

# COVER SHEET

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(Company's Full name)

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

**Atty. Sheila Pasicolan - Camerino**

Contact Person

**634-8387**

Tel. No.

**1 7 - A**

FORM TYPE

Secondary License, (if applicable type)

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-A, AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

- 1. For the fiscal year ended ..... December 31, 2017
- 2. SEC Identification Number ..... CS201524712
- 3. BIR Tax Identification No. .... 009-192-878
- 4. Exact name of issuer as specified in its charter .....

**WILCON DEPOT, INC. Doing Business under the Name and Style of Wilcon Depot and Wilcon Home Essentials**

- 5. Quezon City, Philippines..... 6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization

- 7. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City..... 1110.....  
Address of principal office      Postal Code

- 8. (02) 634-8387.....  
Issuer's telephone number, including area code

- 9. Not Applicable  
.....  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 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 these securities listed on a Stock Exchange.  
Yes []    No []  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
PHILIPPINE STOCK EXCHANGE – COMMON SHARES

- 12. Check whether the issuer:  
  
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that 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 []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the 1,392,242,000 voting stocks held by non-affiliates (public shares) as of December 31, 2017, computed based on the closing share price of ₱8.28 on the last trading day on December 29, 2017 is ₱ 11,527,763,760.00.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

Yes [ ]      No [ ]

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Audited Financial Statements as at and for the year ended December 31, 2017, 2016 and 2015 – Exhibit 1

(b) Statement of Management's Responsibility for Financial Statements as at and for the year ended December 31, 2017, 2016 and 2015 – part of Exhibit 1

(c) SEC Form 17-C – Exhibit 2

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

### **Item 1. Business**

#### Background

Wilcon Depot, Inc. (the Company/WDI/Wilcon Depot) was incorporated on December 17, 2015 as a subsidiary of Wilcon Corporation (WC), formerly known as Wilcon Builder's Depot Inc. (WBDI), to operate its home improvement retail businesses. It officially started operations on April 1, 2016 when the retail operations including all of the retail assets and liabilities were transferred from WC, thereby increasing WC's ownership in the Company to 99.06%.

The Company's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. The business, founded by Mr. William T. Belo, opened its first store in 1977, carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up. He opened three more branches with an average area of 2,400 sqm from 1989 to 1995. In 2002, the first store outside of Metro Manila was established in Davao City.

The first depot format store was opened in 2003, in Las Piñas. At 10,000 sqm, the Depot format was larger than their previous 5 stores, which had an average size of 4,223 sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, operations rapidly expanded with the opening of 27 more Depot format stores around the country.

The smaller format mall-based or community-based stores were formally organized in 2009 and operated under the brand name "Wilcon Home Essentials". This concept was adopted by a few of the old stores and subsequently applied to 3 more new stores from 2009 to 2013.

#### Corporate Restructuring

The following transactions occurred on April 1, 2016 in relation to the spin-off of the retail operations of WC into the Company:

- The net assets comprising the retail business were transferred to the Company. The land, intellectual property, and investment properties remained with WC, the Parent.
- The Company entered into lease agreements with its Parent for the lease of land assets used by its stores.

The spin off resulted in a 99.06% ownership of WC in the Company.

On March 31, 2017, the Company went public through an initial public offering with the Philippine Stock Exchange. The Company floated thirty four percent (34.00%) or 1,393,906,200 of its capital stock, increasing its issued and outstanding capital stock to 4,099,724,116 and diluting WC's equity interest in the Company to 65.38%.

#### Bankruptcy, Receivership or Similar Proceedings

The Company and its parent, WC, have not been subject to: (i) any bankruptcy, receivership or similar proceedings or (ii) any material reclassification, merger (other than as a surviving entity) consolidation of purchase or sale of significant amount of assets.

#### Products / Business Lines

The Company caters to the fast-growing segment of middle to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products,

hardware and tools, furniture, furnishings and houseware, paints, appliances and building materials, among others.

#### *Product Categories*

The Company offers a broad range of products grouped into major product categories namely plumbing and sanitary hardware and tools, tiles and flooring, electrical and lighting, furniture, furnishing and houseware, paints, appliances, and building materials. As a matter of competitiveness, the Company continues to develop new products and services for its customers as seen in the launching of several in-house and exclusive products in the past.

The table below enumerates the list of major product categories and its products.

<b>Product Category</b>	<b>Description</b>
Plumbing and Sanitary wares	Over 1,100 products that include bath and shower mixers, bath fillers, faucets, shower, water systems, bath tubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, water closet and other accessories.
Hardware and Tools Products	Products such as door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools are found in this category.
Tiles / Flooring	Consists of locally made tiles and tiles from different countries such as China, Indonesia, Italy and Spain. Tiles are available in different sizes and different types such as ceramic, glass block, porcelain, and vinyl.
Electrical and Lighting	Includes electrical accessories and supplies, lamps, wiring devices, LED and lights.
Furniture, Furnishings and Houseware	Furniture products include those found in the bedroom, dining, kitchen, living room, office, and outdoor. Products include decorative items, organizers, wall hang decors, curtains, and blinds.
Paints	Provides a wide range of paints for different surface types.
Appliances	Products include air cooler, air conditioner, electric fan, entertainment appliances such as television, CD/DVD player, amplifier, kitchen appliances, washing machine, and vacuum cleaner.
Building Materials	Products include building decors and supplies, ceiling and wall, floor and roofing.

Among the major product categories, tiles and flooring products and plumbing and sanitary wares historically have the highest contribution to sales.

The Company carries over 2,000 brands across the different product categories translating to 35,500 stock keeping units (SKUs) as at December 31, 2017. The Company further classifies these brands as: (i) in-house brands owned by the Company and exclusive international brands that are solely distributed by the Company, and (ii) other locally procured local and international brands that are not exclusively distributed by the Company.

#### *Store Formats*

The Company operates 41 stores nationwide, as of December 31, 2017, and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots.* The Company conducts its operations primarily through a format under the name "Wilcon Depot". As of December 31, 2017, the depot format accounted for 96.9% or ₱17.198 billion of the Company's net sales. Each Depot format store carries 90,000 to 200,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company's depot stores ranges from 2,800 sqm to 31,000 sqm, with an average net selling space of 9,500 sqm. As of December 31, 2017, the Company had 35 depots located in all the major cities across the Philippines.

- **Home Essentials.** The Company also operates a smaller format known as “Wilcon Home Essentials”. The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 1,000 sqm to 5,200 sqm with an average net selling space of 2,400 sqm. As of December 31, 2017, the Company had two mall-based Home Essentials stores and four stand-alone branches for a total of six Home Essentials stores.

The Company has designed its stores to provide a comfortable atmosphere that will enhance the customers' shopping experience. The Company's stores offer facilities such as free parking, ample ventilation and air-conditioning, well-lit shopping areas, and a similar easy-to-navigate store layout in all its stores. For its depot-format stores the Company offers more shopping convenience like a coffee shop or a snack bar, lounges for customers and their contractors or architects and engineers, design hubs and a play area for kids. The Company continues to ensure the completeness of these features in all of its depots to keep customers satisfied.

Owing to the significantly higher store count and total selling area of depots versus home essentials, majority of the Company's revenues or 96.9% comprised of net sales generated from the depot-format stores while the remaining 3.1% was contributed by the home essential format stores.

#### Distribution Methods of Products

The Company as mentioned in the preceding paragraphs, operate two store formats, the Depot and the Home Essentials. The home essential stores are confined within Metro Manila while the depots are located in different parts of the Philippines.

Below is the breakdown of the number of the Company's stores per location and format:

<b>Store format</b>	<b>Region</b>	<b>Number of stores</b>
<b>Depot</b>	Metro Manila	11
	Luzon	17
	Visayas	4
	Mindanao	3
<b>Total Depot</b>		<b>35</b>
<b>Home Essentials</b>	Metro Manila	6
<b>Total Home Essentials</b>		<b>6</b>

The Company outsources various logistics and distribution functions to third parties, which the Company believes allows it to expand its store network rapidly while lowering its operating costs.

Replenishment of the Company's inventory is provided through direct store deliveries from suppliers for urgent requirements or deliveries to the Company's warehouses for regular restocking.

#### Competition

The Company is operating in the construction and home improvement supply industry in the Philippines. The Company's direct competitors are retailers, wholesalers and distributors of constructions and home improvement supply. The Company competes with these entities primarily in terms of the range and quality of products and services offered, pricing, target market, and sales network coverage.

#### Suppliers

The Company has over 400 local and multinational suppliers. Its major suppliers include Mariwasa Siam Ceramics, Inc., Hocheng Philippines Corp., and Lixil Philippines Ltd., all of which are local.

The Company purchases goods on a per order basis through purchase orders issued to suppliers. These purchase orders become the binding contracts between and among the Company and its suppliers. A purchase order provides the supplier details, terms of payment up to 60 days, discounts, entry date of order, delivery date and cancellation date, if any, SKU and description of products.

The Company is not dependent on any one or few suppliers given its extensive product offerings.

### Consignors

Consignors operate within the selling area of Wilcon Depot and Wilcon Home Essentials stores and as of December 31, 2017, it generated 30% of the total sales. The Company charges a pre-determined mark-up on a consignor's cost on its products as its margins.

### Customers

#### *Target Customers*

Wilcon Depot's customers comprise of homeowners from middle to high-income households, whose buying patterns are driven by new home construction, renovation, repair, maintenance, and other types of home improvement needs. Wilcon Depot also caters to independent contractors and project developers who require construction and building materials.

#### *Customer Segments*

The Company divides its customers into two categories:

- *Retail consumers* – Consisting of homeowners and small and independent contractors. Majority of the Company's revenues are generated from its retail consumers.
- *Institutional accounts* – Consisting of big property developers. The Company generates a small portion of its revenue from institutional accounts.

There is no single customer that accounts for more than twenty percent (20%) of the Company's revenues.

#### *Loyalty and Rewards Program – Wilcon Loyalty Card*

Wilcon Depot launched its Wilcon Loyalty Card program in 2011. It is a loyalty and rewards program offered by Wilcon Depot to all its customers free of charge. Registered members can accumulate points based on the amount and quantity of their purchases from any Wilcon Depot branch. The accumulated points can be converted into its equivalent monetary value based on the program and redeemed by the member. From a membership of 89,118 in end-2011, it has now grown to approximately 538,556 registered active members as of December 31, 2017.

### Transactions with and/or Dependence on Related Parties

The Company, being a spun-off operation of WC, relies on the parent company and other related parties for the acquisition of majority of the current and all of the identified future store sites. Of the 41 branches as of December 31, 2017, only seven sites are leased from third parties.

For a detailed discussion of the material related party transactions of the Company, please see note 20-Related Party Disclosures of the attached Audited Financial Statements of the Company.

### Intellectual Property

On July 19, 2017, the Company entered into a Deed of Assignment with WC for the transfer and conveyance of the trademarks registered under WC. Accordingly, the Company is now the owner of all the trademarks being used in connection with its home improvement and retail business.



### Government Approvals / Regulations

The Company is covered by various laws and regulations as a retail operation. As part of its normal course of doing business, it secures various government permits and licenses for leasing and operating store buildings.

### Effect of Existing and Probable Government Regulations

The Company is not aware of any and foresees no impending change in government regulations that may have a material and adverse effect on the operations of the Company.

### Research and Development

The Company has no expenditure on research and development for the year.

### Costs and Effects of Compliance with Environmental Laws

The Company is compliant and incurs expenses for the purposes of complying with environmental laws such as the Environmental Clearance Certificate for total store areas of over 10,000 sqm. For stores with areas of 10,000 sqm and below, a Certificate of Non-Coverage may be obtained. Fees for procuring these clearances and permits are standard in the industry.

### Employees

As of December 31, 2017, the Company has 2,033 direct hired employees. The following table sets out the breakdown of the Company's employees by rank and status.

<b>Rank</b>	<b>Number of Employees</b>
Key management, Manager & Supervisor	692
Rank and File	1,341
<b>Total</b>	<b>2,033</b>

<b>Employment Status</b>	<b>Number of Employees</b>
Regular	1,799
Probationary	254
<b>Total</b>	<b>2,033</b>

The Company aims to foster a strong sense of responsibility in a motivating environment to enhance its employees' incentives and loyalty. The Company conducts various trainings for different levels of staff, including trainings tailored to specific job duty, such as trainings on product knowledge for sales personnel, a Leadership Enhancement and Development (LEAD) Program for middle management and also a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization.

The rank and file employees of the Company are subject of a collective bargaining agreement effective until May 11, 2020. At present, no employees are on strike or have been on strike in the past year or are threatening to strike.

The Company anticipates that it will have approximately 2,223 employees within the next 12 months to include new hires for the planned store openings in 2018.

## Risks

1. The Company's expected revenue and net income growth is highly dependent on the expansion of its store network and it may be adversely affected by the following factors:
  - identifying, hiring and training qualified employees for each site;
  - punctual commencement and completion of construction activities;
  - engaging qualified independent contractors;
  - managing construction and development costs of new stores, particularly in competitive markets;
  - securing required governmental approvals, permits and licenses (including construction and business permits) in a timely manner and responding effectively to any changes in applicable laws and regulations that adversely affect the Company's costs or ability to open new stores;
  - unforeseen engineering or environmental problems with leased premises; and,
  - avoiding the impact of inclement weather, natural disasters and other calamities.

The Company has properly planned its expansion program and has worked cooperatively with the parent company to put in place contingency and corrective measures where issues especially in the construction of new stores occurred that would delay said expansion. There is no guarantee, however, that these corrective measures would totally eliminate the risk of delays in the implementation of the expansion plans.

2. The Company may encounter significant competition in key provincial cities outside Metro Manila. A significant portion of the Company's medium-term expansion strategy is to open new stores in the various regions of the Philippines, particularly in areas outside of Metro Manila. The retail market in these areas is dominated by independent local operations. Expansion into these areas exposes the Company to operational, logistical and other risks of doing business in new territories. The Company has studied the demographics and the competitive environment in the areas it has planned to enter to overcome challenges of entering new markets. There is no guarantee that the strategies the Company will employ will result in the immediate and sustainable profitability of the branches to be opened in these new areas.
3. New stores will place additional burden on Company's existing resources, which may adversely affect its business. The Company's plans for expansion will place additional burden on its existing operational, managerial, financial and administrative resources. There is a risk that the Company's existing resources could fail to accommodate the increased number of stores, which in turn could compromise the operations of existing stores through deteriorating quality of its customer service, lack of product selection, poor management of inventory, among others. Although the Company has an effective recruitment and training program in place to always have a pool of available competent personnel that can be deployed anytime and has kept a healthy financial condition to have ready access to debt and equity financing, these are not guarantees that the accelerated expansion plan will not strain existing resources.
4. The success of the Company's business is reliant on the Company's continuing capability to source and sell the appropriate mix of products that meet customer preferences. The Company's success is dependent on its ability to source and sell products that meet quality standards and at the same time satisfy customers' preferences. The Company has a team of employees primarily responsible for sourcing the right portfolio of products, studying and anticipating trends in customer behavior, and appropriately responding to these trends. Its ability to source and market such products, or to accurately forecast or quickly adapt to changing customer preferences, will affect the level of customer transactions in the Company's stores, which could have an effect on the Company's business.
5. The Company may not be able to maintain and develop good relationships with its current and future suppliers, and failure to do so may adversely affect its business. The Company's success is reliant on its relationships with current and future suppliers. The Company has had long-standing relationships with multiple local and foreign suppliers. The ability of the Company to build relationships with new suppliers and to maintain or further strengthen existing relationships with

suppliers is important in enabling the Company to source its desired portfolio of products at the preferred price.

6. The Company currently relies on distributors and service providers for its logistics requirements. The Company relies on distributors and third party service providers for transportation and deliveries of products to its stores. Any deterioration in its relationships with these distributors or service providers or other changes relating to these parties, including changes in supply and distribution chains, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company has been able to establish and continues to improve its solid long-standing relationships with its service providers throughout the years. There can be no assurance, however, that these efforts will be successful.
7. The Company is a party to a large number of related party transactions. Certain companies controlled by the Belo Family have significant commercial transactions with the Company. The Company's related party transactions include leases and purchases. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Belo Family. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between the Belo Family and the Company in a number of other areas relating to its businesses, including:
  - major business combinations involving the Company and its subsidiaries;
  - transfers of affiliated companies into the Company;
  - plans to develop the respective businesses of the Company; and,
  - business opportunities that may be attractive to both the Belo Family and the Company.

A continued high level of related party transactions may have a material adverse effect on the Company's business or results of operations.

The terms of these related party transactions however, are pursuant to rates determined by an independent third party appraiser that was engaged by the Company to ensure the fairness of these transactions.

8. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration. The Company is required to maintain licenses, permits and other authorizations, including licenses and certain construction activities. The Company is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. If the Company fails to meet the terms of any of its licenses, permits or other authorizations necessary for operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences.

In view of the foregoing, the Company in the conduct of its business has always closely monitored all its establishments to determine strict compliance with the local and national laws including amendments thereto as well as the terms and conditions of its permits and licenses. However, there can be no assurance that these efforts will be successful.

9. Changes in the retail and real estate market environment in the Philippines could affect the Company's business. The Company's home improvement business is dependent on the favorable growth and performance of the retail and real estate markets. The largest retail market of the Company is Metro Manila. The Company's stores in Metro Manila account for more than half of its total sales. Demand for the Company's products is driven by new and existing real estate projects in the market including, but not limited to, residential houses, condominiums, offices and commercial buildings.

Any changes in these markets, including further consolidation among the Company's competitors, change of consumer preferences, decline in the Company's brand recognition, adverse regulatory developments or adverse developments in consumer disposable income in Metro Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on the

Company's business. The Company however, as it has done throughout the years, monitors and analyzes these markets in order for it to successfully anticipate changes and sufficiently respond to any development and continue to provide more and various choices to its customers.

## **Item 2. Properties**

The Company does not own lands. It entered into lease agreements with WC, related parties and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. The Company plans to enter into new leases in the next 12 months. The Company intends to continue to lease appropriate real estate properties that meet the Company's standards and requirements.

Part of the Company's use of IPO proceeds is for store network expansion. As of December 31, 2017, the Company has used part of the IPO proceeds to construct its own buildings.

## **Item 3. Legal Proceedings**

The Company and its management are not involved in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability.

None of the members of the Board of Directors, executive officers and shareholders of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

## **Item 4. Submission of Matters to a Vote of Security Holders**

The following items were submitted to a vote of security holders for the year:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on March 30, 2016.
2. Approval of Annual Report and Financial Statements.
3. Ratification of All Acts of the Board and Officers
4. Approval and Ratification of Amendment to By-Laws
5. Election of Directors
6. Appointment of External Auditors

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

### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

Wilcon Depot, Inc.'s common shares has been trading in the Philippine Stock Exchange (PSE) starting March 31, 2017. The high and low market prices of the Company's shares for each quarter of 2017 and each month of 2018, as reported by the PSE are shown below:

<b>2018</b>	<b>High</b>	<b>Low</b>
<b>March</b>	11.70	10.40
<b>February</b>	11.80	9.24
<b>January</b>	10.10	8.16

<b>2017</b>	<b>High</b>	<b>Low</b>
<b>4<sup>th</sup> quarter</b>	8.96	7.95
<b>3<sup>rd</sup> quarter</b>	9.70	7.73
<b>2<sup>nd</sup> quarter</b>	8.17	5.08
<b>31-Mar-17</b>	5.37	5.17

The market capitalization of the Company's common shares at the end of 2017 based on the closing market price of ₱8.28 per share totaled ₱33.946 billion while its market capitalization as at the end of first quarter 2018 based on the closing market price of ₱10.90 per share amounted to ₱44.687 billion.

#### **Item 6. Management's Discussion and Analysis**

**For the year ended December 31, 2017 (period covering twelve months of operations) compared with period ended December 31, 2016 (period covering nine months of operations).**

**Wilcon Depot, Inc. (the Company/Wilcon Depot) was incorporated on December 17, 2015 and the trading business was transferred from Wilcon Corporation (Parent Company) on April 1, 2016.**

#### **Net Sales**

The Company generated net sales of ₱17.748 billion for the year ended December 31, 2017. Its flagship format, the depot, accounted for 96.9% or ₱17.198 billion, while sales generated by the smaller format (known as "home essentials") stores comprised the remaining 3.1% or ₱550 million of total net sales.

During the year, the Company opened five new depots, bringing the total number of stores to 41 (35 depots and six home essentials) by the end of 2017. The Company opened branches in first class cities located in provinces where Wilcon Depot has no presence yet. Two stores were opened in Mindanao, in southern Philippines, two in the Visayas in the central part of the country and one in Central Luzon, which is located north of the capital Manila. These are some of the areas that were targeted by the Company as having the potential for sustainable growth. Sales from these new stores already comprised 2.5% of total sales for the year and are expected to contribute more to the Company's revenues in the future as these areas advance in their growth track.

For the period ended December 31, 2016, net sales totaled ₱12.298 billion, representing net sales for the period beginning April 01, 2016, the start of commercial operations. Sales from depots accounted for 96.7% while sales from the home essentials stores accounted for the remainder 3.3% of total net sales for the period. In 2016, two depot format stores were opened, in Molino, Cavite and Santa Rosa, Laguna, both areas are located in the highly progressive region immediately south of Metro Manila.

#### **Cost of Sales**

Cost of sales closed at ₱12.482 billion, resulting in a gross profit margin of 29.7% for the year ended December 31, 2017. For the period ended December 31, 2016, cost of sales is reported at ₱8.999 billion for a gross profit margin of 26.8%. Improvement in gross profit margin may be attributed mainly to, the increase in the contribution to total net sales of higher margin products.

### **Operating Expenses**

The Company's operating expenses totaled ₱3.596 billion by the end of 2017. Biggest contributors to operating expenses include rent, outsourced services, and salaries and wages, accounting for 59.4% of the total. Operating expenses accounted for 20.3% of total net sales.

For the year ended December 31, 2016, operating expenses totaled ₱2.287 billion, with rent expense, salaries and wages, and outsourced services cost accounting for 61.3% of total operating expenses. Operating expenses for 2016 comprised 18.6% of total net sales. Other than the difference in the length of operating period, the upsurge in operating expenses as a percentage of sales is primarily attributed to the increase in front-loaded expenses associated with new store openings.

### **Interest Expense**

Interest expense for the periods ended December 31, 2017 and 2016 amounted to ₱21.8 million and ₱30.2 million, respectively. The decrease in interest expense is due to repayments of short-term and long-term debts from the proceeds of the initial public offering and internally generated funds.

### **Other income (Charges)**

For the year ended December 31, 2017, the Company generated a net other income of ₱185.3 million consisting of interest income from money market placements and AFS financial asset, rent income from gondola lightings, facade billboards, display windows and other income representing amounts charged to and from suppliers for the use of billboards, signage, and other reimbursable costs.

Other income (charges) during the period December 31, 2016 closed at ₱33.7 million. Other than the length of operating period covered, the substantial jump in Other income (charges) are mainly due to the increase in interest income from ₱668 thousand to ₱115.8 million by the end of 2017, generated from money market placements of the IPO proceeds and higher non-recurring miscellaneous income earned in 2017.

### **Earnings Before Interest and Tax (EBIT) / Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

EBITDA for the year ended December 31, 2017 reached ₱1.960 billion, or 11.0% of net sales. EBITDA for the period ended December 31, 2016 is reported at ₱1.108 billion, or 9.0% of net sales.

EBIT for the year 2017 is ₱1.856 billion or 10.5% of net sales, while for the year 2016 amounted to ₱1.046 billion, or 8.5% of net sales, respectively.

### **Income Tax Expense (Benefit)**

Income tax expense for the year netted out at ₱448.4 million. This consisted of current income tax totaling ₱459.5 million representing regular corporate income tax and a ₱11.2 million deferred income tax benefit. For the period ended December 31, 2016, the income tax expense netted out at ₱128.6 million, which consisted of ₱308.5 million in current income tax expense offset by a deferred income tax benefit of ₱179.9 million.

### **Net Income**

Net income for the year ended December 31, 2017 reached ₱1.385 billion for a net profit margin of 7.8% while net income for the period ended December 31, 2016 amounted ₱886.8 million for a 7.2% net profit margin.

## **Financial Condition**

### **Assets**

#### ***Current Assets.***

Cash and cash equivalents increased by ₱2.379 billion or 372.8% from ₱638.1 million at the close of 2016 to ₱3.017 billion by end 2017, traceable primarily to the net proceeds generated from the initial public offering of the Company's capital stock amounting to ₱6.749 billion, which was partly reinvested in retail treasury bonds and money market placements; used to pay off bank debts; used to fund the store network expansion; and used for general corporate purposes.

Trade and other receivables as at December 31, 2017 comprised 4.7% of total current assets and totaled ₱552.0 million. Trade receivables at the close of 2016, meanwhile, amounted to ₱422.6 million, accounting for 5.0% of total current assets.

Merchandise inventories totaling ₱6.968 billion make up the bulk of current assets, accounting for 59.3% of total current assets at yearend 2017. This represents a 6.0% or ₱392.3 million jump over the ending 2016 balance of ₱6.576 billion in view of the expansion plans of the Company.

#### ***Noncurrent assets.***

The Company's noncurrent assets totaled ₱4.277 billion as at December 31, 2017, accounting for 26.7% of total assets. Investment in available-for-sale financial asset amounting to ₱2.997 billion accounts for 70.1% of total noncurrent assets, followed by property and equipment at 20.1%. Property and equipment consists of furniture and equipment, construction in progress of new stores being built, building and leasehold improvements, and transportation equipment.

As at end-2016, noncurrent assets amounted to ₱737.1 million, accounting for 8.1% of total assets.

### **Liabilities**

Current liabilities amounted to ₱3.725 billion as at yearend 2017, comprising of current portion of long-term debt of ₱155.0 million, trade and other payables of ₱3.491 billion, and income tax payable of ₱78.9 million. Current liabilities account for 90.7% of total liabilities. Current liabilities as at December 31, 2016 totaled ₱4.497 billion. Current liabilities decreased primarily due to the repayment of bank debts.

Non-current liabilities totaled ₱381.0 million, representing long-term debt, net of current portion of ₱248.5 million and retirement liability of ₱132.5 million at the close of 2017. As at December 31, 2016, non-current liabilities closed at ₱1.064 billion.

Total liabilities amounted to ₱4.106 billion as at December 31, 2017, ₱1.455 billion or 26.2% less than the balance of ₱5.561 billion at the end of 2016. The drop is attributable mainly to the repayment of bank loans.

### **Equity**

Total equity amounted to ₱11.918 billion, comprised of capital stock of ₱4.100 billion, additional paid-in capital of ₱5.374 billion, retained earnings of ₱2.272 billion, and other comprehensive income (loss) of ₱173.1 million as at December 31, 2017. Total equity as at December 31, 2016, meanwhile totaled ₱3.582 billion. The 332.7% upsurge in the equity balance is due primarily to the initial public offering of the Company's common shares on March 31, 2017 that generated added capital stock of ₱1.394 billion and an additional paid in capital of ₱5.374 billion; and net income earned for the period of ₱1.385 billion.

**For the period ended December 31, 2016 compared with one-month period ended December 31, 2015**

**Net Sales**

The Company generated net sales of ₱12.298 billion for the period ended December 31, 2016, representing net sales from April 1, 2016, which was the start of commercial operations upon the transfer of the trading business from the Parent Company. Sales from the depots made up the bulk of total sales, accounting for 96.7% or ₱11.896 billion, while sales generated by the home essentials format stores comprised the remaining 3.3% or ₱402.1 million. During the period, the Company opened two new stores, in Molino, Cavite in April and Sta. Rosa, Laguna in September. Both areas have seen remarkable growth in real estate development for industrial, commercial and residential purposes. Sales from these new stores already comprised 2.7% of total sales for the year and are expected to contribute more to the Company's revenues in the future given the demographics of their locations.

**Cost of Sales**

Cost of sales closed at ₱8.999 billion, resulting in a gross profit margin of 26.8% for the year ended December 31, 2016.

**Operating Expenses**

The Company's operating expenses amounted to ₱2.287 billion at the end of the year. Salaries and rent expense made up the bulk of operating expenses accounting for 44.1% of the total. For the one-month ended December 31, 2015, operating expenses totaled ₱758 thousand consisting of taxes and licenses and professional fees.

**Interest Expense**

Interest expense for the year amounted to ₱30.7 million for both short-term and long-term loans.

**Other Income (Charges)**

For the period, the Company generated a net other income of ₱33.7 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 (EBIT) / Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**

EBIT for the year 2016 closed at ₱1.046 billion, while EBITDA amounted to ₱1.108 billion, equivalent to 8.5% and 9.1% of total sales, respectively.

**Income Tax Expense (Benefit)**

Income tax expense for the year netted out at ₱128.6 million. This consisted of current income tax totaling ₱308.5 million representing regular corporate income tax and a ₱179.9 million deferred income tax benefit. The Company has no current income tax for the one-month period ended December 31, 2015 since it was in a loss position and will only be subject to the minimum corporate income tax in 2019.

**Net income**

Net income for the year ended December 31, 2016 reached ₱886.8 million for a 7.2% net profit margin.



## Financial Condition

### Assets

*Current assets.* Cash closed at ₱638.1 million by the end of the period, December 31, 2016. Trade and other receivables totaled ₱422.6 million, comprising 5.0% of current assets and representing mostly trade receivables from customers. Merchandise inventories totaling ₱6.576 billion make up the bulk of current assets, accounting for 78.2%.

*Noncurrent assets.* The Company's noncurrent assets totaled ₱737.1 million as at December 31, 2016, comprising 8.06% of total assets. Property and equipment accounted for 46.4% of the total noncurrent assets which consist of leasehold improvements, furniture and equipment among others transferred from the parent company.

### Liabilities

*Current liabilities* amounted to ₱4.497 billion comprising of short-term borrowings of ₱445.0 million, current portion of long term debt of ₱278.5 million, trade and other payables of ₱3.620 billion and income tax payable of ₱154.1 million. Current liabilities account for 80.9% of total liabilities.

*Noncurrent liabilities* totaled ₱1.064 billion, representing long-term debt, net of current portion, of ₱649.4 million and retirement liability of ₱414.6 million as at December 31, 2016.

### Equity

Total equity amounted to ₱3.582 billion, comprised of capital stock of ₱2.706 billion, and retained earnings of ₱886.2 million. The Parent Company on April 1, 2016 subscribed to 2,656 million shares of the Company's common shares in exchange for the trading business, including the related assets and liabilities, netting at ₱2.656 billion. The subscription of shares and transfer of assets by the Parent Company was approved by the SEC on November 15, 2016.

### Material Changes (+ / - 5% or more) in the 2016 Financial Statements

The Company started commercial operations on April 1, 2016 upon the transfer of the trading business from the parent company. Thus, financial statements for the period ended December 31, 2016 only covered nine months of commercial operations.

Moreover, the Company had an initial public offering on March 31, 2017 of its common shares, which generated additional equity of ₱6.768 billion for the Company. In 2017, the proceeds were partly applied to the repayment of a portion of its bank debts; used for general corporate purposes; and an initial amount was used for the expansion plan.

In view of the above, all account balances in the 2017 audited financial statements changed materially from the balances as at December 31, 2016 except for Trade Payables.

### Key Financial Performance Indicators

Key Performance Indicators	2017	2016
Sales	17,747,580,107	12,298,415,794
EBIT <sup>1</sup>	1,855,569,319	1,045,597,138
EBITDA <sup>2</sup>	1,959,894,624	1,108,311,745
EBIT Margin <sup>3</sup>	10.46%	8.50%
Current Ratio <sup>4</sup>	3.15	1.87
Debt to Equity Ratio <sup>5</sup>	0.34	1.55
Interest Coverage Ratio <sup>6</sup>	89.93	36.65

- 1 *Income before tax add interest expense*
- 2 *Income before tax add interest expense and depreciation and amortization*
- 3 *EBIT / Net Sales*
- 4 *Current Assets / Current Liabilities*
- 5 *Total Liabilities / Total Equity*
- 6 *EBITDA / Interest Expense*

**Any known trends, events, or uncertainties (material impact on liquidity)**

There are no known trends or events that will trigger any direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entries or other persons that was created during the reporting period.

**Description of any material commitments for capital expenditures, general purpose of such commitments for capital expenditure, expected sources for such expenditures.**

There are no known regulatory or material contractual commitments of the Company for 2018.

The Company, pursuant to its expansion plans, is allocating approximately ₱2.000 billion for additional stores/branches, warehouses, acquisition of vehicles and equipment, and renovations of select stores.

**Any known trends, events, or uncertainties that will have material impact on sales and continuing operations**

The continuing economic growth, not only of highly developed and urbanized regions of the Philippines but of emerging cities and provinces outside the national capital and its immediate surrounding regions has presented a vast potential for growth for the Company. Thus, the Company's growth plan is to expand in these locations, in which most Wilcon Depot have scarce to no presence yet.

In these emerging cities and provinces, the home improvement space more particularly the construction finishing materials niche are still dominated by traditional trade. As the economy of these areas develop and the purchasing power of the market strengthens, demand for more convenient and improved shopping experience, variety especially of higher quality products and overall better customer service is expected to continually grow. Entry and success of current and upcoming Wilcon stores in these growing areas coupled with the aforesaid continuous economic growth of these markets, it is expected that more modern trade channels for the home improvement space will gradually flourish, shifting the balance and the competitive landscape.

**Seasonal Aspect that has material effect on the financial statements.**

There is no seasonal aspect that has material effect on the financial statements.

**Discussion on Compliance with leading practice on Corporate Governance**

On 22 May 2017, the Board of Directors approved the adoption of the Revised Manual on Corporate Governance in accordance with the SEC Memorandum Circular No. 19 Series of 2016.

The Company understands that it is paramount to set the kind of corporate governance needed in the attainment of the Company's corporate goals.

The Revised Manual on Corporate Governance was designed to define the framework of rules, systems and processes that governs the performance of the Board of Directors (the Board) and Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

The Board of Directors (the "Board") and Management, employees and shareholders, believe that good governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization.

With the aid of its committees, the Board of Directors shall be primarily responsible for the governance of the Corporation and shall, hence, ensure compliance with the principles of good corporate governance.

To strictly observe and implement the provisions of this Manual, corresponding penalties shall be imposed, after notice and hearing, on the Corporation's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers, and staff in case of violation of any of the provisions of the Manual.

**Item 7. Financial Statements**

The financial statements are incorporated in this report in the Index to the Exhibit.

External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co., ("RT&Co.") for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings for 2017 is ₱3,600,000.00.

Audit Committee's Approval Policies and Procedures

The nomination of the Company's external auditor was endorsed to the stockholders based on the recommendation of the Audit Committee as well as the approval of the Board of Directors.

Further, the quarterly reports and financial statements are reviewed and endorsed by the Audit Committee and approved by the Board of Directors prior to its release and submission to the SEC and PSE.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of RT&Co.as its external auditors since its incorporation. There has not been any material disagreements on accounting and financial disclosures with RT&Co. for the years ended December 31, 2016 and 2017.

**PART III. CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers of Registrant**

All of the Directors and Officers named herein have served in their respective positions since June 19, 2017:

<b>Name</b>	<b>Age</b>	<b>Nationality</b>	<b>Position</b>
William T. Belo	72	Filipino	Chairman Emeritus
Bertram B. Lim	80	Filipino	Chairman
Lorraine Belo-Cincochan	38	Filipino	Director, President and Chief Executive

			Officer
Mark Andrew Y. Belo	35	Filipino	Director, Treasurer and Chief Financial Officer
Careen Y. Belo	34	Filipino	Director and Chief Product Officer
Rolando S. Narciso	70	Filipino	Independent Director
Ricardo S. Pascua	68	Filipino	Independent Director
Delfin L. Warren	67	Filipino	Independent Director
Arthur R. Ponsaran	74	Filipino	Corporate Secretary
Sheila Pasicolan-Camerino	31	Filipino	Asst. Corporate Secretary
Rosemarie Bosch-Ong	59	Filipino	Senior Executive Vice President – Chief Operating Officer
Eden M. Godino	40	Filipino	Vice President - Product Development
Grace A. Tiong	43	Filipino	Vice President - Human Resources
Michael D. Tiong	43	Filipino	Vice President – Global Operations

**William T. Belo** is the Chairman Emeritus of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the President of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of the Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

**Bertram B. Lim**, is the Chairman of the Company. He is also the Chairman of the United Neon Advertising, Inc., the largest outdoor advertising company in the Philippines and the Chairman of the Center for Community Transformation, a Christian non-government organization, ministering to the poor, with half a million beneficiaries. He is the Board Treasurer of the Trinity University/St. Luke's Health Sciences Consortium and a Bestselling Author.

**Lorraine Belo-Cincochan** is a Director, President and Chief Executive Officer of the Company and a Director of WC. She has held various positions in the business starting out as a trainee to the President of Wilcon Builders Supply, Inc. in 2000, headed the IT department in 2002 before being assigned to manage the daily operations of a branch as a Depot Manager-trainee from 2003 to 2005 under WC. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 was named Chief Finance Officer, holding the position until March, 2016. Ms. Belo-Cincochan graduated from the University of the Philippines-Diliman in 1999 with a Bachelor's degree in Creative Writing.

**Mark Andrew Y. Belo** is a Director, Treasurer and Chief Financial Officer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. Under WC, he was Assistant Vice-President for Business Development from 2015 to March, 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned in various positions under Wilcon Builders Supply, Inc. from July 2004 to August 2007. He graduated from the University of Asia & the Pacific in 2004 with a bachelor's degree in Industrial Economics.

**Careen Y. Belo** is a Director and Chief Product Officer of the Company. She is concurrently a Director of WC, the Executive Vice President for Sales and Product Development of Coral-Agri Venture Farm Inc., Executive Officer of Crocodylus Porosus Phil Inc. and President of The Meatplace Inc. She held various positions in the business having been a Business Development Manager from 2004 to 2007 of WC, Marketing and Sales Assistant from 2007 to 2014 and Executive Financial Audit

Manager from 2014 to March, 2016. Ms. Belo obtained her Bachelor of Science in Management from the University of Asia & the Pacific in 2005.

**Ricardo S. Pascua** is an Independent Director of the Company since September 2016. He was Vice Chairman of the Board and President and CEO of Metro Pacific Corporation from January 2000 until his retirement in December 2001, a position he held also from January 1993 to July 1995. In between, he was Vice Chairman and CEO of Fort Bonifacio Development Corporation. He was concurrently an Executive Director of First Pacific Company Ltd. from 1982 to 2001 and as such served in the boards of companies such as Smart Communications, Inc., United Commercial Bank in San Francisco, California, First Pacific Bank in Hong Kong and 1st eBank in Manila. Mr. Pascua started his career in Bancom Development Corporation as Asst. Vice President in 1972 and was assigned in Bancom International Ltd. in Hong Kong as Senior Manager in 1975. Currently, Mr. Pascua serves as an independent director in various corporations and foundations. He is likewise involved in several businesses as Chairman of the Board of Caelum Developers Inc., Facilities & Property Management Technologies, Inc., Ascension Phildevelopers, Inc.; Chairman of the Executive Committee of Phoenix Land Inc. and a Director in Boulevard Holdings, Inc., Central Luzon Doctor's Hospital, Costa de Madera Corp. and Quicksilver Satcom Ventures, Inc.; and the President of Bancom II Consultants, Inc. Mr. Pascua has a Master of Business Management from Asian Institute of Management obtained in 1971 and he finished his bachelor's degree majoring in Economics (Cum Laude) from the Ateneo de Manila University in 1969.

**Rolando S. Narciso** is an Independent Director of the Company since September 2016. He was formerly a Director and Officer of New Kanlaon Construction, Inc. from 2004 to 2014. He was President and Chief Operating Officer of Steel Corporation of the Philippines from 1998 to 2004 and President and Chief Executive Officer of Royal Asia Multi-Properties, Inc. from 1996 to 1997. Before the National Steel Corporation was privatized, Mr. Narciso was its President and Chief Operating Officer from 1989 to 1995 and concurrently from 1989 was a Director of Refractories Corp. of the Phils. And Semirara Coal Corp. up to 1994; and Integrated Air Corp. up to 1993. From 1974 to 1988, he held various positions in National Steel and other subsidiaries of the National Development Company. He also held various positions in the Esso Group of Companies from 1967 to 1974. He is a member of professional organizations such as the Financial Executives, Inc. and the Management Association of the Philippines. He obtained his Master in Business Management and Bachelor of Science in Business Administration degrees from the Ateneo de Manila University in 1967 and 1965, respectively.

**Defin "Jing" L. Warren**, is an Independent Director of the Company. He is the founder, principal and current Chairman of One Incentive Systems Advocates (1ISA) Group and the Warren and Nolasco Realty Corp. He also held various positions in prestigious companies such as First Pacific Commodities Holdings, Ltd., The Hibernia Bank of San Francisco, PT Indo Ayala Leasing Corp., Indonesia and Bancom Philippine Holdings, Inc. He is a licensed Chemical Engineer and he obtained his Bachelor of Science in Chemical Engineering at De La Salle College, Manila in 1971. He was also a consistent dean's lister and a recipient of Jose Rizal Scholarship.

**Arthur R. Ponsaran**, is the Corporate Secretary of the Company and of WC. He is a CPA-Lawyer with over 25 years' experience in corporate law, taxation, finance and related fields. He is the Managing Partner of Corporate Counsels, Philippines - Law Office and Director/Corporate Secretary of various corporate clients. He obtained his LLB from the University of the Philippines, BSBA from the University of the East and completed the MDP Program at the AIM. He is a member of the Philippine Institute of Certified Public Accountants, Integrated Bar of the Philippines, Philippine Bar Association and the New York (USA) Bar.

**Sheila P. Pasicolan-Camerino** is the in-house legal counsel of the Company and the Asst. Corporate Secretary of the Company and WC. She joined the Company in January 2016 after serving as a Senior Associate in Sycip Gorres Velayo and Co. from November 2014 to December 2015. Prior to

her admission to the Philippine Bar in 2015, she served as a legal intern at the Office of the Solicitor General in 2013 and a technical assistant in the Office of the Presidential Assistant for Education of the Office of the President of the Philippines from 2009 to 2010. She completed Bachelor of Arts in History from University of the Philippines, Cum Laude and obtained a Master Degree in Philippine Studies in the same university. Ms. Pasicolan-Camerino completed her Bachelor of Laws in San Beda College in 2014.

**Rosemarie Bosch-Ong** is the Senior Executive Vice President and Chief Operating Officer of the Company. She held this position since 2007 initially under WC, immediately prior, she was Executive Vice President for Sales and Marketing, which she held from 1988 to 2007. She started out in the business as a Purchasing Manager under WBSI from 1983 to 1988. She is also the President of the Wilcon Builders Foundation Inc., which she has headed since 2008. She is a Director of the Philippine Contractors Association and the Philippine Retailers Association and a former Treasurer of the Philippine Association of National Advertisers (PANA) Foundation. Ms. Bosch-Ong has a Master's degree in Business Administration from De La Salle University obtained in 2010 and she graduated from the University of the East in 1986 with a Bachelor's Degree in Economics.

**Eden M. Godino** is the Vice President of Product Development. She joined the department in 2007, initially as the Asst. Vice President and was appointed in her present position in 2011. Ms. Godino joined Wilcon in 1997 and was assigned in Accounting, Purchasing and later went on to become a Depot Manager in 2004, a position she held for three years prior to her promotion to AVP in Product Development in 2007. She graduated with a Bachelor of Science degree in Accountancy from the University of the Assumption in 1997 and obtained a short course diploma program from the De La Salle College of St. Benilde on Supply Chain Management major in Purchasing and Logistics Operations in 2015.

**Grace A. Tiong** is the Vice President for Human Resources. She has been the head of Human Resources as VP since 2008. She joined Wilcon in 1995 and was assigned in Accounting. She was promoted to various positions within the branch and eventually became a Branch Manager in 2005. She joined the Human Resources department as an Asst. HR Manager after her stint in Operations in 2005. Ms. Tiong graduated from New Era University in 1994 with a bachelor's degree in Accountancy and obtained diploma courses in Human Capital Management and Organizational Development from the School of Professional and Continuing Education of the De La Salle College of St. Benilde from 2014 to 2016.

**Michael D. Tiong** is the Vice President for Global Operations. Prior to his appointment as Vice President in July, 2016, he handled Sales and Operations as an Asst. Vice President since January 2011. Mr. Tiong joined Wilcon as a Salesman in 2000 and became Depot Manager in 2007 until 2009, when he was promoted to Asst. Vice President for Operations. Mr. Tiong took up Bachelor of Science in Architecture at the Far Eastern University in 1993.

#### Significant Employees

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

#### Family Relationships

As of December 31, 2017, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and officers of the Company are as follows:

Ms. Lorraine Belo-Cincochan, Mr. Mark Andrew Y. Belo and Ms. Careen Y. Belo are children of Mr. William T. Belo and Ms. Rosy Chua Belo.

Mr. Michael D. Tiong is the husband of Ms. Grace A. Tiong.

## Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

### **Item 10. Executive Compensation**

#### **1. Summary of Compensation Table**

The following table sets out the summary of compensation of the top 5 officers including the Chairman.

<b>Name</b>	<b>Position</b>
William T. Belo	Chairman Emeritus
Lorraine Belo-Cincochan	Director and Chief Executive Officer
Rosemarie Bosch-Ong	SEVP - Chief Operating Officer
Mark Andrew Y. Belo	Director and Chief Financial Officer
Careen Y. Belo	Director and Chief Product Officer

Below is the aggregate compensation of executive officers and directors of the Company for the year 2017 and projected for the year 2018.

#### **Actual**

<b>Key Management Officers</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>
Top 5 Officers	2017	16.72M	2.47M
Other officers as a group	2017	25.20M	3.46M

#### **Projected for 2018**

<b>Key Management Officers</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>
Top 5 Officers	2018	17.99M	2.84M
Other officers as a group	2018	29.49M	4.78M

#### **Standard Arrangements**

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or

were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

Other Arrangements

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

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company has no special employment contracts with the named executive officers.

Warrants and Options

There are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

**Item 11. Security Ownership of Certain Record and Beneficial Owners and Management**

All shareholders of record are likewise the beneficial owners of the shares they hold.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner	Citizenship	Number of Shares Held	% of Total Outstanding Shares
Common	William T. Belo #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Chairman Emeritus	William T. Belo	Filipino	5,099,995	0.12%
Common	Rosy Chua Belo #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Stockholder	Rosy Chua Belo	Filipino	5,100,000	0.12%
Common	Bertram B. Lim 60 Sen. Gil Puyat Ave., Makati City Director	Bertram B. Lim	Filipino	1	0.00%
Common	Lorraine Belo-Cincochan #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Lorraine Belo-Cincochan	Filipino	5,100,000	0.12%
Common	Mark Andrew Y. Belo #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Mark Andrew Y. Belo	Filipino	5,100,000	0.12%
Common	Careen Y. Belo #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Careen Y. Belo	Filipino	5,100,000	0.12%
Common	Rolando S. Narciso Lexington Garden Village, San	Rolando S. Narciso	Filipino	1	0.00%



	Joaquin, Pasig City Independent Director				
Common	Ricardo S. Pascua 3 Pebblewood cor. Fairwood McKinley Hill Village, Taguig City Independent Director	Ricardo S. Pascua	Filipino	1	0.00%
Common	Delfin L. Warren 2 Sineguelas St., Valle Verde 1, Pasig City Independent Director	Delfin L. Warren	Filipino	1	0.00%
Common	Arthur R. Ponsaran 5 Aurelio St., BFRV, Las Piñas City Corporate Secretary	Arthur R. Ponsaran	Filipino	10,000	0.00%
Common	Sheila P. Pasicolan- Camerino #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Asst. Corporate Secretary	Sheila P. Pasicolan- Camerino	Filipino	19,900	0.00%
Common	Rosemarie B. Ong #90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City SEVP-COO	Rosemarie B. Ong	Filipino	1,069,401	0.03%
Common	Eden M. Godino #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City VP- Product Development	Eden M. Godino	Filipino	267,500	0.00%
Common	Grace A. Tiong #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City	Grace A. Tiong	Filipino	148,700	0.00%
Common	Michael D. Tiong #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City	Michael D. Tiong	Filipino	148,700	0.00%
Common	Wilcon Corporation	Wilcon Corporation	Filipino	2,680,317,916	65.38%

None of the shareholders of record hold any share for and on behalf of another, or beneficial owner. Neither is any shareholder acting on behalf of a beneficial owner who is non-Filipino. The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of December 31, 2017:

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Wilcon Corporation	Record Owner	Filipino	2,680,317,916	65.38%

#### SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets forth the ownership of directors and management of the Company's Common Shares as of December 31, 2017.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	William T. Belo	₱5,099,995.00(Direct)	Filipino	0.12%
Common	Bertram B. Lim	₱1.00 (Direct)	Filipino	0.00%
Common	Lorraine Belo-Cincochan	₱5,100,000.00 (Direct)	Filipino	0.12%
Common	Mark Andrew Y. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Careen Y. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Rosy C. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Rosemarie B. Ong	₱1,069,401.00 (Direct)	Filipino	0.03%
Common	Rolando S. Narciso	₱1.00 (Direct)	Filipino	0.00%
Common	Ricardo S. Pascua	₱1.00 (Direct)	Filipino	0.00%
Common	Delfin L.Warren	₱1.00 (Direct)	Filipino	0.00%
Common	Arthur R. Ponsaran	₱10,000.00 (Indirect)	Filipino	0.00%
Common	Sheila P. Pasicolan-Camerino	₱19,900.00 (Direct)	Filipino	0.00%
Common	Grace A. Tiong	₱148,700.00 (Direct)	Filipino	0.00%
Common	Michael D. Tiong	₱148,700.00 (Direct)	Filipino	0.00%
Common	Eden M. Godino	₱267,500.00 (Direct)	Filipino	0.00%

The following table sets forth ownership of directors and executive officers as a group:

Title of Class	Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Directors and Executive Officers	₱27,164,200.00 (Direct and Indirect)	Filipino	0.63%

#### Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of December 31, 2017.

#### Change in Control

There are no arrangements which may result in a change in control of the Company as of December 31, 2017.

#### **Item 12. Certain Relationships and Related Transactions**

The Company in the ordinary course of business, engages in various transactions with related parties, particularly with its parent company, WC.

For a detailed discussion of the material related party transactions of the Company, please see note 20-Related Party Disclosures of the attached Audited Financial Statements of the Company.

## **PART IV. CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

The Company understands that it is paramount to set the kind of corporate governance needed in the attainment of the Company's corporate goals and ensures compliance with the leading practices in corporate governance. Consequently, the Company has revised its Corporate Governance Manual which was approved by the Board on May 22, 2017. The Manual was designed to define the framework of rules, systems and processes that governs the performance of the Board and Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

The Board and Management, employees and shareholders, believe that good governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization.

Further, on June 19, 2017, the members of the Board as well as officers of the Company attended the corporate governance seminar, entitled "*Corporate Governance: Going Forward*" conducted by the Center for Training and Development, Inc. This is in compliance with Sec Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission.

The Company will submit the Integrated Annual Corporate Report or the I-ACGR on or before May 30, 2018, in compliance with SEC Memorandum Circular No.15, Series of 2017.

## **PART V. EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

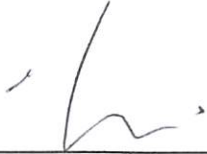
#### **SEC 17 – C**

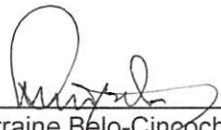
<b>Date of Filing</b>	<b>Reports</b>
May 10, 2017	Board approval of the Annual Meeting of the Stockholders of the Corporation on 19 June 2017
May 22, 2017	Matters approved by the Board in its special Board meeting held on May 22, 2017.
June 19 2017	Results of Annual Stockholders' Meeting
June 19, 2017	Results of Organizational Meeting of the Board

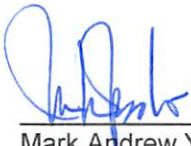
SIGNATURES

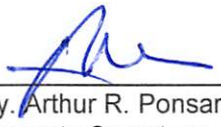
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon City on APR 16 2018.

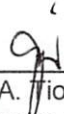
By:

  
 \_\_\_\_\_  
 Bertram B. Lim  
 Chairman

  
 \_\_\_\_\_  
 Lorraine Belo-Cincochan  
 President-CEO

  
 \_\_\_\_\_  
 Mark Andrew Y. Belo  
 Treasurer-CFO


  
 \_\_\_\_\_  
 Atty. Arthur R. Ponsaran  
 Corporate Secretary

  
 \_\_\_\_\_  
 Grace A. Tiong  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of APR 16 2018 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Wilcon Depot, Inc.	TIN 009-192-878		
Bertram B. Lim	P3561043A	04 Jul 2017	DFA Manila
Lorraine Belo-Cincochan	EC7174249	21 March 2016	DFA Manila
Mark Andrew Y. Belo	EC0890220	22 April 2014	DFA NCR Central
Arthur R. Ponsaran	EB9971119	11 January 2014	DFA NCR South
Grace A. Tiong	EC057080	17 March 2014	DFA NCR Central

Doc. 344  
 Page No. 66  
 Book No. 11  
 Series of 2018

  
 ATTY. RUBEN M. AZANES, JR.  
 Notary Public  
 Until December 2018  
 PTR. No. 95611098, 01-09-2018  
 Roll of Attorney's No. 46427  
 IBP No. AR001205 Q.C. Chapter 4  
 Admin Matter No. 233  
 MCLE No. V-0024616  
 TIN No. 149-394-836  
 (PRBS) Camp, Crame, Quezon City

# EXHIBIT 1

## COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	2	4	7	1	2
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**COMPANY NAME**

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	
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	N	T	E	R	)																																		

**PRINCIPAL OFFICE** (No. Street/Barangay/City/Town/Province)

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Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address

wilcon@wilcon.com.ph

Company's Telephone Number/s

(02) 634-8387

Mobile Number

—

No. of Stockholders

146

Annual Meeting (Month / Day)

June 19

Fiscal Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person

Mr. Mark Andrew Y. Belo

Email Address

markbelo@wilcon.com.ph

Telephone Number/s

(02) 634-8387

Mobile Number

—

**CONTACT PERSON'S ADDRESS**

No. 90 E. Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City

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

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



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

### *Opinion*

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2017 and 2016 and one-month period ended December 31, 2015, and notes to the financial statements, including a summary of significant accounting policies.

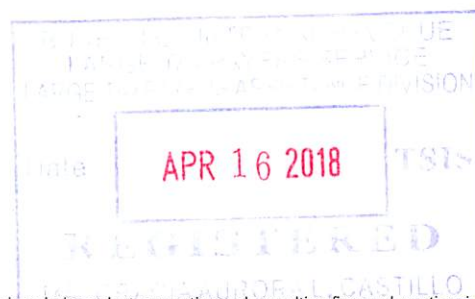
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the periods then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Key Audit Matters*

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





*Accounting for the Complete Recording and Valuation of Merchandise Inventories*

Merchandise inventories, net of allowance for inventory write down and losses, amounted to ₱6,968.1 million as at December 31, 2017. The accounting for the complete recording and valuation of merchandise inventories are significant to our audit because merchandise inventories represent 43% of the total assets. Moreover, the Company also maintains around 35,500 stock keeping units (SKU) as at December 31, 2017. Due to the significant number of SKU, establishing the existence and completeness and determining the proper valuation of merchandise inventories requires an extensive monitoring and high degree of judgment and estimation, respectively.

Our procedures include, among others, the physical observation of the conduct of the inventory count, test of inventory summarization, review and test of inventory costing and the determination of the lower of cost or net realizable value.

Necessary disclosures are included in Note 3, *Significant Accounting Judgments, Estimates and Assumptions*, and Note 8, *Merchandise Inventories*.

*Accounting for the Use of the Proceeds from the Initial Public Offering (IPO)*

The shares of stock of the Company were listed with the Philippine Stock Exchange, Inc. on March 31, 2017. The proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses incidental to the IPO amounting to ₱289.9 million. The accounting for the use of the proceeds is significant to our audit because the unapplied proceeds amounting to ₱5,611.5 million as at December 31, 2017 represent 35% of the total assets. Moreover, the Company is required to adhere to the use of the proceeds pursuant to the Offering Circular.

Our procedures include, among others, obtain confirmation from banks, test the classification of IPO-related expenses and test the nature and validate the underlying documents of the IPO-related expenses and actual disbursements of the proceeds.

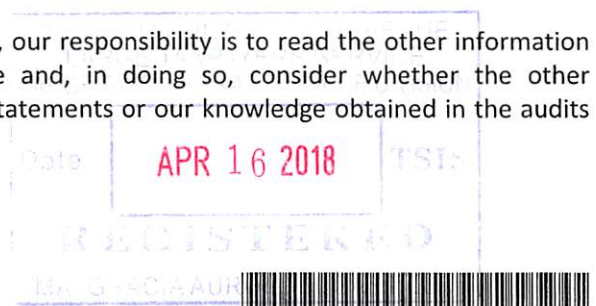
Necessary disclosures are included in Note 4, *Transfer of the Trading Business from the Parent Company and IPO*, and Note 16, *Equity*.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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





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

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

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

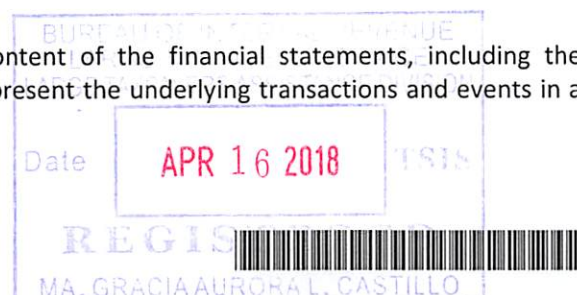
Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of Financial Statements*

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

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

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







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

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

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

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-3 Group A

Valid until August 30, 2020

BIR Accreditation No. 08-005144-006-2017

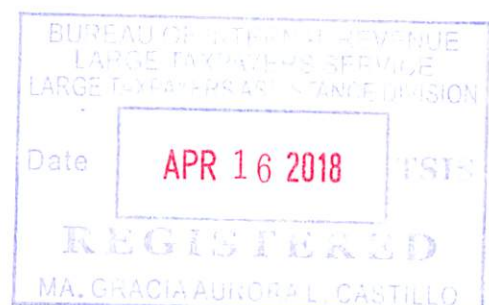
Valid until January 13, 2020

PTR No. 6607959

Issued January 3, 2018, Makati City

April 11, 2018

Makati City, Metro Manila




**“STATEMENT OF MANAGEMENT’S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN”**

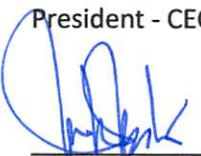
The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

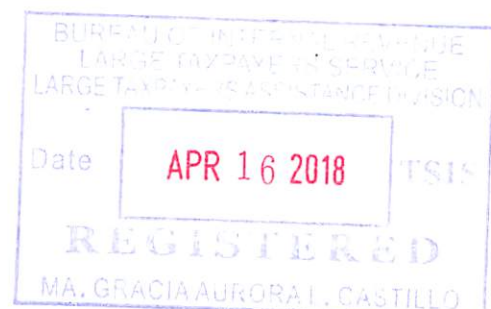
In this regard, the management affirms that the attached audited financial statements as at and for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company’s books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
\_\_\_\_\_  
Bertram B. Lim  
Chairman of the Board

  
\_\_\_\_\_  
Lorraine Belo-Cincochan  
President - CEO

  
\_\_\_\_\_  
Mark Andrew Y. Belo  
Chief Financial Officer





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

**SUBSCRIBED AND SWORN** to before me this 16 day of APR 16 2018 20\_\_ affiant(s) exhibiting to me their competent evidence of identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Bertram B. Lim	P3561043A	04 Jul 2017	DFA Manila
Lorraine Belo-Cincochan	EC7174249	21 March 2016	DFA Manila
Mark Andrew Y. Belo	EC0890220	22 April 2014	DFA NCR Central

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 Page No. 15  
 Book No. 4  
 Series of 2018

*[Signature]*  
 ATTY. RUBEN M. AZANES, JR.  
 Notary Public  
 Until December 2018  
 PTR. No. 95611098, 01-09-2018  
 Roll of Attorney's No. 46427  
 IBP No. AR001205 Q.C. Chapter  
 Admin Matter No. 233  
 MCLE No. V-0024616  
 TIN No. 149-394-836  
 (PRBS) Camp, Crame, Quezon City

April 16, 2018

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2017 and 2016 and for the one-month period ended December 31, 2015, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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


Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Bertram B. Lim  
Chairman of the Board



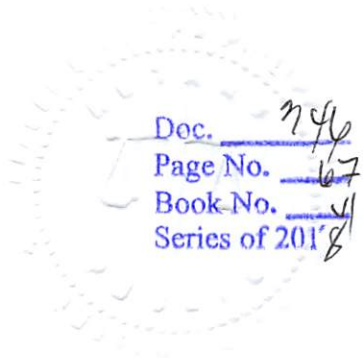
Lorraine Belo-Cincochan  
President - CEO



Mark Andrew Y. Belo  
Chief Financial Officer

**SUBSCRIBED AND SWORN** to before me this 16 day of APR 16 2018 2018 affiant(s) exhibiting to me their competent evidence of identity, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
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Lorraine Belo-Cincochan	EC7174249	21 March 2016	DFA Manila
Mark Andrew Y. Belo	EC0890220	22 April 2014	DFA NCR Central



*AS*  
ATTY. RUBEN M. AZANES, JR.  
Notary Public  
Until December 2018  
PTR. No. 95611098. 01-09-2018  
Roll of Attorney's No. 46427  
IBP No. AR001205 Q.C. Chapter  
Admin Matter No. 233  
MCLE No. V-0024616  
TIN No. 149-394-836  
(PRBS) Camp, Crame, Quezon City

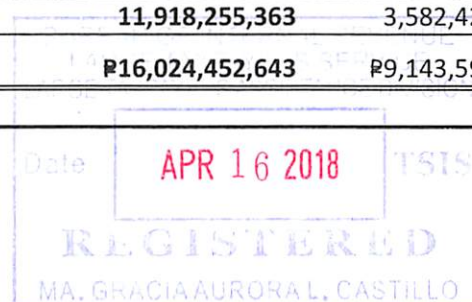
**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

**STATEMENTS OF FINANCIAL POSITION**

AS AT DECEMBER 31, 2017 AND 2016

	Note	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	P3,016,815,150	P638,072,093
Short-term investments	6	600,580,715	-
Trade and other receivables	7	552,025,050	422,593,586
Merchandise inventories	8	6,968,144,107	6,575,843,901
Other current assets	9	610,372,327	769,937,004
Total Current Assets		11,747,937,349	8,406,446,584
<b>Noncurrent Assets</b>			
Available-for-sale financial asset	6	2,996,946,620	-
Property and equipment	10	860,060,702	341,897,899
Net deferred tax assets	19	115,781,341	184,261,772
Other noncurrent assets	11	303,726,631	210,984,752
Total Noncurrent Assets		4,276,515,294	737,144,423
		P16,024,452,643	P9,143,591,007
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term debt	12	P-	P445,000,000
Current portion of long-term debt	13	155,000,000	278,461,539
Trade and other payables	14	3,491,311,355	3,619,679,500
Income tax payable		78,888,675	154,094,765
Total Current Liabilities		3,725,200,030	4,497,235,804
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	13	248,461,539	649,358,974
Net retirement liability	15	132,535,711	414,571,587
Total Noncurrent Liabilities		380,997,250	1,063,930,561
Total Liabilities		4,106,197,280	5,561,166,365
<b>Equity</b>			
Capital stock	16	4,099,724,116	2,705,817,916
Additional paid-in capital	16	5,373,738,427	-
Other comprehensive income (loss)		173,130,917	(9,640,325)
Retained earnings		2,271,661,903	886,247,051
Total Equity		11,918,255,363	3,582,424,642
		P16,024,452,643	P9,143,591,007

See accompanying Notes to Financial Statements.



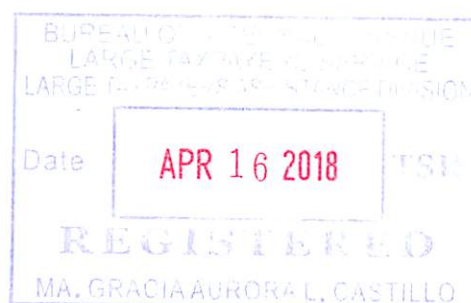
**WILCON DEPOT, INC.**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2017 (One Year)	2016 (One Year)	2015 (One Month)
<b>NET SALES</b>		<b>₱17,747,580,107</b>	<b>₱12,298,415,794</b>	<b>₱-</b>
<b>COST OF SALES</b>	8	<b>(12,481,667,970)</b>	<b>(8,999,485,092)</b>	<b>-</b>
<b>GROSS INCOME</b>		<b>5,265,912,137</b>	<b>3,298,930,702</b>	<b>-</b>
<b>OPERATING EXPENSES</b>	17	<b>(3,595,688,634)</b>	<b>(2,286,996,656)</b>	<b>(757,510)</b>
<b>INTEREST EXPENSE</b>	13	<b>(21,793,510)</b>	<b>(30,239,828)</b>	<b>-</b>
<b>OTHER INCOME - Net</b>	18	<b>185,345,816</b>	<b>33,663,092</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>1,833,775,809</b>	<b>1,015,357,310</b>	<b>(757,510)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	19			
Current		<b>459,519,649</b>	<b>308,482,953</b>	<b>-</b>
Deferred		<b>(11,158,692)</b>	<b>(179,902,951)</b>	<b>(227,253)</b>
		<b>448,360,957</b>	<b>128,580,002</b>	<b>(227,253)</b>
<b>NET INCOME (LOSS)</b>		<b>1,385,414,852</b>	<b>886,777,308</b>	<b>(530,257)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Item not to be reclassified to profit or loss -</i>				
Remeasurement gain (loss) on retirement liability, net of deferred income tax	15	<b>185,824,622</b>	<b>(9,640,325)</b>	<b>-</b>
<i>Item to be reclassified to profit or loss -</i>				
Unrealized loss on fair value changes of available-for-sale financial asset	6	<b>(3,053,380)</b>	<b>-</b>	<b>-</b>
		<b>182,771,242</b>	<b>(9,640,325)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱1,568,186,094</b>	<b>₱877,136,983</b>	<b>(₱530,257)</b>
<b>BASIC AND DILUTIVE EARNINGS (LOSS)</b>				
<b>PER SHARE</b>	22	<b>₱0.37</b>	<b>₱0.43</b>	<b>(₱0.01)</b>

See accompanying Notes to Financial Statements.

\* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started its commercial operations on April 1, 2016.



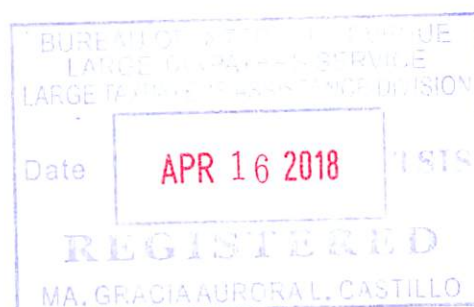
**WILCON DEPOT, INC.**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2017 (One Year)	2016 (One Year)	2015 (One Month)
<b>CAPITAL STOCK</b>				
Balance at beginning of period	16	₱2,705,817,916	₱50,000,000	₱-
Issuances		1,393,906,200	2,655,817,916	50,000,000
Balance at end of period		4,099,724,116	2,705,817,916	50,000,000
<b>ADDITIONAL PAID-IN CAPITAL</b>				
	16	5,373,738,427	-	-
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Cumulative Remeasurement Gain (Loss)</b>				
<b>on Retirement Liability</b>				
	15			
Balance at beginning of period		(9,640,325)	-	-
Remeasurement gain (loss)		185,824,622	(9,640,325)	-
Balance at end of period		176,184,297	(9,640,325)	-
<b>Fair Value Changes of Available-for-sale</b>				
<b>Financial Asset</b>				
	6	(3,053,380)	-	-
		173,130,917	(9,640,325)	-
<b>RETAINED EARNINGS (DEFICIT)</b>				
Balance at beginning of period		886,247,051	(530,257)	-
Net income (loss)		1,385,414,852	886,777,308	(530,257)
Balance at end of period		2,271,661,903	886,247,051	(530,257)
		₱11,918,255,363	₱3,582,424,642	₱49,469,743

See accompanying Notes to Financial Statements.

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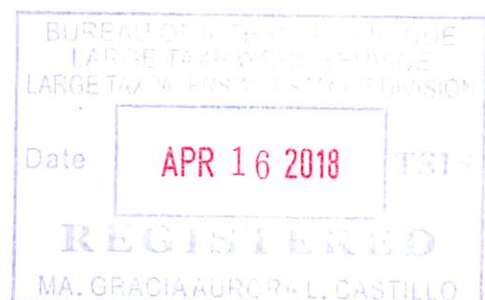


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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2017 (One Year)	2016 (One Year)	2015 (One Month)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		₱1,833,775,809	₱1,015,357,310	(₱757,510)
Adjustments for:				
Interest income	5	(115,788,780)	(668,432)	-
Depreciation and amortization	10	104,325,305	62,714,607	-
Retirement benefits	15	34,017,328	29,745,363	-
Net provision for (reversal of) allowance for:				
Inventory write down and losses	8	29,175,121	51,594,828	-
Impairment losses on receivables	7	(3,726,780)	(10,894,782)	-
Interest expense	13	21,793,510	30,239,828	-
Offer expenses	4	18,316,120	-	-
Operating income (loss) before working capital changes		1,921,887,633	1,178,088,722	(757,510)
Decrease (increase) in:				
Trade and other receivables		(91,433,713)	(34,571,955)	-
Merchandise inventories		(421,475,327)	586,640,880	-
Other current assets		159,564,677	(755,726,076)	-
Increase (decrease) in trade and other payables		(150,953,004)	157,027,599	757,510
Net cash generated from operations		1,417,590,266	1,131,459,170	-
Income tax paid		(534,725,739)	(154,388,188)	-
Contribution to retirement plan assets	15	(28,399,857)	-	-
Retirement benefits paid	15	(105,420)	-	-
Net cash provided by operating activities		854,359,250	977,070,982	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Available For Sale financial asset		(3,000,000,000)	-	-
Property and equipment	10	(619,269,798)	(64,796,579)	-
Short-term investments		(600,580,715)	-	-
Computer software	11	(30,465,688)	(10,985,329)	-
Interest received		81,517,809	668,432	-
Increase in other noncurrent assets		(65,494,501)	(151,026,332)	-
Cash used in investing activities		(4,234,292,893)	(226,139,808)	-

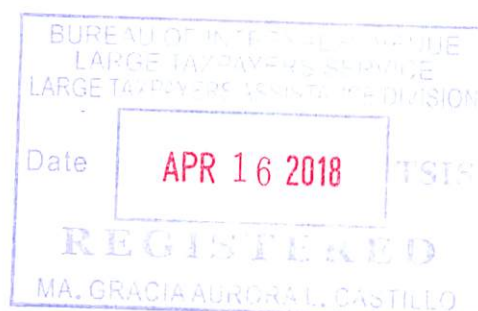
(Forward)



	Note	2017	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Issuances of capital stock, net of offer expenses	4	₱6,749,328,507	₱-	₱50,000,000
Availments of long-term debt	13	198,461,539	-	-
Payments of:				
Long-term debt	13	(722,820,513)	(173,846,153)	-
Short-term debt	13	(445,000,000)	(158,504,383)	-
Interest	13	(21,292,833)	(30,239,828)	-
Cash transferred from Parent Company	4	-	199,731,283	-
<b>Net cash provided by (used in) financing activities</b>		<b>5,758,676,700</b>	<b>(162,859,081)</b>	<b>50,000,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,378,743,057</b>	<b>588,072,093</b>	<b>50,000,000</b>
<b>CASH AT BEGINNING OF PERIOD</b>		<b>638,072,093</b>	<b>50,000,000</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5	<b>₱3,016,815,150</b>	<b>₱638,072,093</b>	<b>₱50,000,000</b>
<b>NONCASH OPERATING AND FINANCING ACTIVITIES</b>				
Retirement plan assets transferred from Parent Company	15	₱22,084,182	₱-	₱-
Net assets transferred from Parent Company in exchange for shares of stock of the Company, net of cash transferred of ₱199,731,283	4	-	2,456,086,633	-

See accompanying Notes to Financial Statements.

\* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started its commercial operations on April 1, 2016.



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**NOTES TO FINANCIAL STATEMENTS**

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**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.

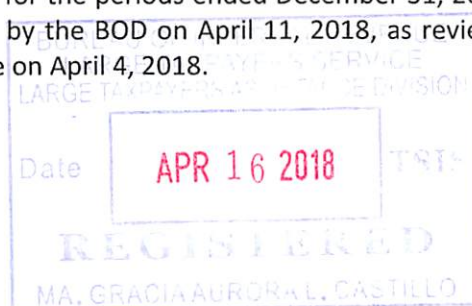
On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company 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 16).

On September 13, 2016, the BOD and stockholders of the Company authorized the Company to undertake an initial public offering (IPO) 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 IPO.

The shares of stock of the Company were 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 a share. The proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 16).

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

The financial statements of the Company as at and for the periods ended December 31, 2017, 2016 and 2015 were approved and authorized for issue by the BOD on April 11, 2018, as reviewed and recommended for approval by the Audit Committee on April 4, 2018.



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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation and Statement of Compliance**

The 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 financial statements have been consistently applied to all the periods presented, unless otherwise stated.

### **Measurement Bases**

The 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 financial statements of the Company have been prepared on the historical cost basis of accounting, except for available-for-sale (AFS) financial asset that is measured at fair value. 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 in the foregoing.

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 6, *Investments*
- Note 24, *Fair Value of Financial Instruments*

#### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS effective January 1, 2017.

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company. Additional disclosures have been included in the notes to financial statements, as applicable.

#### **New and Amended PFRS Issued But Not Yet Effective**

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods 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 the classification by reference to the business model within which these are held and its 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 for there to be 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.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – The most 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.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company, except for PFRS 9 and PFRS 16. The adoption of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in the Company's financial assets and liabilities, revenue and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### **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 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 and HTM as at December 31, 2017 and 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 and cash equivalents, short-term investments, trade and other receivables (except advances to suppliers), container deposits (presented as part of “Other current assets”) security and electricity deposits and refundable cash bonds (presented as part of “Other noncurrent assets”) are included in this category.

Cash equivalents include short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition and subject to insignificant risk in fluctuations in value.

Short-term investments are money market placements that are readily convertible to cash with maturity of more than three months but less than one year and is subject to an insignificant change in value.

*AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as such or do not qualify to be classified as financial assets designated as at FVPL, loans and receivables and HTM investments. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are initially measured at fair value plus incremental direct transactions costs. After initial measurement, AFS financial assets are measured at fair value, with unrealized gains and losses recognized as other comprehensive income or loss and in the equity section of the statement of financial position. When the investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss.

The Company classifies its investment in retail treasury bond as AFS financial asset.

*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.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

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.

The short-term and long-term debt 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.

*AFS Financial Asset.* For debt instruments classified as AFS financial assets, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in profit or loss.

#### **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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

### **Merchandise Inventories**

Merchandise inventories are valued at the lower of cost and net realizable value (NRV). 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), prepaid expenses, container deposits and supplies.

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

- where VAT incurred on a purchase of assets or goods and 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 on consigned goods already sold. 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.

*Prepaid Expenses.* Prepaid expenses are expenses paid in advance and recorded as assets 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.

*Container Deposits.* Container deposits qualify as financial assets and are disclosed under financial instruments. These are measured at cost less any impairment in value.

*Supplies.* Supplies are carried at cost and are recognized as expense upon consummation.

**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>
Building and improvements	20
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 periods 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 amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts 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 deposits, advance rental, electricity deposits, refundable cash bonds and computer software.

*Security Deposits and Advance Rental.* Security deposits and advance rental represent advance payments and 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 advances to suppliers, property and equipment, advance rental and computer software.

#### **Equity**

*Capital Stock and Additional Paid-in Capital.* 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. The excess of proceeds from the issuance of shares over the par value of shares is credited to additional paid-in capital.

*Other Comprehensive Income (Loss).* Other comprehensive income (loss) comprise items of income and expenses (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period in accordance with PFRS. Other comprehensive income (loss) includes fair value changes on AFS financial asset and cumulative remeasurement gain (loss) on retirement liability.

*Retained Earnings (Deficit).* Retained earnings (deficit) represent the cumulative balance of net income or loss.

#### **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**

Cost 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.* The Company has funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method that 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.

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.

Net interest on the net retirement liability or asset is the change during the year in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can these be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit 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 that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting year.

### **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 assessment 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.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements requires the Company to exercise judgments, make estimates and use assumptions that affect the amounts reported in the 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 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 ₱780.7 million and ₱502.1 million in 2017 and 2016, respectively (see Note 21).

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 ₱17.3 million and ₱5.8 million in 2017 and 2016, respectively (see Note 21).

*Evaluating Contingencies.* The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the financial statements.

#### **Estimates and Assumptions**

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

*Determining Fair Value of AFS Financial Asset.* The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and other comprehensive income.

Unrealized loss on fair value changes on AFS financial asset recognized in other comprehensive income amounted to ₱3.1 million in 2017 (see Note 6). The carrying amount of AFS financial asset amounted to ₱2,996.9 million as at December 31, 2017 (see Note 6).

Fair values of financial assets and liabilities are presented in Note 24 to financial statements.

*Assessing Impairment Losses on AFS Financial Asset.* The determination as to when an AFS financial asset is impaired is based on whether there has been a substantial or prolonged decline in the fair value of the investment. Substantial decline is defined as a fair value decrease of more than 20% and prolonged decline is defined as a period of more than six months. In making this judgment, the Company evaluates, among other factors, the future cash flows and the discount factor. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, dismal industry and sector performance, adverse changes in technology, and negative operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Company's AFS financial asset, management concluded that AFS financial asset is not impaired as at December 31, 2017. Future changes in those information and circumstances might significantly affect the carrying amount of AFS financial asset.

No impairment loss on AFS financial asset was recognized in 2017. The carrying amount of AFS financial asset amounted to ₱2,996.9 million as at December 31, 2017 (see Note 6).

*Assessing Impairment of Trade and Other Receivables.* 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 amount of trade and other receivables (excluding advances to suppliers) amounted to ₱395.2 million and ₱408.8 million as at December 31, 2017 and 2016, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱37.4 million and ₱45.8 million as at December 31, 2017 and 2016, respectively (see Note 7).

*Assessing Impairment of Refundable Cash Bonds.* Management reviews the age and status of refundable cash bonds and identifies accounts that are to be provided with allowances on a continuous basis. The Company maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible amounts.

As at December 31, 2017 and 2016, refundable cash bonds amounting to ₱83.4 million have been assessed as unrecoverable. Accordingly, the refundable cash bonds are fully provided with allowance for impairment losses as at December 31, 2017 and 2016 (see Note 11).

*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 amount of merchandise inventories amounted to ₱6,968.1 million and ₱6,575.8 million as at December 31, 2017 and 2016, respectively (see Note 8). Allowance for inventory write down and losses amounted to ₱130.8 million and ₱101.7 million as at December 31, 2017 and 2016, respectively (see Note 8).

*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 and computer software 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.

The carrying amounts of depreciable property and equipment and computer software follows:

	Note	2017	2016
Property and equipment*	10	<b>₱626,480,766</b>	₱341,897,899
Computer software	11	<b>37,802,687</b>	10,555,309
		<b>₱664,283,453</b>	<b>₱352,453,208</b>

\* Excluding construction in progress amounting to ₱233.6 million as at December 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 is 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 belong.

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

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

	Note	2017	2016
Property and equipment	10	<b>₱860,060,702</b>	₱341,897,899
Computer software	11	<b>37,802,687</b>	10,555,309
		<b>₱897,863,389</b>	<b>₱352,453,208</b>

*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 15 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.

Net retirement liability amounted to ₱132.5 million and ₱414.6 million as at December 31, 2017 and 2016, respectively (see Note 15).

*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.

Deferred tax assets amounted to ₱139.1 million and ₱203.7 as at December 31, 2017 and 2016, respectively (see Note 19).

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#### 4. Transfer of the Trading Business from the Parent Company and Initial Public Offering

##### Transfer of the Trading Business

As discussed in Note 1, the Parent Company transferred its Trading Business, including the related assets and liabilities, to the Company in exchange for 2,655.8 million common shares of the Company, effective April 1, 2016. The transfer also includes most of the employees of the Parent Company.

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)
<b>Net assets transferred</b>	<b>₱2,655,817,916</b>

\* Net of allowance for impairment losses of receivables amounting to ₱56.7 million.

\*\* Net of allowance for inventory write down and losses amounting to ₱50.1 million.

The transfer of Trading Business was approved by the SEC on November 15, 2016 (see Notes 1 and 16).

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

##### Initial Public Offering (IPO)

On September 13, 2016, the BOD and Company stockholders approved the initial public offering of Company shares with the PSE. Subsequently, on February 23 and March 8, 2017, the SEC and the PSE, respectively, approved the Company's application for IPO.

The shares of stock of the Company were 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. The proceeds from the IPO amounted to ₱6,749.3 million, net of transaction costs incidental to the IPO amounting to ₱271.6 million, which was charged against additional paid-in capital and other offer expenses amounting charged to profit or loss amounting to ₱18.3 million (see Note 1).

Portion of the net proceeds from the IPO were used to settle short-term and long-term loans, construct store for the Company's network expansion and pay general corporate expenses.

The unapplied proceeds from the IPO amounted to ₱5,611.5 million as at December 31, 2017 and are maintained in various current and savings accounts, cash equivalents, short-term investments and AFS financial asset. Details are as follow:

	Note	
Cash and cash equivalents		₱2,010,956,207
Short-term investments	6	600,580,715
AFS financial asset	6	3,000,000,000
		<b>₱5,611,536,922</b>

The unapplied proceeds will be used for the store network expansion projects of the Company, which are expected to be completed by 2021.

## 5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	<b>₱7,454,592</b>	₱6,329,849
Cash in banks	<b>879,360,558</b>	631,742,244
Cash equivalents	<b>2,130,000,000</b>	—
	<b>₱3,016,815,150</b>	₱638,072,093

Cash in banks earn interest at prevailing deposit rates. Cash equivalents represent money market placements with maturities ranging from 30 to 60 days and earn interest ranging from 2.0% to 3.75%.

Details of interest income are as follows:

	Note	2017	2016
AFS financial asset	6	<b>₱77,566,667</b>	₱—
Cash and cash equivalents		<b>34,341,398</b>	668,432
Short-term investments	6	<b>3,880,715</b>	—
	18	<b>₱115,788,780</b>	₱668,432

## 6. Investments

### Short-term Investments

Short-term investments amounting to ₱600.6 million as at December 31, 2017 represents money market placements with maturity of four months and bear interest of 2.74% and 2.75% (see Note 4). Interest income earned from short-term investments amounted to ₱3.9 million in 2017 (see Note 5).

### AFS Financial Asset

As at December 31, 2017, AFS financial asset amounted to ₱2,996.9 million. AFS financial asset represents investment in retail treasury bond, which bears an annual interest of 4.25% and will mature on April 11, 2020 (see Note 4).

Interest income earned from AFS financial asset amounted to ₱77.6 million in 2017 (see Note 5).

Unrealized loss on fair value changes of AFS financial asset amounted to ₱3.1 million in 2017. The fair value measurement for AFS financial asset has been categorized as level 2.

## 7. Trade and Other Receivables

Details of this account are as follows:

	Note	2017	2016
<b>Trade:</b>			
Third parties		<b>₱288,596,531</b>	₱337,631,279
Related parties	20	<b>83,123,103</b>	100,146,597
Advances to suppliers		<b>156,825,715</b>	13,796,318
Accrued interest		<b>34,270,971</b>	-
Advances to officers and employees		<b>4,907,452</b>	1,715,832
Rental	21	<b>2,942,160</b>	1,599,242
Others		<b>18,741,244</b>	13,538,696
		<b>589,407,176</b>	468,427,964
Allowance for impairment losses		<b>(37,382,126)</b>	(45,834,378)
		<b>₱552,025,050</b>	₱422,593,586

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

Advances to suppliers pertain to advance payments on purchases of trade and nontrade goods and services, which will applied against future billings.

Advances to officers and employees are noninterest-bearing and are normally settled through salary deduction.

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

	Note	2017	2016
Balance at beginning of year		<b>₱45,834,378</b>	₱-
Reversal		<b>(11,229,313)</b>	(10,894,782)
Provision		<b>7,502,533</b>	-
Write-off		<b>(4,725,472)</b>	-
Transferred from Parent Company	4	-	56,729,160
<b>Balance at end of year</b>		<b>₱37,382,126</b>	<b>₱45,834,378</b>

## 8. Merchandise Inventories

Details of this account are as follows:

	2017	2016
At cost	<b>₱6,511,505,665</b>	₱6,459,355,675
At net realizable value	<b>456,638,442</b>	116,488,226
	<b>₱6,968,144,107</b>	<b>₱6,575,843,901</b>

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 ₱587.5 million and ₱218.2 million as at December 31, 2017 and 2016, respectively.

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

	Note	2017	2016
Balance at beginning of year		<b>₱101,651,425</b>	₱-
Provision		<b>29,175,121</b>	51,594,828
Transferred from Parent Company	4	-	50,056,597
<b>Balance at end of year</b>		<b>₱130,826,546</b>	<b>₱101,651,425</b>

Inventories charged to cost of sales amounted to ₱12,481.7 million and ₱8,999.5 million in 2017 and 2016, respectively, including provision for inventory write down and losses.

## 9. Other Current Assets

Details of this account are as follows:

	2017	2016
Input VAT	<b>₱402,056,029</b>	₱629,154,525
Current portion of deferred input VAT	<b>186,590,797</b>	124,614,030
Prepaid expenses	<b>10,962,386</b>	7,134,258
Others	<b>10,763,115</b>	9,034,191
	<b>₱610,372,327</b>	<b>₱769,937,004</b>



Deferred input VAT pertains to unamortized portion of input VAT on property and equipment and on consigned goods already sold.

Prepaid expenses pertain to payment of insurance, advertising, membership dues, rent and taxes by the Company which is being amortized over a year.

Others mainly pertain to container deposits and supplies.

## 10. Property and Equipment

Details and movements of this account are as follows:

	2017				
	Building and Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
<b>Cost</b>					
Balance at beginning of year	P143,583,260	P255,022,262	P5,576,964	P-	P404,182,486
Additions	4,208,328	205,311,189	11,296,528	398,453,753	619,269,798
Reclassification	164,873,817	-	-	(164,873,817)	-
Balance at end of year	312,665,405	460,333,451	16,873,492	233,579,936	1,023,452,284
<b>Accumulated Depreciation and Amortization</b>					
Balance at beginning of year	9,430,748	52,463,387	390,452	-	62,284,587
Depreciation and amortization	11,242,952	87,973,266	1,890,777	-	101,106,995
Balance at end of year	20,673,700	140,436,653	2,281,229	-	163,391,582
Carrying Amount	P291,991,705	P319,896,798	P14,592,263	P233,579,936	P860,060,702

	2016				
	Building and Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction In Progress	Total
<b>Cost</b>					
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 year	143,583,260	255,022,262	5,576,964	-	404,182,486
Depreciation and amortization for the period and balance at end of year	9,430,748	52,463,387	390,452	-	62,284,587
Carrying Amount	P134,152,512	P202,558,875	P5,186,512	P-	P341,897,899

Depreciation and amortization are summarized below:

	Note	2017	2016
Property and equipment		P101,106,995	P62,284,587
Computer software	11	3,218,310	430,020
	17	P104,325,305	P62,714,607

Construction in progress pertain to construction of three stores located in various strategic locations within the Philippines and is expected to be completed in 2018.

As at December 31, 2017, the amount of contractual commitment for the acquisition of property and equipment amounted to P175.0 million.

## 11. Other Noncurrent Assets

Details of this account are as follows:

	Note	2017	2016
Security deposits	21	<b>₱112,191,181</b>	₱96,570,786
Advance rental	21	<b>77,749,502</b>	64,764,000
Deferred input VAT - net of current portion		<b>39,044,857</b>	22,292,311
Computer software		<b>37,802,687</b>	10,555,309
Electricity deposits		<b>36,938,404</b>	16,802,346
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		-	-
		<b>₱303,726,631</b>	<b>₱210,984,752</b>

Movements of computer software follow:

	Note	2017	2016
<b>Cost</b>			
Balance at beginning of year		<b>₱10,985,329</b>	₱-
Additions		<b>30,465,688</b>	10,985,329
Balance at end of year		<b>41,451,017</b>	10,985,329
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>430,020</b>	-
Amortization	10	<b>3,218,310</b>	430,020
Balance at end of year		<b>3,648,330</b>	430,020
<b>Carrying Amount</b>		<b>₱37,802,687</b>	<b>₱10,555,309</b>

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 December 31, 2017 and 2016, the refund of cash bonds is still pending with the BOC.

## 12. Short-term Debt

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

Interest expense amounted to ₱6.6 million and ₱10.1 million in 2017 and 2016, respectively (see Note 13).

### 13. Long-term Debt

Details of long-term debt are as follows:

	Terms	Principal	Outstanding Balance	
			2017	2016
Loan 1	Quarterly installment payment until March 2020	₱320,000,000	₱100,000,000	₱280,000,000
Loan 2	Lump sum payment in June 2022	198,461,539	198,461,539	–
Loan 3	Monthly installment payment until August 2021	210,000,000	25,000,000	150,769,231
Loan 4	Monthly installment payment until March 2018	100,000,000	55,000,000	75,000,000
Loan 5	Monthly installment payment until August 2021	₱170,000,000	25,000,000	122,051,282
Loan 6	Quarterly installment payment until December 2019	500,000,000	–	300,000,000
		<b>₱1,498,461,539</b>	<b>403,461,539</b>	<b>927,820,513</b>
Current portion			<b>(155,000,000)</b>	<b>(278,461,539)</b>
Noncurrent portion			<b>₱248,461,539</b>	<b>₱649,358,974</b>

The loans bear interest ranging from 1.75% to 3.0% in 2017 and 2016.

Interest expense is summarized below:

	Note	2017	2016
Long-term debts		<b>₱15,168,951</b>	₱20,169,546
Short-term debts	12	<b>6,624,559</b>	10,070,282
		<b>₱21,793,510</b>	<b>₱30,239,828</b>

As at December 31, 2017 and 2016, certain loans are collateralized by investment properties and property and equipment of the Parent Company aggregating ₱1,149.3 million and ₱1,517.0 million, respectively.

The maturities of the long-term debt are as follows:

	2017	2016
Less than one year	<b>₱155,000,000</b>	₱278,461,539
Between one to two years	<b>50,000,000</b>	516,923,077
Between two to five years	<b>198,461,539</b>	132,435,897
	<b>₱403,461,539</b>	<b>₱927,820,513</b>

The changes in the Company's liabilities arising from financing activities for 2017 are as follows:

	Short-term Debt	Long-term Debt	Interest Payable
Balance at beginning of year	₱445,000,000	₱927,820,513	₱–
Payments	(445,000,000)	(722,820,513)	(21,292,833)
Proceeds	–	198,461,539	–
Interest expense	–	–	21,793,510
Balance at end of year	₱–	<b>₱403,461,539</b>	<b>₱500,677</b>

There are no noncash transactions arising from these liabilities.

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#### 14. Trade and Other Payables

Details of this account are as follows:

	Note	2017	2016
<b>Trade:</b>			
Third parties		<b>₱2,482,513,704</b>	₱2,307,558,266
Related parties	20	<b>72,388,734</b>	901,164,379
<b>Accrued expenses:</b>			
Outsourced services		<b>213,029,431</b>	21,223,468
Rent	21	<b>49,418,543</b>	42,680,810
Trucking services		<b>43,147,511</b>	16,237,760
Utilities		<b>15,546,631</b>	62,536,306
Others		<b>25,029,804</b>	16,960,549
Advances from customers		<b>227,261,002</b>	151,970,218
<b>Nontrade:</b>			
Third parties		<b>179,041,748</b>	39,524,714
Related parties	20	<b>64,791,264</b>	–
Due to Parent Company	15	<b>22,084,182</b>	–
Others		<b>97,058,801</b>	59,823,030
		<b>₱3,491,311,355</b>	₱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.

Other accrued expenses pertain to postage and telecommunications, outside services, salaries and wages and other expenses incurred which are payable in the succeeding month.

Advances from customers pertain to deposits made and goods returned by the customers, which are refundable.

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

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

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#### 15. Retirement Benefits

The Company is a participant of the Wilcon Depot Multiemployer Retirement Plan together with the Parent Company and a related party. The plan is non-contributory and provides a retirement benefit equal to 100% of Plan Salary for every year of credited service.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees but is not exposed to significant concentrations of risk on the plan assets.

Actuarial valuations are made periodically to update the retirement benefit liability and the amount of contributions. The latest actuarial valuation report was dated as at December 31, 2017.

Details of retirement benefits are as follows:

	2017	2016
Current service cost	P15,913,503	P29,745,363
Interest expense	19,277,579	-
Interest income	(1,173,754)	-
	<b>P34,017,328</b>	<b>P29,745,363</b>

The cumulative remeasurement gain (loss) recognized in other comprehensive loss as at December 31 follows:

	2017		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 19)	Net
Balance at beginning of year	(P13,771,893)	P4,131,568	(P9,640,325)
Remeasurement gain	265,463,745	(79,639,123)	185,824,622
Balance at end of year	<b>P251,691,852</b>	<b>(P75,507,555)</b>	<b>P176,184,297</b>

	2016		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Remeasurement loss for the year and balance at end of year	(P13,771,893)	P4,131,568	(P9,640,325)

The amounts of net retirement liability recognized in the statements of financial position are as follows:

	2017	2016
Present value of the obligation	P183,081,500	P414,571,587
Fair value of plan assets	50,545,789	-
	<b>P132,535,711</b>	<b>P414,571,587</b>

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

	Note	2017	2016
Balance at beginning of year		P414,571,587	P-
Remeasurement loss (gain)		(266,575,749)	13,771,893
Retirement benefits		35,191,082	29,745,363
Benefits paid		(105,420)	-
Transferred from Parent Company	4	-	371,054,331
Balance at end of year		<b>P183,081,500</b>	<b>P414,571,587</b>

The changes in the fair value of plan assets in 2017 are presented below:

	Note	₱-
Balance at beginning of year		
Contributions		28,399,857
Transfer from Parent Company	14	22,084,182
Interest income		1,173,754
Remeasurement loss		(1,112,004)
<b>Balance at end of year</b>		<b>₱50,545,789</b>

Details of plan assets are as follows:

Mutual funds	89.98%
Unit investment trust funds	9.93%
Others	0.09%
<b>Balance at end of year</b>	<b>100%</b>

The principal actuarial assumptions used to determine the retirement liability as at December 31 are as follows:

	2017	2016
Discount rate	5.70%	4.65%
Annual salary increase rate	4.00%	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 December 31, 2017, the expected future benefits payments are as follows:

Year	Amount
2018	₱24,465,242
2019	1,840,550
2020	1,908,839
2021	6,016,098
2022	9,075,917
2023 to 2026	43,819,123
	<b>₱87,125,769</b>

## 16. Equity

	2017		2016	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized - at ₱1 a share</b>				
Balance at beginning of year	5,000,000,000	₱5,000,000,000	200,000,000	₱200,000,000
Increase	-	-	4,800,000,000	4,800,000,000
<b>Balance at end of year</b>	<b>5,000,000,000</b>	<b>₱5,000,000,000</b>	<b>5,000,000,000</b>	<b>₱5,000,000,000</b>
<b>Issued and outstanding:</b>				
Balance at beginning of year	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
<b>Balance at end of year</b>	<b>4,099,724,116</b>	<b>₱4,099,724,116</b>	<b>2,705,817,916</b>	<b>₱2,705,817,916</b>

Details of capital stock are as follow:

On April 12, 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 at ₱1.00 par value a share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock at ₱1.00 par value a 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 Note 1).

On September 13, 2016, the BOD and Company stockholders approved the IPO of Company shares with the PSE. Subsequently, on February 23 and March 8, 2017, the SEC and the PSE, respectively, approved the IPO.

The shares of stock of the Company were 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. The proceeds from the IPO amounted to ₱6,749.3 million, net of transaction costs incidental to the IPO amounting to ₱271.6 million, which was charged against additional paid-in capital and other offer expenses amounting charged to profit or loss amounting to ₱18.3 million (see Notes 1 and 4).

As at December 31, 2017, additional paid-in capital amounted to ₱5,373.7 million.

## 17. Operating Expenses

Details of this account are as follows:

	Note	2017	2016	2015
Rent	21	<b>₱780,737,052</b>	₱502,084,363	₱-
Outsourced services		<b>711,320,626</b>	395,207,263	-
Salaries, wages and employee benefits		<b>643,369,575</b>	506,252,125	-
Trucking services		<b>351,607,772</b>	192,066,482	-
Utilities		<b>331,922,472</b>	258,233,463	-
Taxes and licenses		<b>162,320,458</b>	115,227,877	707,510
Credit card charges		<b>149,839,772</b>	99,176,655	-
Depreciation and amortization	10	<b>104,325,305</b>	62,714,607	-
Advertising and promotions		<b>100,806,258</b>	42,734,794	-
Supplies		<b>86,810,376</b>	35,583,411	-
Repairs and maintenance		<b>56,257,962</b>	33,054,848	-
Postage, telephone and telegraph		<b>27,983,000</b>	17,971,279	-
Donations and contributions		<b>22,600,054</b>	5,604,997	-
Professional fees		<b>17,841,741</b>	5,573,013	50,000
Transportation and travel		<b>17,309,280</b>	6,642,676	-
Others		<b>30,636,931</b>	8,868,803	-
		<b>₱3,595,688,634</b>	₱2,286,996,656	₱757,510

## 18. Other Income

Details of this account are as follow:

	Note	2017	2016
Interest	5	<b>₱115,788,780</b>	₱668,432
Rent	21	<b>17,311,963</b>	5,768,648
Others		<b>52,245,073</b>	27,226,012
		<b>₱185,345,816</b>	₱33,663,092

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 in 2017 and 2016 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 Bureau of Internal Revenue (BIR) on December 17, 2015.



The reconciliation between income tax expense (benefit) at statutory tax rate and income tax expense (benefit) presented in the statements of comprehensive income is as follows:

	2017	2016	2015
Income tax expense (benefit) at statutory rate	<b>₱550,132,743</b>	₱304,607,193	(₱227,253)
Income tax effects of:			
Offer expenses	<b>(80,198,460)</b>	(1,876,945)	-
Interest income already subjected to final tax	<b>(34,736,634)</b>	(200,530)	-
Nondeductible interest expense	<b>6,538,053</b>	82,718	-
Effect of net assets transferred	-	(174,032,434)	-
Derecognition of deferred tax assets resulting from retirement plan assets transferred	<b>6,625,255</b>	-	-
	<b>₱448,360,957</b>	₱128,580,002	(₱227,253)

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

	2017	2016
Deferred tax assets:		
Retirement liability	<b>₱39,760,713</b>	₱124,371,476
Allowance for inventory write down and losses	<b>39,247,964</b>	30,495,428
Allowance for impairment of refundable cash bonds	<b>25,022,980</b>	25,022,980
Accrued rent on straight-line basis	<b>12,043,496</b>	1,822,779
Unearned revenue from loyalty program	<b>11,817,498</b>	8,227,996
Allowance for impairment losses on receivables	<b>11,214,638</b>	13,750,313
	<b>139,107,289</b>	203,690,972
Deferred tax liabilities:		
Advance rentals	<b>(23,324,851)</b>	(19,429,200)
Unrealized foreign exchange gain	<b>(1,097)</b>	-
	<b>(23,325,948)</b>	(19,429,200)
	<b>₱115,781,341</b>	₱184,261,772

The presentation of net deferred tax assets (liabilities) are as follows:

	2017	2016
Through profit or loss	<b>₱191,288,896</b>	₱180,130,204
Through other comprehensive income	<b>(75,507,555)</b>	4,131,568
	<b>₱115,781,341</b>	₱184,261,772

NOLCO incurred in 2015 amounting to ₱757,510 was applied in 2016.

## 20. 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	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2017	<b>₱9,262,833</b>	<b>₱468,272,214</b>	<b>₱108,366,402</b>	<b>₱72,847,581</b>
	2016	4,420,288	624,060,359	98,645,537	880,002,141
Entities under Common Control*	2017	<b>27,553,319</b>	<b>977,712,798</b>	<b>108,298,232</b>	<b>96,290,971</b>
	2016	26,337,166	1,582,156,363	104,001,060	115,439,516
Stockholder	2017	<b>1,776,012</b>	<b>14,347,525</b>	<b>633,515</b>	-
	2016	-	10,939,839	1,221,000	10,939,839
	2017	<b>₱38,592,164</b>	<b>₱1,460,332,537</b>	<b>₱217,298,149</b>	<b>₱169,138,552</b>
	2016	<b>30,757,454</b>	<b>2,217,156,561</b>	<b>203,867,597</b>	<b>1,006,381,496</b>

Amounts owed by related parties consist mainly of trade and other receivables amounting ₱93.3 million and ₱100.1 million as at December 31, 2017 and 2016, respectively, (see Note 7) and security deposits and advance rental (included as part of "Other noncurrent assets" account) aggregating ₱124.0 million and ₱103.7 million as at December 31, 2017 and 2016, respectively (see Note 11). No impairment loss was recognized on trade and other receivables and security deposits in 2017 and 2016.

Amounts owed to related parties consist of trade and other payables aggregating ₱169.1 million and ₱1,006.4 million as at December 31, 2017 and 2016, respectively (see Note 14).

The following are the significant related party transactions of the Company:

- a. Transfer of Trading Business including assets, liabilities and employees from the Parent Company in 2016 (see Notes 1, 4 and 16). The Parent Company transferred retirement plan assets amounting to ₱22.1 million in 2017 (see Note 15).
- b. 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 (see Note 21).

Purchases of goods and services from related parties aggregated ₱757.2 million and ₱1,577.7 million in 2017 and 2016, respectively. Purchase rebates granted by related parties amounted to ₱124.5 million and ₱50.5 million in 2017 and 2016, respectively.

Sale of goods and services to related parties aggregated ₱38.6 million and ₱30.8 million in 2017 and 2016, respectively.

- c. Cash advances for working capital requirement and reimbursement of certain expenses mainly pertaining to power and electricity, water, postage, telephone and telegraph. Reimbursable of certain expenses from related parties amounted to ₱65.3 million and ₱250.3 million in 2017 and 2016, respectively.

- d. 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 15 years (see Note 21). Rental expenses from related parties amounted to ₱637.8 million and ₱389.2 million in 2017 and 2016, respectively.
- e. Certain loans of the Company are collateralized by investment properties and property and equipment owned by the Parent Company aggregating ₱1,149.3 million and ₱1,517.0 million as at December 31, 2017 and 2016, respectively.

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

	2017	2016
Short-term employee benefits	₱47,849,537	₱28,963,361
Retirement benefits	3,077,046	2,079,114
	<b>₱50,926,583</b>	<b>₱31,042,475</b>

## 21. Commitments and Contingencies

### Lease Agreements

#### *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 15 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

Security deposits and advance rentals aggregated to ₱189.9 million and ₱161.3 million as at December 31, 2017 and 2016, respectively (see Note 11). Accrued rent as at December 31, 2017 and 2016 amounted to ₱49.4 million and ₱42.7 million, respectively (see Note 14).

Rent expense amounted to ₱780.7 million and ₱502.1 million in 2017 and 2016, respectively (see Note 17).

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

Within one year	₱774,251,249
After one year but not more than five years	759,035,536
More than five years	731,410,419
	<b>₱2,264,697,204</b>

#### *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 ₱17.3 million and ₱5.8 million in 2017 and 2016, respectively (see Note 18). Rental receivables amounted to ₱2.9 million and ₱1.6 million as at December 31, 2017 and 2016, respectively (see Note 7).

Agreement with Importing Suppliers

Purchases from certain importing suppliers are subject to rebates based on certain percentage of sales from goods purchased. Rebates from importing suppliers amounted to ₱904.0 million and ₱445.6 million in 2017 and 2016, respectively.

Contingencies

The Company is a party to a certain lawsuits or claims from the normal course of business. The Company and its legal counsel believe that any eventual liabilities under these lawsuits or claims will not have a material effect on the financial statements.

Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2017 and 2016.

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**22. Earnings per Share**

Basic and dilutive earnings per share were computed as follows:

	2017	2016	2015
Net income (loss)	<b>₱1,385,414,852</b>	<b>₱886,777,308</b>	<b>(₱530,257)</b>
Divided by the weighted average number of outstanding shares	<b>3,751,247,566</b>	<b>2,041,863,437</b>	<b>50,000,000</b>
	<b>₱0.37</b>	<b>₱0.43</b>	<b>(₱0.01)</b>

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**23. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers) and payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), AFS financial asset, security, electricity and container deposits, refundable cash bonds and short-term and long-term debts.

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 a risk that the Company will incur a loss when a counterparty fails to discharge its contractual obligations. Financial assets are monitored on an on-going basis to minimize Company exposure to possible losses.

Maximum credit risk is equal to the gross amount of these instruments as follows:

	2017	2016
Cash in banks and cash equivalents	P3,009,360,558	P631,742,244
Short-term investments	600,580,715	-
Trade and other receivables*	432,581,462	454,631,646
Container deposits	8,037,715	9,034,191
AFS financial asset	2,996,946,620	-
Security deposits	112,191,181	96,570,786
Electricity deposits	36,938,404	16,802,346
Refundable cash bonds	83,409,934	83,409,934
	<b>P7,280,046,589</b>	<b>P1,292,191,147</b>

\* Excluding advances to suppliers amounting to P156.8 million and P13.8 million as at December 31, 2017 and 2016, respectively.

The Company does not have major concentration of credit risk.

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

	2017				Total
	Neither Past	Past Due but not Impaired		Past Due and	
	Due Nor Impaired	Less than One Year	One Year and Over	Impaired	
Cash in banks and cash equivalents	P3,009,360,558	P-	P-	P-	P3,009,360,558
Short-term investments	600,580,715	-	-	-	600,580,715
Trade and other receivables*	184,264,615	103,964,270	106,970,451	37,382,126	432,581,462
Container deposits	8,037,715	-	-	-	8,037,715
AFS financial asset	2,996,946,620	-	-	-	2,996,946,620
Security deposits	112,191,181	-	-	-	112,191,181
Electricity deposits	36,938,404	-	-	-	36,938,404
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	<b>P6,948,319,808</b>	<b>P103,964,270</b>	<b>P106,970,451</b>	<b>P120,792,060</b>	<b>P7,280,046,589</b>

\* Excluding advances to suppliers amounting to P156.8 million.

	2016				Total
	Neither Past	Past Due but not Impaired		Past Due and	
	Due Nor Impaired	Less than One Year	One Year and Over	Impaired	
Cash in banks	P631,742,244	P-	P-	P-	P631,742,244
Trade and other receivables*	113,825,823	191,623,004	103,348,441	45,834,378	454,631,646
Container deposits	9,034,191	-	-	-	9,034,191
Security deposits	96,570,786	-	-	-	96,570,786
Electricity deposits	16,802,346	-	-	-	16,802,346
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	<b>P867,975,390</b>	<b>P191,623,004</b>	<b>P103,348,441</b>	<b>P129,244,312</b>	<b>P1,292,191,147</b>

\* Excluding advances to suppliers amounting to P13.8 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.

	2017			Total
	High Grade	Standard Grade	Substandard Grade	
Cash in banks and cash equivalents	P3,009,360,558	P-	P-	P3,009,360,558
Short-term investments	600,580,715	-	-	600,580,715
Trade and other receivables*	-	184,264,615	-	184,264,615
Container deposits	-	-	8,037,715	8,037,715
AFS financial asset	2,996,946,620	-	-	2,996,946,620
Security deposits	-	112,191,181	-	112,191,181
Electricity deposits	-	36,938,404	-	36,938,404
	<b>P6,606,887,893</b>	<b>P333,394,200</b>	<b>P8,037,715</b>	<b>P6,948,319,808</b>

\*Excluding advances to suppliers amounting to P156.8 million.

	2016			Total
	High Grade	Standard Grade	Substandard Grade	
Cash in banks	P631,742,244	P-	P-	P631,742,244
Trade and other receivables	-	113,825,823	-	113,825,823
Container deposits	-	-	9,034,191	9,034,191
Security deposits*	-	96,570,786	-	96,570,786
Electricity deposits	-	16,802,346	-	16,802,346
	<b>P631,742,244</b>	<b>P227,198,955</b>	<b>P9,034,191</b>	<b>P867,975,390</b>

\* Excluding advances to suppliers amounting to P13.8 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.

	2017				Total
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	
Long-term debt	P-	P55,000,000	P100,000,000	P248,461,539	P403,461,539
Trade and other payables*	-	3,221,247,380	180,915,694	-	3,402,163,074
	<b>P-</b>	<b>P3,276,247,380</b>	<b>P280,915,694</b>	<b>P248,461,539</b>	<b>P3,805,624,613</b>

\* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to P89.1 million.

	2016				Total
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	
Short-term debt	P-	P445,000,000	P-	P-	P445,000,000
Long-term debt	20,000,000	64,615,385	193,846,154	649,358,974	927,820,513
Trade and other payables*	-	3,531,315,097	28,541,373	-	3,559,856,470
	<b>P20,000,000</b>	<b>P4,040,930,482</b>	<b>P222,387,527</b>	<b>P649,358,974</b>	<b>P4,932,676,983</b>

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

As at December 31, 2017 and 2016, Company's cash and cash equivalents aggregate ₱3,016.8 million and ₱638.1 million, respectively. The Company's cash and cash equivalents resulting from the net cash flows from operating and financing activities are sufficient to cover payments due on 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
<b>2017</b>	<b>0.13%</b> <b>(0.13%)</b>	<b>(₱11,917)</b> <b>11,917</b>
<b>2016</b>	<b>0.30%</b> <b>(0.30%)</b>	<b>(106,519)</b> <b>106,519</b>

#### **Capital Management**

The Company monitors its debt-to-equity ratio.

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 debt-to-equity ratio is as follows:

	<b>2017</b>	<b>2016</b>
Total debt	<b>₱4,106,197,280</b>	<b>₱5,561,166,365</b>
Total equity	<b>11,918,255,362</b>	<b>3,582,424,642</b>
Debt-to-equity	<b>0.34:1</b>	<b>1.55:1</b>

Equity includes capital stock, additional paid-in capital, other comprehensive income (loss) and retained earnings (deficit).

## 24. Fair Value of Financial Instruments

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

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	₱3,016,815,150	₱3,016,815,150	₱638,072,093	₱638,072,093
Short-term investments	600,580,715	600,580,715	-	-
Trade and other receivables*	395,199,336	395,199,336	408,797,268	408,797,268
Container deposits	8,037,715	8,037,715	9,034,191	9,034,191
AFS financial assets	2,996,946,620	2,996,946,620	-	-
Security deposits	112,191,181	99,545,254	96,570,786	85,685,553
Electricity deposits	36,938,404	36,938,404	16,802,346	16,802,346
	<b>₱7,166,709,121</b>	<b>₱7,154,063,194</b>	<b>₱1,169,276,684</b>	<b>₱1,158,391,451</b>
<b>Financial Liabilities</b>				
Short-term debt	₱-	₱-	₱445,000,000	₱445,000,000
Trade and other payables**	3,402,163,074	3,402,163,074	3,559,856,470	3,559,856,470
Long-term debt	403,461,539	403,461,539	927,820,513	927,820,513
	<b>₱3,805,624,613</b>	<b>₱3,805,624,613</b>	<b>₱4,932,676,983</b>	<b>₱4,932,676,983</b>

\* Excluding advances to suppliers amounting to ₱156.8 million and ₱13.8 million as at December 31, 2017 and 2016, respectively.

\*\* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱89.1 million and ₱59.8 million as at December 31, 2017 and, 2016, respectively.

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

*Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, Short-term Debt and Trade and Other Payables.* The carrying amounts of cash and cash equivalents, short-term investments, trade and other receivables, container deposits, short-term debt, and trade and other payables approximate fair values primarily due to the relatively short-term maturity of these financial instruments. Container deposits are under Level 2 of the fair value measurements hierarchy for financial instruments.

*Electricity Deposits.* Management estimates that the carrying amount of the electricity deposits approximate their fair values. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

*Security Deposits.* Fair values of security deposits are based on the present value of expected future cash flows. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

*AFS Financial Asset.* The fair value of the AFS financial asset which represents investment in retail treasury bond is estimated by reference to quoted bid price in an active market at the end of the reporting period and is categorized as Level 2.

*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.





**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2017, on which we have rendered our report dated April 11, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 12 stockholders owning 100 or more shares.

**REYES TACANDONG & Co.**

**HAYDEE M. REYES**

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-3 Group A  
Valid until August 30, 2020

BIR Accreditation No. 08-005144-006-2017  
Valid until January 13, 2020

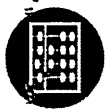
PTR No. 6607959

Issued January 3, 2018, Makati City

April 11, 2018

Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT AND WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statement of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2017, and have issued our report dated April 11, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2017 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-3 Group A

Valid until August 30, 2020

BIR Accreditation No. 08-005144-006-2017

Valid until January 13, 2020

PTR No. 6607959

Issued January 3, 2018, Makati City

April 11, 2018

Makati City, Metro Manila



**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)**

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Retained earnings at beginning of year as shown in the financial statements	₱886,247,051
Net income during the year closed to retained earnings	1,385,414,852
Deferred tax assets related to temporary differences that flow through profit or loss	(191,288,896)

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**Retained earnings as at end of year available for dividend declaration** **₱2,080,373,007**

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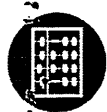
**Reconciliation**

Retained earnings at end of year as shown in the financial statements	₱2,271,661,903
Deferred tax assets related to temporary differences that flow through profit or loss	(191,288,896)

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**Retained earnings as at end of year available for dividend declaration** **₱2,080,373,007**

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**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT AND WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statement of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the years ended December 31, 2017 and 2016, and have issued our report dated April 11, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules listed in the Index to Financial Statements, Supplementary Schedules on Financial Soundness, Supplementary Schedules on Corporate Structure and Supplementary Schedule of Application of Proceeds are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-3 Group A

Valid until August 30, 2020

BIR Accreditation No. 08-005144-6-2017

Valid until January 13, 2020

PTR No. 6607959

Issued January 3, 2018, Makati City

April 11, 2018

Makati City, Metro Manila



**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)**

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**Index to Financial Statements**  
**As at and For the Year Ended December 31, 2017**

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C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	N/A
D	Intangible Assets - Other Assets	3
E	Long-term Debt	4
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5

N/A - Not applicable

SCHEDULE A

**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)**

**FINANCIAL ASSETS**

**DECEMBER 31, 2017**

*Amounts in Thousands*

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>Cash in Banks</b>			
Metropolitan Bank and Trust Companies (MBTC)	–	₱299,860	₱1,402
Banco de Oro (BDO)	–	292,959	542
Rizal Commercial Banking Corporation (RCBC)	–	115,455	246
China Banking Corporation (CBC)	–	57,206	49
Philippine National Bank (PNB)	–	40,273	35
Asia United Bank (AUB)	–	39,829	44
Bank of the Philippine Island (BPI)	–	33,779	131
		<b>879,361</b>	<b>2,449</b>
<b>Cash Equivalents</b>	–	<b>2,130,000</b>	<b>31,892</b>
<b>Short-term Investments</b>	–	<b>600,581</b>	<b>3,881</b>
<b>Trade and Other Receivables</b>			
Trade receivables	–	334,338	–
Rental receivables	–	20,730	–
Others	–	40,131	–
		<b>395,199</b>	
<b>AFS Financial Asset</b>	–	<b>2,996,946</b>	<b>77,567</b>
<b>Others</b>	–	<b>157,167</b>	–
		<b>₱7,159,254</b>	<b>₱115,789</b>

**SCHEDULE B**

**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)**

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**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PFINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

DECEMBER 31, 2017

*Amounts in Thousands*

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Non-current	Balance at End of Year
Advances to officers and employees	P1,716	P9,019	(P5,828)	P-	P4,907	P-	P4,907

**SCHEDULE D**

**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)**

**INTANGIBLE ASSETS - OTHER NONCURRENT ASSETS**

**DECEMBER 31, 2017**

*Amounts in Thousands*

Description	Balance at Beginning of Year	Additions at Cost	Charged to		Other Changes Additions (Deductions)	Balance at End of Year
			Cost and Expenses	Other Accounts		
Computer software	₱10,555	₱30,466	(₱3,218)	₱-	₱-	₱37,803



**SCHEDULE E**

**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)**

**LONG-TERM DEBT**  
**DECEMBER 31, 2017**  
*Amounts in Thousands*

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related Statement of Financial Position	Amount shown under Caption of "Long-term debt - net of current portion" in related Statement of Financial Position
<b>Secured promissory notes:</b>			
Metropolitan Bank and Trust Companies	P198,462	P-	P198,461
Bank of the Philippine Islands	500,000	-	-
Rizal Commercial Banking Corporation	320,000	100,000	-
Banco de Oro Unibank, Inc.	210,000	-	25,000
Banco de Oro Unibank, Inc.	170,000	-	25,000
Allied Banking Corporation	100,000	55,000	-
	<b>P1,498,462</b>	<b>P155,000</b>	<b>P248,461</b>

**SCHEDULE H**

**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)**

**CAPITAL STOCK**  
**DECEMBER 31, 2017**

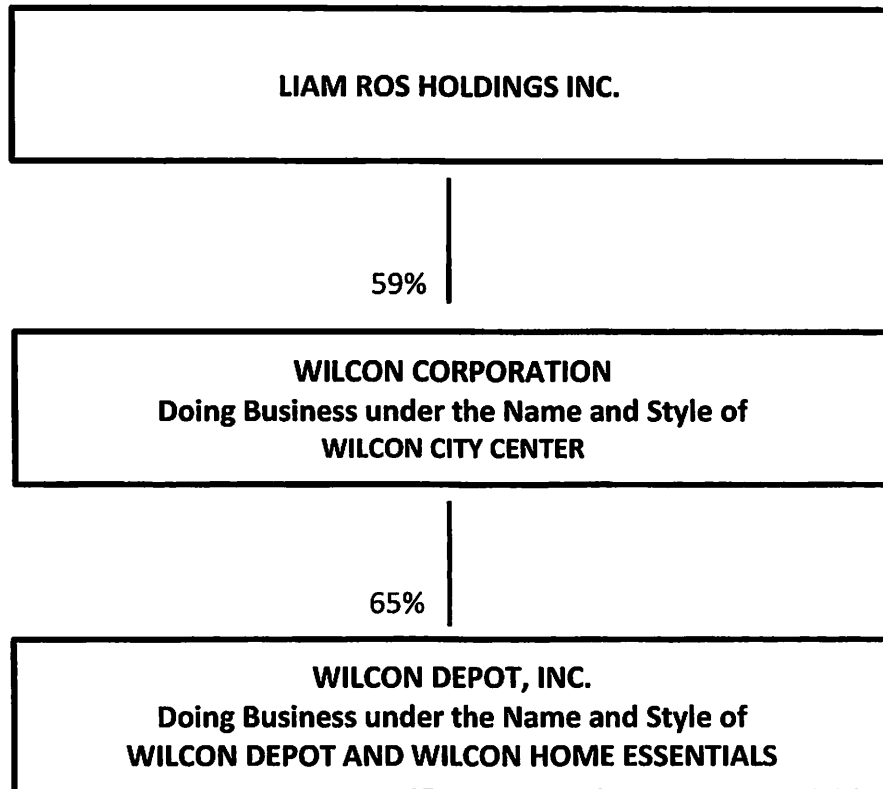
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion, and other Rights	Number of Shares held by		
				Related Parties	Directors and Officers	Others
Common shares - at \$1 par value	5,000,000,000	4,099,724,116	-	2,680,317,916	27,164,200	1,392,242,000

**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)**

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**CORPORATE STRUCTURE**

**DECEMBER 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)**

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**SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS**  
**AS AT DECEMBER 31, 2017**

	Estimated	Actual	Balance
<b>Gross Proceeds</b>	<b>₱7,039,226,310</b>	<b>₱7,039,226,310</b>	<b>₱-</b>
<b>Offer Expenses</b>	<b>(289,132,001)</b>	<b>(289,897,803)</b>	<b>(9,478,507)</b>
<b>Net Proceeds</b>	<b>₱6,750,094,309</b>	<b>₱6,749,328,507</b>	<b>(₱9,478,507)</b>

The actual offer expenses are less than the estimated amount. Accordingly, the Company allocated the proceeds amounting to ₱9.5 million to store network expansion based on the Prospectus.

The details of the estimated and actual application of the proceeds are as follow:

	Estimated	Actual	Over (Under)
<b>Gross Proceeds</b>	<b>₱7,039,226,310</b>	<b>₱7,039,226,310</b>	<b>₱-</b>
<b>Use of the Proceeds</b>			
Debt repayment	(428,100,000)	(428,100,000)	-
General corporate purposes	(200,000,000)	(200,000,000)	-
Store network expansion	(6,121,994,309)	(509,691,585)	(5,612,302,724)
	<b>(6,750,094,309)</b>	<b>(1,137,791,585)</b>	<b>(5,612,302,724)</b>
<b>Offer Expenses</b>	<b>(289,132,001)</b>	<b>(289,897,803)</b>	<b>765,802</b>
<b>Unapplied Proceeds</b>	<b>₱-</b>	<b>₱5,611,536,922</b>	<b>(₱5,611,536,922)</b>

**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)**

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**FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

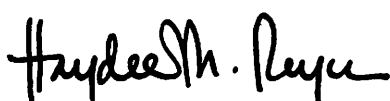
	<b>2017</b>	<b>2016</b>
<b>Liquidity Ratio</b>		
Current ratio	<b>3.15:1</b>	<b>1.87:1</b>
Quick ratio	<b>1.12:1</b>	<b>0.24:1</b>
<b>Solvency Ratio</b>		
Debt to equity ratio	<b>0.34:1</b>	<b>1.55:1</b>
<b>Profitability Ratio</b>		
Return on assets	<b>8.65%</b>	<b>9.70%</b>
Return on equity	<b>11.62%</b>	<b>24.75%</b>
Book value per share	<b>₱2.91</b>	<b>₱1.32</b>
Gross margin	<b>29.67%</b>	<b>26.82%</b>
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	<b>11.04%</b>	<b>9.01%</b>
Net income margin	<b>7.81%</b>	<b>7.21%</b>

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing the accompanying financial statement of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2017, and have issued our report dated April 11, 2018. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the management of the Company. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

**REYES TACANDONG & Co.**



**HAYDEE M. REYES**

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

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Issued January 3, 2018, Makati City

April 11, 2018

Makati City, Metro Manila



**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 ADOPTION OF**  
**EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS**  
**DECEMBER 31, 2017**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
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			✓

<b>PFRS</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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			✓



PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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	✓		
	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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	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 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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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			✓

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
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**

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
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			✓

# EXHIBIT 2

C02913-2017

## SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-C

### CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)  
May 10, 2017
2. SEC Identification Number  
CS20154712
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  
QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
  
7. Address of principal office  
90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY  
Postal Code  
1110
8. Issuer's telephone number, including area code  
(02) 634-8387
9. Former name or former address, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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. Indicate the item numbers reported herein  
-

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





**Wilcon Depot, Inc.**  
**WLCON**

**PSE Disclosure Form 4-30 - Material Information/Transactions**  
*References: SRC Rule 17 (SEC Form 17-C) and  
Sections 4.1 and 4.4 of the Revised Disclosure Rules*

**Subject of the Disclosure**

Results of Board Meeting of Wilcon Depot, Inc. held on May 10, 2017.

**Background/Description of the Disclosure**

The Board has approved the following items today:

1. The results of the operations for the quarterly period ending March 31, 2017. The quarterly report will be released on or before 15 May 2017.
2. The Board fixed the date of the Annual Meeting of the Stockholders of the Corporation on 19 June 2017. The Board also fixed May 25 2017 as the Record Date for stockholders entitled to vote in said meeting and authorized closing of the stock and transfer books from 25 May 2017 to 19 June 2017.

Further details of the stockholders meeting will be provided in the Information Statement.

**Other Relevant Information**

None

**Filed on behalf by:**

<b>Name</b>	LORRAINE CINCOCHAN
<b>Designation</b>	PRESIDENT & CEO



# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-C

### CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)  
May 22, 2017
2. SEC 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  
QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
90 E. RODRIGUEZ JR. AVE, UGONG NORTE, QUEZON CITY  
Postal Code  
1110
8. Issuer's telephone number, including area code  
(02) 634 8387
9. Former name or former address, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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. Indicate the item numbers reported herein  
-

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





**Wilcon Depot, Inc.**  
**WLCON**

**PSE Disclosure Form 4-30 - Material Information/Transactions**  
*References: SRC Rule 17 (SEC Form 17-C) and  
Sections 4.1 and 4.4 of the Revised Disclosure Rules*

**Subject of the Disclosure**

Matters approved by the board in its special board meeting held on 22 May 2017

**Background/Description of the Disclosure**

The Board approved the following matters:

1. Resignation and acceptance of resignation of William T. Belo as Director and Chairman and Rosemarie B. Ong as director of the Corporation
2. Election of Bertram B. Lim and Delfin L. Warren as new independent directors of the Corporation
3. Amendment to the by laws to create the position of chairman emeritus and the composition of the committees as may be subsequently required by law.
4. Appointment of William T. Belo as Chairman Emeritus
5. Creation of an advisory board and appointment of William T. Belo, Rosy C. Belo and Rosemarie B. Ong as initial members thereto
6. Approval of the Revised Manual on Corporate Governance to be finalized and submitted on or before 31 May 2017.
7. Pursuant to the Code of Corporate Governance for Publicly-Listed Companies, the Related Party Transaction Committee and Risk Oversight Committee shall be under the Audit Committee while the Nomination Committee and Compensation Committee shall be under the Corporate Governance Committee with the following members:

#### AUDIT COMMITTEE

Names Position

Ricardo S. Pascua Chairperson

Rolando S. Narciso Member

Bertram B. Lim Member

#### CORPORATE GOVERNANCE COMMITTEE

Names Position

Rolando S. Narciso Chairperson

Ricardo S. Pascua Member

Delfin L. Warren Member

Finally, the amendment to the composition of the Executive Committee:

#### EXECUTIVE COMMITTEE

Names Position

Bertram B. Lim Chairperson

Lorraine Belo-Cincochan Vice Chairman

Mark Andrew Y. Belo Member

Careen Y. Belo Member

Delfin L. Warren Member

8. Approval of the revised stockholders' meeting agenda:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 30 March 2016.
4. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2016.
5. Ratification of all acts of the Board of Directors during the preceding year.
6. Amendment of By-Laws
7. Election of Board of Directors
8. Election of External Auditor
9. Consideration of such other matters as may properly come before the meeting.
10. Adjournment

#### Other Relevant Information

Please see attached notices of disclosure. The meeting was adjourned at 7:00 pm.

Filed on behalf by:

Name

LORRAINE CINCOCHAN

Designation

PRESIDENT & CEO

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-C

### CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)  
Jun 19, 2017
2. SEC 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  
QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
90 E. RODRIGUEZ JR. AVE, UGONG NORTE QUEZON CITY  
Postal Code  
1110
8. Issuer's telephone number, including area code  
02 6348387
9. Former name or former address, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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. Indicate the item numbers reported herein  
-

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**Wilcon Depot, Inc.**  
**WLCON**

**PSE Disclosure Form 4-24 - Results of Annual or Special Stockholders' Meeting**  
*References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules*

**Subject of the Disclosure**

RESULTS OF ANNUAL STOCKHOLDERS' MEETING

**Background/Description of the Disclosure**

-

**List of elected directors for the ensuing year with their corresponding shareholdings in the Issuer**

Name of Person	Shareholdings in the Listed Company		Nature of Indirect Ownership
	Direct	Indirect	
BERTRAM B. LIM	1	0	-
LORRAINE BELO-CINCOCHAN	5,100,000	0	-
MARK ANDREW Y. BELO	5,100,000	0	-
CAREEN Y. BELO	5,100,000	0	-
RICARDO S. PASCUA	1	0	-
ROLANDO S. NARCISO	1	0	-
DELFIN L. WARREN	1	0	-

**External auditor** REYES TACANDONG & CO.

**List of other material resolutions, transactions and corporate actions approved by the stockholders**

The following were approved by the stockholders:

1. Minutes of the annual stockholders' held on March 30, 2016
2. Annual Report and Audited Financial Statements as of December 31, 2016
3. All acts of the Board during the preceding year.
4. Amendment of By-Laws

**Other Relevant Information**

-

**Filed on behalf by:**

<b>Name</b>	LORRAINE CINCOCHAN
<b>Designation</b>	PRESIDENT & CEO

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-C**

**CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER**

1. Date of Report (Date of earliest event reported)  
Jun 19, 2017
2. SEC 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  
QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
90 E. RODRIGUEZ JR AVE., UGONG NORTE, QUEZON CITY  
Postal Code  
1110
8. Issuer's telephone number, including area code  
(02) 6348387
9. Former name or former address, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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. Indicate the item numbers reported herein  
-

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





**Wilcon Depot, Inc.**  
**WLCON**

**PSE Disclosure Form 4-25 - Results of Organizational Meeting**  
*References: SRC Rule 17 (SEC Form 17-C) and  
Section 4.4 of the Revised Disclosure Rules*

**Subject of the Disclosure**

RESULTS OF THE ORGANIZATIONAL MEETING

**Background/Description of the Disclosure**

-

**List of elected officers for the ensuing year with their corresponding shareholdings in the Issuer**

Name of Person	Position/Designation	Shareholdings in the Listed Company		Nature of Indirect Ownership
		Direct	Indirect	
BERTRAM B. LIM	CHAIRMAN	1	0	-
LORRAINE BELO-CINCOCHAN	PRESIDENT-CEO	5,100,000	0	-
MARK ANDREW Y. BELO	TREASURER-CFO-CIO	5,100,000	0	-
CAREEN Y. BELO	CHIEF PRODUCT OFFICER	5,100,000	0	-
ARTHUR R. PONSARAN	CORPORATE SECRETARY	0	10,000	through broker
SHEILA P. PASICOLAN	ASST. CORPORATE SECRETARY	19,900	0	-
GRACE A. TIONG	COMPLIANCE OFFICER	148,700	0	-
ROSEMARIE B. ONG	SEVP-COO	1,069,401	0	-
WILLIAM T. BELO	CHAIRMAN EMERITUS	5,099,996	0	-

**List of Committees and Membership**

Name of Committees	Members	Position/Designation in Committee
EXECUTIVE COMMITTEE	BERTRAM B. LIM	CHAIRMAN
EXECUTIVE COMMITTEE	LORRAINE BELO-CINCOCHAN	VICE-CHAIRMAN
EXECUTIVE COMMITTEE	MARK ANDREW Y. BELO	MEMBER
EXECUTIVE COMMITTEE	CAREEN Y. BELO	MEMBER
EXECUTIVE COMMITTEE	DELFIN L. WARREN	MEMBER
AUDIT COMMITTEE/RELATED PARTY TRANSACTIONS/BOARD RISK OVERSIGHT COMMITTEE	RICARDO S. PASCUA	CHAIRMAN

AUDIT COMMITTEE/RELATED PARTY TRANSACTIONS/BOARD RISK OVERSIGHT COMMITTEE	ROLANDO S. NARCISO	MEMBER
AUDIT COMMITTEE/RELATED PARTY TRANSACTIONS/BOARD RISK OVERSIGHT COMMITTEE	DELFIN L. WARREN	MEMBER
CORPORATE GOVERNANCE COMMITTEE/NOMINATION COMMITTEE/ REMUNERATION AND COMPENSATION COMMITTEE	ROLANDO S. NARCISO	CHAIRMAN
CORPORATE GOVERNANCE COMMITTEE/NOMINATION COMMITTEE/ REMUNERATION AND COMPENSATION COMMITTEE	DELFIN L. WARREN	MEMBER
CORPORATE GOVERNANCE COMMITTEE/NOMINATION COMMITTEE/ REMUNERATION AND COMPENSATION COMMITTEE	RICARDO S. PASCUA	MEMBER

**List of other material resolutions, transactions and corporate actions approved by the Board of Directors**

THE BOARD APPROVED THE CHARTERS OF EACH COMMITTEE.

**Other Relevant Information**

-Amended no of indirect shares of Arthur R.Ponsaran to 10,000 shares.

**Filed on behalf by:**

<b>Name</b>	LORRAINE CINCOCHAN
<b>Designation</b>	PRESIDENT & CEO