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Through profit or loss	₱174,252,558	₱180,130,204
Through other comprehensive income	4,131,568	4,131,568
	<u>₱178,384,126</u>	<u>₱184,261,772</u>

20. Leases

The Company as a Lessee

The Company has various lease agreements with the related parties and third parties for the use of land, buildings, transportation equipment and computer software for a period of one to fifteen years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

Security and rental deposits, which pertain to refundable deposit and advance rentals, amounted to ₱165.4 million and ₱161.3 million as at March 31, 2017 and December 31, 2016, respectively (see Note 10). The refundable deposits and advance rentals will be returned and applied at the end

of the lease term, respectively. Accrued rent as at March 31, 2017 and December 31, 2016 amounted to ₱51.7 million and ₱42.7 million, respectively (see Note 13).

Rent expense amounted to ₱181.4 million for the three-month period ended March 31, 2017 (see Note 17).

Future minimum rental payments under operating lease as at March 31, 2017 are as follows:

Within one year	₱636,519,207
After one year but not more than five years	830,887,672
More than five years	122,848,504
	<u>₱1,590,255,383</u>

The Company as a Lessor

The Company has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners with lease terms of less than a year. The leases are renewable upon mutual agreement by the parties.

Rent income amounted to ₱3.5 million for the three-month period ended March 31, 2017 (see Note 18). Rental receivables amounted to ₱2.7 million and ₱15.1 million as at March 31, 2017 and December 31, 2016, respectively (see Note 6).

21. Related Party Transactions and Balances

The Company, in the normal course of business, has various transactions and balances with its related parties in 2017 and 2016, as described below.

Related Party	Nature of Transactions	Period	Transactions during the Period	Trade Receivables (see Note 6)	Trade Payables (see Note 13)	Accrued Expenses	
Parent Company	Transfer of trading business	March 31, 2017	₱35,978,324	₱-	₱612,390,068	₱-	
		December 31, 2016	2,655,817,916	-	748,555,638	-	
	Noninterest-bearing advances	March 31, 2017	-	-	-	-	
		December 31, 2016	599,471,322	-	-	-	
	Rental expenses	March 31, 2017	112,096,985	-	-	47,262,745	
		December 31, 2016	323,178,971	-	-	31,740,971	
	Purchases of goods	March 31, 2017	15,342,838	-	15,111,358	-	
		December 31, 2016	50,604,575	-	37,169,225	-	
	Reimbursement of expenses	March 31, 2017	87,967,403	-	-	32,008,597	
		December 31, 2016	250,276,813	-	-	62,536,306	
	Sale of goods	March 31, 2017	2,386,302	2,544,971	-	-	
		December 31, 2016	4,420,288	1,499,537	-	-	
Entitles under Common Control*	Purchases of goods	March 31, 2017	339,685,924	-	293,080,857	-	
		December 31, 2016	1,414,492,237	-	115,439,516	-	
	Trucking services	March 31, 2017	-	-	-	-	
		December 31, 2016	112,592,100	-	-	-	
	Rental expenses	March 31, 2017	31,202,151	-	-	3,173,560	
		December 31, 2016	55,072,026	-	-	-	
	Sale of goods	March 31, 2017	2,458,739	90,321,269	-	-	
		December 31, 2016	26,337,166	98,647,060	-	-	
	Stockholder	Rental expenses	March 31, 2017	3,646,813	-	-	-
			December 31, 2016	10,939,839	-	-	10,939,839
		March 31, 2017		₱92,866,240	₱920,582,283	₱82,444,902	
		December 31, 2016		100,146,597	901,164,379	105,217,116	

*Certain entitles under common control were related parties up to September 2016.

Transactions with related parties are as follows:

- a. Purchases and sales of merchandise inventories and trucking services with Parent Company and entities under common control. Purchases from entities under common control are subject to rebates based on certain percentage of sales from goods purchased from entities under common control.
- b. Various existing lease agreements with the Parent Company and related parties for the use of land, buildings, transportation equipment and computer software for a period of one to five years (see Note 20).
- c. Power and electricity, water, postage, telephone and telegraph billed by the Parent Company to the Company at cost plus mark-up.

Outstanding balance of trade and nontrade payables are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Compensation of Key Management Personnel

Compensation of key management personnel by benefit type, are as follows:

Short-term employee benefits	₱9,654,454
Retirement benefits	1,323,690
	<u>₱10,978,144</u>

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

Net income	₱390,748,636
Divided by the weighted average number of outstanding shares	<u>2,705,817,916</u>
	<u>₱0.14</u>

23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, trade receivables and payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), and short-term and long-term debt. The main purpose of these financial instruments is to fund the Company's operations.

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial market.

The main financial risks arising from the financial instruments are credit risk, liquidity risk and interest rate risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

Credit Risk. Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations. Receivables are monitored on an on-going basis with the result that the Company's exposure to possible losses is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash in banks	P7,265,212,724	P631,742,244
Trade and other receivables	471,269,803	468,427,964
Container deposits	8,993,257	9,034,191
Security and rental deposits*	97,854,786	96,570,786
Electricity deposits	19,214,766	16,802,346
Refundable cash bonds	83,409,934	83,409,934
	P7,945,955,270	P1,305,987,465

* Excluding advance rentals amounting to P67.6 million and P64.8 million as at March 31, 2017 and December 31, 2016, respectively.

The Company does not have major concentration of credit risk.

The table below summarizes the Company's financial assets based on aging:

	March 31, 2017 (Unaudited)				Total
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	
		Less than One Year	One Year and Over		
Cash	P7,271,082,466	P-	P-	P-	P7,271,082,466
Trade and other receivables	156,123,988	162,596,569	113,756,234	38,793,012	471,269,803
Container deposits	8,993,257	-	-	-	8,993,257
Security and rental deposits*	97,854,786	-	-	-	97,854,786
Electricity deposits	19,214,766	-	-	-	19,214,766
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	P7,553,269,263	P162,596,569	P113,756,234	P122,202,946	P7,951,825,012

* Excluding advance rentals amounting to P67.6 million.

	December 31, 2016 (Audited)				Total
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	
		Less than One Year	One Year and Over		
Cash	P638,072,093	P-	P-	P-	P638,072,093
Trade and other receivables	127,622,141	191,623,004	103,348,441	45,834,378	468,427,964
Container deposits	9,034,191	-	-	-	9,034,191
Security and rental deposits*	96,570,786	-	-	-	96,570,786
Electricity deposits	16,802,346	-	-	-	16,802,346
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	P888,101,557	P191,623,004	P103,348,441	P129,244,312	P1,312,317,314

* Excluding advance rentals amounting to P64.8 million.

“Past due but not impaired” are items with history of frequent defaults, nevertheless, the amounts are still collectible.

The table below shows the credit quality of the Company’s financial assets that are neither past due nor impaired based on their historical experience with the counter parties.

March 31, 2017 (Unaudited)				
	High Grade	Standard Grade	Substandard Grade	Total
Cash	₱7,271,082,466	₱-	₱-	₱7,271,082,466
Trade and other receivables	-	156,123,988	-	156,123,988
Container deposits	-	-	8,993,257	8,993,257
Security and rental deposits*	-	97,854,786	-	97,854,786
Electricity deposits	-	19,214,766	-	19,214,766
	₱7,271,082,466	₱273,193,540	₱8,993,257	₱7,553,269,263

* Excluding advance rentals amounting to ₱67.6 million.

December 31, 2016 (Audited)				
	High Grade	Standard Grade	Substandard Grade	Total
Cash	₱638,072,093	₱-	₱-	₱638,072,093
Trade and other receivables	-	127,622,141	-	127,622,141
Container deposits	-	-	9,034,191	9,034,191
Security and rental deposits*	-	96,570,786	-	96,570,786
Electricity deposits	-	16,802,346	-	16,802,346
	₱638,072,093	₱240,995,273	₱9,034,191	₱888,101,557

* Excluding advance rentals amounting to ₱64.8 million.

High grade receivables pertain to those receivables from counter parties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

Liquidity Risk. Liquidity risk is the risk that the Company will not be able to settle its obligations when these fall due. The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company’s operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments.

March 31, 2017 (Unaudited)					
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱-	₱445,000,000	₱-	₱-	₱445,000,000
Trade and other payables*	-	-	3,207,082,057	-	3,207,082,057
Long-term debt	20,000,000	154,615,385	133,846,153	534,743,590	843,205,128
	₱20,000,000	₱599,615,385	₱3,340,928,210	₱534,743,590	₱4,495,287,185

* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱66.7 million.

December 31, 2016 (Audited)					
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	P--	P445,000,000	P--	P--	P445,000,000
Trade and other payables*	-	-	3,559,856,470	-	3,559,856,470
Long-term debt	20,000,000	64,615,385	193,846,154	649,358,974	927,820,513
	P20,000,000	P509,615,385	P3,753,702,624	P649,358,974	P4,932,676,983

* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to P59.8 million.

As at March 31, 2017 and December 31, 2016, the Company had at its disposal cash amounting P7,271.1 million and P638.1 million, respectively. The Company's holding of cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

Interest Rate Risk. Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

The following table demonstrates the sensitivity of income before income tax due to a reasonably possible change in interest rate, with all other variables held constant.

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
March 31, 2017	0.22%	(P72,124)
	(0.22%)	72,124
December 31, 2016	0.30%	(106,519)
	(0.30%)	106,519

Capital Management

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Total debt includes total liabilities and deposits for future stock subscriptions.

Total equity includes capital stock, other comprehensive loss and retained earnings (deficit). The debt-to-equity ratio is as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Total debt	P5,182,685,114	P5,561,166,365
Total equity	10,740,817,905	3,582,424,642
Debt-to-equity	0.48:1	1.55:1

24. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of the financial instruments:

	March 31, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	₱7,271,082,466	₱7,271,082,466	₱638,072,093	₱638,072,093
Trade and other receivables	432,476,791	432,476,791	422,593,586	422,593,586
Container deposits	8,993,257	8,993,257	9,034,191	9,034,191
Security and rental deposits*	97,854,786	87,285,936	96,570,786	85,685,553
Electricity deposits	19,214,766	19,214,766	16,802,346	16,802,346
	₱7,829,622,066	₱7,819,053,216	₱1,183,073,002	₱1,172,187,769
Financial Liabilities				
Short-term debt	445,000,000	445,000,000	₱445,000,000	₱445,000,000
Trade and other payables**	3,207,082,057	3,207,082,057	3,559,856,470	3,559,856,470
Long-term debt	843,205,128	843,205,128	927,820,513	927,820,513
	₱4,495,287,185	₱4,495,287,185	₱4,932,676,983	₱4,932,676,983

* Excluding advance rentals amounting to ₱67.6 million and ₱64.8 million as at March 31, 2017 and December 31, 2016, respectively.

** Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱66.7 million and ₱59.8 million as at March 31, 2017 and December 31, 2016, respectively.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash, trade and other receivables, container, security, rental and electricity deposits, refundable cash bonds, short-term debt and trade and other payables. The carrying amounts of cash, trade and other receivables, due from a related party, container deposits, short-term borrowings, and trade and other payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposit are under Level 2 of the fair value measurements hierarchy for financial instruments.

Long-term debt. The carrying amount of long-term debt approximates its fair value because the interest rate that it carries approximates the interest rate for comparable instrument in the market.

In 2017 and 2016, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT AND WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE PERIOD ENDED MARCH 31, 2017

Retained earnings at beginning of period as shown in the financial statements	P886,247,051
Net income during the period closed to retained earnings	390,748,636
Deferred tax assets related to temporary differences that flow through profit or loss	(174,252,558)

Retained earnings as at end of period available for dividend declaration **P1,102,743,129**

Reconciliation:

Retained earnings at end of period as shown in the financial statements	P1,276,995,687
Deferred tax assets related to temporary differences that flow through profit or loss	(174,252,558)

Retained earnings as at end of period available for dividend declaration **P1,102,743,129**

WILCON DEPOT, INC.
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FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE PERIOD ENDED MARCH 31, 2017 AND AS AT AND
FOR THE YEAR ENDED DECEMBER 31, 2016

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Liquidity Ratio		
Current ratio	3.63:1	1.87:1
Quick ratio	1.85:1	0.24:1
Solvency Ratio		
Debt to equity ratio	0.48:1	1.55:1
Profitability Ratio		
Return on assets	2.45%	9.70%
Return on equity	3.64%	24.75%
Book value per share	₱2.62	₱1.32
Gross margin	30.17%	26.82%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	11.38%	9.01%
Net income margin	9.34%	7.21%

WILCON DEPOT, INC.
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CORPORATE STRUCTURE
AS AT MARCH 31, 2017

LIAM ROS HOLDINGS INC.

59%

WILCON CORPORATION
Doing Business under the Name and Style of
WILCON CITY CENTER

65%

WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT AND WILCON HOME ESSENTIALS

WILCON DEPOT, INC.
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Doing Business under the Name and Style of WILCON CITY CENTER)

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
MARCH 31, 2017

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓	

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests In Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓