COVER SHEET

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S.E.C Registration No.

W I L C O N   D E P O T   I N C .   D O I N G
B U S I N E S S   U N D E R   T H E ' N A M E
A N D   S T Y L E   O F   W I L C O N   D E P O T
A N D   W I L C O N   H O M E   E S S E N T I A L S

(Company's Full name)

9 0   E.   R O D R I G U E Z   J R.   A V E.
U G O N G   N O R T E   Q U E Z O N   C I T Y

(Principal Office)

Atty. Sheila Pasicolan - Camerino	(02) 634-8387
Contact Person	Tel. No.

1 7 - Q

FORM TYPE

Secondary License, (if applicable type)

M S R D	N/A
Dept. requiring this doc	**Amended Articles number**

155		
Total stockholders	**Domestic**	**Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

WILCON

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

8 August 2019

SECURITIES and EXCHANGE COMMISSION
Pasay City, Philippines

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

Mr. Mike Ferdinand Santos
SEC Examiner

Gentlemen:

For submission is the attached SEC Form 17-Q, results of the operations of the company for the quarterly period ending June 30, 2019.

Thank you.

Very truly yours,

MARK ANDREW Y. BELO
Treasurer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2019

2. Commission identification number CS201524712

3. BIR Tax Identification No 009-192-878

4. Exact name of issuer as specified in its charter

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

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

   QUEZON CITY, PHILIPPINES

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

   NO. 90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY, 1110

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

9. Former name, former address and former fiscal year, if changed since last report: N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

    Yes [√] No [ ]

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

    PHILIPPINES STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited interim financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at June 30, 2019 and December 31, 2018 and for the sixth-month periods ended June 30, 2019 and 2018, are filed as part of this form 17-Q.

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

Results of Operations for the Six Months Ended June 30, 2019

Wilcon Depot, Inc. (WDI or the Company) recorded net income of ₱995 million for the period ended June 30, 2019, up by 8.8% from the ₱914 million reported during the same period in 2018 with net income margins of 8.4% and 9.1%, respectively. The increase was driven by the 17.8% increase in net sales and the improved gross profit margin as a result mainly of the effective implementation of margin-enhancing product mix strategy. The improvement was partly offset by rising operating and non-cash financing expenses brought about by the adoption of the new accounting standard for recognizing operating leases and other expenses necessary to support the store network expansion strategy of the Company.

Net Sales

WDI's net sales for the six-month period ended June 30, 2019 amounted to ₱11,778 million, 17.8% or ₱1,777 million higher than the ₱10,001 million generated during the same period in 2018. The growth was driven by a comparable sales performance of 4.7% for the period and a healthy ₱1,304 million contribution from new stores.

Sales from the depots contributed the majority of total net sales comprising 95.7% or ₱11,277 million, growing by 18.1% or ₱1,724 million from the ₱9,552 million net sales in the first two quarters of 2018. The depots' same store sales grew by 4.5% while the new stores contributed the remaining ₱1,290 million of the total net sales increment.

The smaller format "Home Essentials", recorded net sales of ₱329 million accounting for 2.8% of total net sales. The format grew 8.0% or ₱24 million from the prior year's ₱304 million with a 3.5% same store sales growth. The remaining 1.5% was accounted for by project sales, amounting to ₱173 million, increasing by 19.7% or ₱28 million from the 2018 first half level.

Gross Profit

Gross profit for the period amounted to ₱3,813 million, up 21.9% or ₱685 million from the previous year's balance of ₱3,128 million, resulting in a growth in the blended gross profit margin to 32.4% from the 31.3% recorded in the same period the previous year. The improvement is traceable mainly to the expanding contribution of the higher margin in-house and exclusive products to total net sales, which accounted for 49.0% this period versus 46.4% in the same period in 2018.

Operating Expenses

Operating expenses increased to ₱2,523 million for the period, increasing by 23.7% or ₱484 million from the prior period's ₱2,039 million. The hike is brought about mainly to expansion-related expenses and the adoption of Philippine Financial Reporting Standard (PFRS) 16, *Leases*. Depreciation and amortization recorded the highest increase as a result of the continuous addition of company-owned store buildings and the re-classification of part of rent expense to depreciation and interest expense in compliance with PFRS 16. Consequently, rent expense dropped 39.2% or ₱167 million.

Interest Expense

Interest expense increased to ₱123 million for the period from the prior year's first half by ₱121 million, representing non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company, on January 1, 2019, of PFRS 16.

Other Income (Charges)

Net other income for the period ended June 30, 2019 reached ₱223 million, up 22.6% or ₱41 million from the ₱182 million generated in 2018, ₱84 million of which is due to the interest income earned from placements of the balance of the initial public offering proceeds and cash generated from operations. The remaining ₱140 million are net charges for the lease of billboards, gondola lights, etc. by trade suppliers and their share of various operational and promotional/marketing costs and other non-merchandise sales related income.

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

EBIT as a result increased to ₱1,430 million for an EBIT margin of 12.1% while EBITDA amounted to ₱1,846 million for a margin of 15.7%, increasing from the prior year's ₱1,181 million with 11.8% EBIT margin and ₱1,245 million with 12.4% EBITDA margin, respectively.

It should be noted that ₱235 million of the depreciation and amortization expense and the total interest expense of ₱123 million as at June 30, 2019 are non-cash expenses related to the adoption of PFRS 16 for the treatment of operating leases by the Company.

Income Tax Expense

Income tax increased by 11.7% or ₱42 million to settle at ₱396 million, versus the ₱354 million incurred during the same period last year in view of higher taxable income.

Financial Condition

June 30, 2019 versus December 31, 2018

Assets

Total assets as of June 30, 2019 totaled ₱22,248 million, up by 27.1% or ₱4,745 million from ₱17,502 million balance as at December 31, 2018 due to the recognition of right of use assets (PFRS 16), construction of new stores and additional inventories.

Current assets.

Cash and cash equivalents declined by 41.9% or ₱1,189 million to settle at ₱1,653 million as at June 30, 2019 from the December 31, 2018 balance of ₱2,842 million attributed mainly due to payment of inventory purchases and construction liabilities.

Trade and other receivables closed at ₱456 million as at June 30, 2019, 48.7% or ₱149 million higher than the ₱307 million balance as at December 31, 2018. The increase is mainly due to increase in credit sales.

Merchandise inventories which account for 74.7% of total current assets, hiked by 5.9% or ₱433 million to close at ₱7,764 million at the end of the period, from the December 31, 2018 balance of ₱7,331 million to support the requirements of the new store openings.

Noncurrent assets.

The Company's noncurrent assets climbed by 85.7% or ₱5,469 million to total ₱11,848 million as at end of June 2019 from the December 31, 2018 level of ₱6,379 million in view of the continued construction of new company-owned store buildings and adoption of PFRS 16, which requires lessees to recognize right of use assets and lease liabilities.

Liabilities

Current liabilities.

Current liabilities totaled ₱5,420 million as at the close of the period, increasing by 29.9% or ₱1,249 million from the ₱4,171 million balance as at December 31, 2018. The hike was due mainly to the recognition of current portion of lease liabilities and increased income tax payables, partly offset by payment of trade and other payables.

Noncurrent liabilities.

Noncurrent liabilities totaled ₱3,231 million, significantly higher by 2,627.6% or ₱3,112 million from the December 31, 2018 level of ₱118 million due mainly to the adoption of PFRS 16 which requires lessees to recognize right of use assets and lease liabilities.

Equity

Total equity reached ₱13,596 million as at June 30, 2019, higher by 2.9% or ₱384 million from the ₱13,212 million balance as at December 31, 2018 accounted for by the net income earned during the six-month period and partly offset by the declaration of dividends.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 8, 2019

WILCON DEPOT, INC.

By:

LORRAINE BELO-CINCOCHAN
President - CEO

MARK ANDREW BELO
Treasurer

WILCON DEPOT, INC.

Doing Business under the Name and Style of

WILCON DEPOT and WILCON HOME ESSENTIALS

(A Subsidiary of WILCON CORPORATION

Doing Business under the Name and Style of

WILCON CITY CENTER)

Unaudited Interim Financial Statements

As at June 30, 2019 and December 31, 2018 and

For the Six-Month Periods Ended June 30, 2019 and 2018

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

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2019 AND DECEMBER 31, 2018

	Note	2019 Unaudited	2018 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱1,652,657,219	₱2,842,073,524
Trade and other receivables	7	456,014,518	306,601,219
Merchandise inventories	8	7,763,877,974	7,331,056,540
Other current assets	9	527,076,523	643,670,234
Total Current Assets		10,399,626,234	11,123,401,517
Noncurrent Assets			
Financial asset at fair value through other comprehensive income	6	2,948,870,983	2,906,721,106
Property and equipment	10	3,789,488,441	2,767,160,840
Right-of-use asset	19	4,314,179,606	–
Net deferred tax assets	18	154,640,446	137,519,693
Other noncurrent assets	11	640,771,951	567,378,597
Total Noncurrent Assets		11,847,951,427	6,378,780,236
		₱22,247,577,661	₱17,502,181,753
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	₱3,992,295,829	₱4,001,096,864
Current portion of lease liability	19	1,236,379,767	–
Income tax payable		191,790,033	170,167,805
Total Current Liabilities		5,420,465,629	4,171,264,669
Noncurrent Liabilities			
Long-term debt	13	20,000	20,000
Lease liability - net of current portion	19	3,116,124,860	–
Net retirement liability	14	114,679,856	118,427,835
Total Noncurrent Liabilities		3,230,824,716	118,447,835
Total Liabilities		8,651,290,345	4,289,712,504
Equity			
Capital stock	15	4,099,724,116	4,099,724,116
Additional paid-in capital	15	5,373,738,427	5,373,738,427
Other comprehensive income		128,124,054	82,902,070
Retained earnings		3,994,700,719	3,656,104,636
Total Equity		13,596,287,316	13,212,469,249
		₱22,247,577,661	₱17,502,181,753

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018
AND FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	2019	2018	2019	2018
NET SALES		**₱11,778,210,886**	₱10,001,157,072	**₱6,044,070,462**	₱5,295,936,556
COST OF SALES	8	**(7,965,217,859)**	(6,872,828,462)	**(4,064,719,529)**	(3,639,703,212)
GROSS INCOME		**3,812,993,027**	3,128,328,610	**1,979,350,933**	1,656,233,344
OPERATING EXPENSES	16	**(2,523,102,550)**	(2,039,461,958)	**(1,326,583,353)**	(1,048,711,677)
INTEREST EXPENSE	13,19	**(122,854,596)**	(2,344,844)	**(69,757,070)**	(707,158)
OTHER INCOME	17	**223,433,397**	182,216,440	**114,356,591**	95,783,542
INCOME BEFORE INCOME TAX		**1,390,469,278**	1,268,738,248	**697,367,101**	702,598,051
INCOME TAX EXPENSE (BENEFIT)	18				
Current		**414,354,707**	351,941,603	**205,955,460**	194,158,286
Deferred		**(18,437,371)**	2,436,907	**(19,508,297)**	3,224,637
		395,917,336	354,378,510	**186,447,163**	197,382,923
NET INCOME		**994,551,942**	914,359,738	**510,919,938**	505,215,128
OTHER COMPREHENSIVE INCOME (LOSS)					
Item to be reclassified to profit or loss -					
Unrealized gain (loss) on fair value changes of financial asset		**42,149,877**	(23,697,109)	**(1,173,735)**	(31,831,740)
Item not to be reclassified to profit or loss -					
Remeasurement gain (loss) on retirement liability, net of deferred income tax	14	**3,072,107**	(3,905,786)	**509,686**	(2,041,083)
		45,221,984	(27,602,895)	**(664,049)**	(33,872,823)
TOTAL COMPREHENSIVE INCOME		**₱1,039,773,926**	₱886,756,843	**₱510,255,889**	₱471,342,305
BASIC AND DILUTIVE EARNINGS PER SHARE	21	**₱0.23**	₱0.22	**₱0.12**	₱0.12

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

		Unaudited	
	Note	2019	2018
CAPITAL STOCK	15	**₱4,099,724,116**	₱4,099,724,116
ADDITIONAL PAID-IN CAPITAL	15	**5,373,738,427**	5,373,738,427
OTHER COMPREHENSIVE INCOME (LOSS)			
Cumulative Remeasurement Gain on Retirement Liability			
Balance at beginning of period		**176,180,964**	176,184,297
Remeasurement gain (loss), net of deferred income tax	14	**3,072,107**	(3,905,786)
Balance at end of period		**179,253,071**	172,278,511
Fair Value Changes on Financial Asset at Fair Value through Other Comprehensive Income			
Balance at beginning of period		**(93,278,894)**	(3,053,380)
Unrealized gain (loss) on fair value changes		**42,149,877**	(23,697,109)
Balance at end of period	6	**(51,129,017)**	(26,750,489)
		128,124,054	145,528,022
RETAINED EARNINGS			
Balance at beginning of period		**3,656,104,636**	2,271,661,903
Cash dividends	15	**(655,955,859)**	(450,969,652)
Net income		**994,551,942**	914,359,738
Balance at end of period		**3,994,700,719**	2,735,051,989
		₱13,596,287,316	₱12,354,042,554

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

		Unaudited	
	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,390,469,278	₱1,268,738,248
Adjustments for:			
Depreciation and amortization	10	416,675,727	63,763,631
Interest expense	13,19	122,854,596	2,344,844
Interest income	5	(83,735,082)	(89,821,388)
Retirement benefits	14	19,096,595	10,610,590
Net provision for impairment losses on receivables		7,673,566	6,114,824
Direct write-off of receivables		–	50,147
Operating income before working capital changes		1,873,034,680	1,261,800,896
Decrease (increase) in:			
Trade and other receivables		(157,222,394)	(209,898,158)
Merchandise inventories		(432,821,434)	(32,994,708)
Other current assets		(43,069,961)	28,587,805
Other noncurrent assets		(25,275,919)	(30,136,295)
Increase in trade and other payables		138,487,556	644,040,995
Net cash generated from operations		1,353,132,528	1,661,400,535
Income tax paid		(375,638,216)	(233,138,047)
Contributions to retirement plan	14	(16,192,264)	(28,816,170)
Interest received from bank deposits		683,371	885,311
Retirement benefits paid	14	(509,939)	(628,050)
Net cash provided by operating activities		961,475,480	1,399,703,579
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	(1,199,534,997)	(842,900,453)
Computer software	11	(11,576,077)	(13,161,619)
Interest received from investments		81,433,594	61,500,622
Increase in advances to contractors		(96,353,314)	–
Proceeds from maturity of short-term investments	6	–	600,580,715
Net cash used in investing activities		(1,226,030,794)	(193,980,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividend	15	(655,955,859)	(450,969,653)
Lease liability	19	(268,904,542)	-
Interest	13	(590)	(2,344,827)
Long-term debt		–	(403,441,539)
Net cash used in financing activities		(924,860,991)	(856,756,019)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,189,416,305)	348,966,825
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5	2,842,073,524	3,016,815,150
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	₱1,652,657,219	₱3,365,781,975

See accompanying Notes to Unaudited Interim Financial Statements.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Corporate Information

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 17, 2015. The Company is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail.

The Company is a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (the Parent Company), a holding company incorporated in the Philippines. The Parent Company is primarily engaged in acquiring and investing stock or securities of government agencies or public or private corporation, and in personal property of all kinds. The ultimate parent company is LIAM ROS HOLDINGS INC., a holding company incorporated in the Philippines.

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 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 of the Company were approved by the SEC on November 15, 2016 (see Note 4).

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

On September 13, 2016, the Company's BOD and stockholders 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.

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 15).

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The 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 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 financial asset at fair value through other comprehensive income (financial asset at FVOCI). 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 6, *Investments*
- Note 23, *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 new and amended PFRS 16, *Leases* effective January 1, 2019.

PFRS 16 replaced PAS 17, *Leases*. Significant change introduced by the new standard is that almost all leases will be brought onto lessee's statement of financial position under a single model, except leases of less than 12 months and leases of low-value assets, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

The Company has adopted PFRS 16, starting January 1, 2019, using the modified retrospective method where the comparative information for the 2018 reporting period has not been restated. The reclassifications and the adjustments arising from the new standard are therefore recognized in the opening statement of financial position on January 1, 2019. Thus, no impact on the retained earnings as of December 31, 2018.

Lease liabilities were recognized in relation to the Company's leases, except for leases where the remaining lease term is less than or equal to 12 months from the date of adoption. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The incremental borrowing rate applied to the lease liabilities ranges from 7.88% to 8.59%, depending on the remaining lease term. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018.

The following table summarized the right-of-use assets and lease liability recognized as at January 1, 2019:

Land	₱2,089,237,267
Land and building	353,703,578
Building	17,477,718
Retail units and office space	48,762,768
Total right-of-use asset	₱2,509,181,331
Current portion of lease liability	637,823,377
Noncurrent lease liability - net of current portion	1,960,400,809
Total lease liabilities	₱2,598,224,186

Financial Instruments

Date of Recognition. The Company recognizes a financial assets or liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument.

Initial Recognition and Measurement. 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). The initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL), includes transaction cost.

"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. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when inputs become observable or when instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing a "Day 1" difference amount.

Financial Assets

In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVPL and (c) financial assets at FVOCI. The classification of financial asset largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets measured at FVPL.

Financial Assets at Amortized Cost. A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held with a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

As at June 30, 2019 and December 31, 2018, cash and cash equivalents, trade and other receivables (excluding 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 under this category.

Cash and Cash Equivalents. Cash and cash equivalents, which include cash on hand, cash in banks, money market placements, are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Asset at FVOCI. Financial asset at FVOCI which pertain to debt instrument, should be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instrument measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these instruments are recognized in other comprehensive income and accumulated in equity. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

As at June 30, 2019 and December 31, 2018, this category includes investment in retail treasury bond.

Impairment. The Company recognizes an allowance for expected credit loss (ECL) for financial assets. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For debt instrument at FVOCI and other financial instruments measured at amortized cost, the ECL is based on the 12-month expected credit loss, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Reclassification. The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the financial asset using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss should be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

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

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

Classification. The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

As at reporting date, the Company does not have financial liabilities measured at FVPL.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at June 30, 2019 and December 31, 2018, the long-term debt, lease liability and trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue) are included in this category.

Derecognition. 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.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

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

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

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Merchandise Inventories
Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete the sale.

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

When the NRV of inventories is lower than the cost, a write-down is recognized as expense at the period in which it occurred. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

<u>Other Current Assets</u>
Other current assets mainly consist of input value-added tax (VAT), deferred input VAT, prepaid expenses, materials and supplies and container deposits.

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

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

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

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

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

Materials and supplies. Materials and supplies are carried at cost and are recognized as expense upon consummation.

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

<u>Property and Equipment</u>
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 year 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:

Asset Type	Number of Years
Buildings and improvements	20 or term of lease, whichever is shorter
Furniture and equipment	5
Leasehold improvements	5 or term of lease, whichever is shorter
Transportation equipment	5

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

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

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

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

Other Noncurrent Assets
Other noncurrent assets comprise of advances to contractors, security deposits, computer software, noncurrent deferred input VAT, electricity deposits, refundable cash bonds and advance rent. Other noncurrent assets, except advances to contractors, advance rent and computer software, qualify as financial assets and are disclosed under financial instruments.

Advances to Contractors. Advances to contractors represent advance payments made in relation to purchase of materials and services for the construction of stores and are carried at cost less any impairment in value. These will be applied against future billings.

Security Deposits. Security deposits represents deposits made in relation to lease agreements entered into by the Company and are carried at cost less any impairment in value. These will be returned at the end of the lease term.

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 development costs, is not capitalized and expenditure is charged against profit or loss in the year 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 in the period when the asset is derecognized.

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

Advance Rent. Advance rent represents advance payments made in relation to the lease agreements entered into by the Company and are carried at cost less any impairment in value. This will be applied at the end of the lease term.

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.

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 issue 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. Other comprehensive income comprises 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 year in accordance with PFRS. Other comprehensive income (loss) includes fair value changes on financial asset at FVOCI and cumulative remeasurement gain (loss) on retirement liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, correction of prior year errors, effects of changes in accounting policy and other capital adjustments.

Dividend Distribution. Dividend distribution to the Company's stockholders is recognized as a liability and deducted from equity in the year in which the dividends are declared as approved by the Company's BOD. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

Revenue Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company assesses the revenue arrangements to determine if it is acting as a principal or as an agent. The Company assessed that it acts as principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized when the control of the goods is transferred to the buyer, which is normally upon delivery or pick up of goods, and measured at the fair value of the consideration received or receivable, net of returns, trade discounts 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.

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

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

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

Cost and Expense Recognition

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

Employee Benefits

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

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

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

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

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

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

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

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

Leases
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 year.

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, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. 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 year.

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 are calculated by dividing the net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

The Company has no dilutive potential common shares.

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

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

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

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

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

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

Events after the Reporting Date

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgment 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 Financial Instruments. The Company exercises judgment in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

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. Until December 31, 2018, the Company accounts for the lease agreements as operating leases. Rent expense amounted to ₱425.1 million and ₱214.0 million for the six-month period and three-month period ended June 30, 2018, respectively (see Note 19).

From January 1, 2019, right-of-use asset and a corresponding lease liability is recognized in relation to the Company's operating leases. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the lease term on a straight-line basis.

Interest expense and amortization expense amounted to ₱122.9 million and ₱234.5 million for the six-month periods ended June 30, 2019, respectively and ₱69.8 and ₱147.1 million for the three-month periods ended June 30, 2019, respectively (see Note 19).

The Company elected not to recognize right-of-use asset and lease liabilities for leases where the lease term is less than or equal to twelve months from the date of adoption. Rent expense in relation to these leases amounted to ₱258.5 million for the six-month period ended June 30, 2019 (see Note 19).

The Company, as a lessor, has existing lease agreements on 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 ₱16.3 million and ₱9.4 million for the six-month periods ended June 30, 2019 and 2018, respectively and ₱7.8 and ₱4.3 million for the three-month periods ended June 30, 2019 and 2018, respectively (see Note 19).

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 are the relevant significant estimates performed by management in preparing the financial statements.

Determining Fair Value of Financial Asset at FVOCI. The Company carries the financial asset at fair value, which requires the 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 other comprehensive income.

Unrealized gain (loss) on fair value changes on financial asset at FVOCI recognized in other comprehensive income amounted to ₱42.1 million and (₱23.7 million) for the six-month periods ended June 31, 2019 and 2018, respectively. The carrying amount of financial asset at FVOCI amounted to ₱2,948.9 million and ₱2,906.7 million as at June 30, 2019 and December 31, 2018, respectively (see Note 6).

Assessing Expected Credit Losses on Trade and Other Receivables. The Company has adopted the simplified approach in measuring ECL, which is based on lifetime expected credit losses, on its trade and other receivables. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net provision for impairment losses on receivables recognized for the six-month periods ended June 30, 2019 and 2018 amounted to ₱7.7 million and ₱6.1 million, respectively and ₱5.8 and (₱0.8 million) for the three-month periods ended June 30, 2019 and 2018, respectively.

The carrying amount of trade and other receivables (excluding advances to suppliers) amounted to ₱ 435.4 million and ₱ 245.8 million as at June 30, 2019 and December 31, 2018, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱ 71.1 million and ₱63.4 million as at June 30, 2019 and December 31, 2018, respectively (see Note 7).

Assessing Estimated Impairment Losses on Other Financial Assets at Amortized Cost. In assessing expected credit losses for other financial assets at amortized cost, the Company uses historical credit loss experience adjusted for forward-looking factors, as appropriate. The Company, except for refundable cash bonds, has no history of actual losses.

No provision for impairment losses on other financial assets at amortized cost were recognized in 2019 and 2018.

The carrying amount of other financial assets at amortized cost follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Security deposits	11	**₱132,818,261**	₱103,587,631
Electricity deposits	11	**45,457,819**	47,818,940
Container deposits	9	**8,010,715**	8,010,715
		₱186,286,795	₱159,417,286

Other financial assets at amortized cost also include refundable cash bonds, amounting to ₱83.4 million, which the Company assessed to be unrecoverable. Accordingly, refundable cash bonds were fully provided with allowance for impairment losses as at June 30, 2019 and December 31, 2018 (see Note 11).

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

Estimates of NRV 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 adequacy of allowance for inventory write-down and losses is reviewed periodically to reflect the accurate valuation in the financial statements.

The carrying value of merchandise inventories amounted to ₱7,763.9 million and ₱7,331.1 million as at June 30, 2019 and December 31, 2018, respectively (see Note 8). Allowance for inventory write-down and losses amounted to ₱130.8 million as at June 30, 2019 and December 31, 2018 (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 years over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The review made in 2019 indicated that the actual useful life of certain buildings and leasehold improvement was shorter than the estimated useful life used for depreciation purposes in the Company's financial statement. As a result, effective January 1, 2019, the Company changed the useful life of certain buildings and leasehold improvement to better reflect the estimated periods during which the asset will be available for use. The estimated useful life of certain buildings and leasehold improvement was changed from 20 to 15 years and from five to three years, respectively. The effect of this change in estimate increased depreciation expense by ₱28.8 million as at June 30, 2019.

There is no change in estimated useful lives of the remaining property and equipment and computer software as at June 30, 2019 and December 31, 2018. The carrying value of depreciable property and equipment and computer software follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Property and equipment*	10	₱2,959,075,925	₱2,383,379,880
Computer software	11	70,181,915	63,531,693
		₱3,029,257,840	₱2,446,911,573

**Excluding construction in progress amounting to ₱830.4 million and ₱383.8 million as at June 30, 2019 and December 31, 2018, respectively.*

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 value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2019 and 2018.

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

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Property and equipment	10	₱3,789,488,441	₱2,767,160,840
Computer software	11	70,181,915	63,531,693
		₱3,859,670,356	₱2,830,692,533

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

Net retirement liability amounted to ₱ 114.7 million and ₱ 118.4 million as at June 30, 2019 and December 31, 2018, respectively (see Note 14).

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

Deferred tax assets (gross) amounted to ₱214.7 million and ₱165.3 million as at June 30, 2019 and December 31, 2018, respectively (see Note 18).

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

Initial Public Offering

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 1 and 15).

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 ₱2,334.9 million and ₱3,573.1 million as at June 30, 2019 and December 31, 2018, respectively, and are maintained in various current and savings accounts, cash equivalents and investment in RTB.

Details are as follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents	5	₱43,227,911	₱573,063,018
Financial asset at FVOCI	6	3,000,000,000	3,000,000,000
Advances from various regular bank accounts		(708,302,010)	–
		₱2,334,925,901	₱3,573,063,018

The unapplied proceeds will be used for the store network expansion project of the Company, which are expected to be completed by 2020.

Transfer of the Trading Business

As discussed in Note 1, the Parent Company transferred its Trading Business to the Company, including the related assets and liabilities amounting to ₱2,655.8 million 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.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	₱15,582,986	₱8,794,295
Cash in banks	836,609,233	777,279,229
Cash equivalents	800,465,000	2,056,000,000
	₱1,652,657,219	₱2,842,073,524

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest ranging from 5.85% to 7.50% and have a maturity of 15 to 90 days.

Details of interest income are as follows:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	**2019**	2018	**2019**	2018
Financial asset at FVOCI	6	**₱56,184,167**	₱48,166,667	**₱28,134,167**	₱25,500,000
Cash and cash equivalents		**27,550,915**	37,896,388	**5,643,593**	19,862,129
Short-term investments	6	**–**	3,758,333	**–**	–
	17	**₱83,735,082**	₱89,821,388	**₱33,777,760**	₱45,362,129

6. Investments

Financial asset at FVOCI

Financial asset at FVOCI represents investment in retail treasury bond, which bears an annual interest of 4.25% and will mature on April 11, 2020. As at June 30, 2019 and December 31, 2018, financial asset at FVOCI amounted to ₱2,948.9 million and ₱2,906.7 million, respectively.

Interest income accrued from financial asset at FVOCI amounted to ₱56.2 million and ₱48.2 million for the six-month periods ended June 30, 2019 and 2018, respectively and ₱28.1 and ₱25.5 million for the three-month periods ended June 30,2019 and 2018, respectively (see Note 5).

Unrealized loss on fair value changes of financial asset at FVOCI amounted to ₱51.1 million and ₱93.3 million as at June 30, 2019 and December 31, 2018, respectively. The fair value measurement for financial asset at FVOCI has been categorized as level 2.

Short-term investments

In March 2018, short-term investments amounting to ₱600.6 million representing money market placements, which bears interest of 2.74% and 2.75%, matured. Interest income earned from short-term investments amounted to ₱3.8 million for the six-month period ended June 30, 2018 (see Note 5).

7. Trade and Other Receivables

Details of this account are as follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade:			
Third parties		**₱369,892,120**	₱234,981,128
Related parties	20	**300,992**	786,933
Advances to suppliers		**20,565,552**	60,763,706
Accrued interest		**28,755,117**	27,137,000
Advances to officers and employees		**8,103,942**	8,508,102
Rent receivables	19	**5,468,831**	3,713,225
Others	20	**94,050,926**	34,160,521
		527,137,480	370,050,615
Allowance for impairment losses		**(71,122,962)**	(63,449,396)
		₱456,014,518	₱306,601,219

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. Advances that will be applied as payments for purchase of materials and services for the constructions of assets to be classified as property, plant and equipment were reclassified to Advances to contractors under other non-current assets. The balances as at December 31, 2018 are reclassified to conform with the 2019 presentation.

Accrued interest pertains to interest receivable on the Company's cash and cash equivalents, short-term investments and financial asset at FVOCI.

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

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

Others mainly pertain to marketing support granted by suppliers and other receivables.

Aging of trade and other receivables are as follows:

Amounts in Millions	As at June 30, 2019 (Unaudited)						
	Total	**Current**	**1 to 30**	**31 to 60**	**61 to 90**	**91 to 120**	**Over 120**
Trade:							
Third parties	₱369.9	₱108.2	₱112.1	₱24.6	₱19.6	₱2.6	₱102.8
Related parties	0.3	0.3	–	–	–	–	–
	370.2	108.5	112.1	24.6	19.6	2.6	102.8
Advances to suppliers	20.6	6.3	10.5	1.3	0.7	0.2	1.6
Accrued interest	28.7	28.7	–	–	–	–	–
Advances to officers and employees	8.1	8.1	–	–	–	–	–
Rental	5.5	0.2	2.5	1.4	0.5	0.2	0.7
Others	94.0	50.7	5.7	8.0	5.2	2.5	21.9
	527.1	202.5	130.8	35.3	26.0	5.5	127.0
Allowance for impairment losses	(71.1)	–	–	–	–	–	(71.1)
	₱456.0	₱202.5	₱130.8	₱35.3	₱26.0	₱5.5	₱55.9

Amounts in Millions	As at December 31, 2018 (Audited)						
	Total	Current	1 to 30	31 to 60	61 to 90	91 to 120	Over 120
Trade:							
Third parties	₱235.0	₱61.2	₱53.3	₱22.2	₱21.1	₱2.5	₱74.7
Related parties	0.8	0.2	0.2	–	–	0.1	0.3
	235.8	61.4	53.5	22.2	21.1	2.6	75.0
Advances to suppliers	60.8	60.8	–	–	–	–	–
Accrued interest	27.1	27.1	–	–	–	–	–
Advances to officers and employees	8.5	8.5	–	–	–	–	–
Rental	3.7	0.2	1.5	1.6	0.3	0.1	–
Others	34.1	1.4	6.2	5.4	1.2	–	19.9
	370.0	159.4	61.2	29.2	22.6	2.7	94.9
Allowance for impairment losses	(63.4)	–	–	–	–	–	(63.4)
	₱306.6	₱159.4	₱61.2	₱29.2	₱22.6	₱2.7	₱31.5

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	₱63,449,396	₱37,382,126
Provision	7,673,566	30,505,826
Reversal	–	(4,251,291)
Write-off	–	(187,265)
Balance at end of period	₱71,122,962	₱63,449,396

8. Merchandise Inventories

Merchandise inventories are stated at cost and NRV. Details are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
At cost	₱7,654,213,712	₱7,019,261,107
At NRV	109,664,262	311,795,433
	₱7,763,877,974	₱7,331,056,540

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

The cost of merchandise inventories stated at NRV amounted to ₱240.5 million and ₱442.6 million as at June 30, 2019 and December 31, 2018, respectively.

Allowance for inventory write-down and losses amounted to ₱130.8 million as at June 30, 2019 and December 31, 2018.

Inventories charged to cost of sales amounted to ₱7,965.2 million and ₱6,872.8 million for the six-month periods ended June 30, 2019 and 2018 respectively and ₱4,064.7 and ₱3,639.7 million for the three-month periods ended June 30, 2019 and 2018, respectively, including provision for inventory write-down and losses.

9. Other Current Assets

Details of this account are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Input VAT	₱131,831,969	₱240,316,969
Current deferred input VAT	234,589,138	175,886,317
Prepaid expenses	86,347,761	115,623,344
Materials and supplies	66,296,940	103,832,889
Container deposits	8,010,715	8,010,715
	₱527,076,523	₱643,670,234

Deferred input VAT pertains to unamortized portion of input VAT on property and equipment and on accrued purchases.

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

Materials and supplies pertain to consumable construction materials, office supplies and uniforms.

Container deposits pertain to monetary deposits for containers used for imported goods.

10. Property and Equipment

Details and movements of this account are as follows:

	June 30, 2019 (Unaudited)					
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
Cost						
Balance at beginning of period	₱1,843,096,812	₱704,020,176	₱121,409,402	₱36,078,694	₱383,780,960	₱3,088,386,044
Additions	–	180,330,626	1,336,563	4,741,250	1,013,126,558	1,199,534,997
Reclassification	487,870,270	–	78,624,732	–	(566,495,002)	–
Balance at end of period	₱2,330,967,082	884,350,802	201,370,697	40,819,944	830,412,516	4,287,921,041
Accumulated Depreciation and Amortization						
Balance at beginning of period	47,962,174	240,679,234	24,978,726	7,605,070	–	321,225,204
Depreciation and amortization	78,999,387	68,388,627	26,046,049	3,773,333	–	177,207,396
Balance at end of period	126,961,561	309,067,861	51,024,775	11,378,403	–	498,432,600
Carrying Value	₱2,204,005,521	₱575,282,941	₱150,345,922	₱29,441,541	₱830,412,516	₱3,789,488,441

	December 31, 2018 (Audited)					
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱290,356,213	₱460,333,451	₱22,309,192	₱16,873,492	₱233,579,936	₱1,023,452,284
Additions	–	243,686,725	58,823,462	19,205,202	1,744,061,388	2,065,776,777
Reclassification	1,553,583,616	–	40,276,748	–	(1,593,860,364)	–
Disposal	(843,017)	–	–	–	–	(843,017)
Balance at end of year	1,843,096,812	704,020,176	121,409,402	36,078,694	383,780,960	3,088,386,044
Accumulated Depreciation and Amortization						
Balance at beginning of year	10,031,862	140,436,653	10,641,838	2,281,229	–	163,391,582
Depreciation and amortization	38,773,329	100,242,581	14,336,888	5,323,841	–	158,676,639
Disposal	(843,017)	–	–	–	–	(843,017)
Balance at end of year	47,962,174	240,679,234	24,978,726	7,605,070	–	321,225,204
Carrying Value	₱1,795,134,638	₱463,340,942	₱96,430,676	₱28,473,624	₱383,780,960	₱2,767,160,840

Depreciation and amortization are summarized below:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	2019	2018	2019	2018
Property and equipment		₱177,207,396	₱61,008,858	₱88,281,830	₱31,868,483
Right-of-use asset	19	234,542,476	–	147,141,380	–
Computer software	11	4,925,855	2,754,773	2,523,304	1,447,894
	16	₱416,675,727	₱63,763,631	₱237,946,514	₱33,316,377

Construction in progress pertains to costs incurred for constructing new stores in various strategic locations within the Philippines.

11. Other Noncurrent Assets

Details of this account are as follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Advances to contractors		₱340,974,758	₱244,621,444
Security deposits	19	132,818,261	103,587,631
Computer software		70,181,915	63,531,693
Noncurrent deferred input VAT		51,339,198	52,932,787
Electricity deposits		45,457,819	47,818,940
Advance rent	19	–	54,886,102
		₱640,771,951	₱567,378,597

Movements of computer software follow:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost			
Balance at beginning of period		₱73,355,365	₱41,451,017
Additions		11,576,077	31,904,348
Balance at end of period		84,931,442	73,355,365
Accumulated Amortization			
Balance at beginning of period		9,823,672	3,648,330
Amortization	10	4,925,855	6,175,342
Balance at end of period		14,749,527	9,823,672
Carrying Amount		₱70,181,915	₱63,531,693

Advances to suppliers that will be applied as payments for purchase of materials and services for the constructions of assets to be classified as property, plant and equipment were reclassified to Advances to contractors under other non-current assets. The balances as at December 31, 2018 are reclassified to conform with the 2019 presentation. There is no impact on the financial position and financial performance of the Company.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies. These 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 June 30, 2019 and December 31, 2018, the refund of cash bonds is still pending with the BOC. Consequently, this has been fully provided with allowance.

12. Trade and Other Payables

Details of this account are as follows:

	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade	20	**₱3,036,811,304**	₱2,771,114,349
Nontrade	20	**601,428,734**	881,259,470
Advances from customers		**280,261,542**	280,983,544
Others		**73,794,249**	67,739,501
		₱3,992,295,829	₱4,001,096,864

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

Nontrade payables pertain to unpaid advertising and promotions, rent, utilities, construction, transportation and travel, salaries and statutory obligations, which are payable in the succeeding months.

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

Others pertain to unearned revenue on loyalty program and unredeemed gift certificates.

13. Long-term Debt

Long-term debt amounting to ₱20,000 represent loans maturing in August 2021 and bear interest ranging from 2.25% to 5.75% in June 30, 2019 and December 31, 2018.

Interest expense amounted to ₱589 and ₱2.3 million for the six-month periods ended June 30, 2019 and 2018, respectively and ₱300 and ₱707,158 for the three-month periods ended June 30, 2019 and 2018, respectively.

As at June 30, 2019 and December 31, 2018, certain loans are collateralized by the Parent Company's property and equipment and investment properties.

In 2018, the Company paid in advance long-term debt amounting to ₱248.4 million.

14. Retirement Benefits

The Company is a participant of the Wilcon Depot Multiemployer Retirement Plan together with the Parent Company and another 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, 2018.

Details of retirement benefits are as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2019	2018	2019	2018
Current service cost	₱15,912,663	₱5,732,812	₱9,069,694	₱2,719,213
Interest expense	5,380,048	6,738,040	2,340,826	3,459,737
Interest income	(2,196,116)	(1,860,262)	(955,517)	(955,176)
	₱19,096,595	₱10,610,590	₱10,455,003	₱5,223,774

The cumulative remeasurement gain (loss) recognized in other comprehensive income follows:

	June 30, 2019 (Unaudited)		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 18)	Net
Balance at beginning of year	₱251,687,091	(₱75,506,127)	₱176,180,964
Remeasurement gain	4,388,725	(1,316,618)	3,072,107
Balance at end of year	₱256,075,816	(₱76,822,745)	₱179,253,071

	December 31, 2018 (Audited)		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 18)	Net
Balance at beginning of year	₱251,691,852	(₱75,507,555)	₱176,184,297
Remeasurement gain	(4,761)	1,428	(3,333)
Balance at end of year	₱251,687,091	(₱75,506,127)	₱176,180,964

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Present value of the obligation	₱220,896,143	₱200,113,371
Fair value of plan assets	106,216,287	81,685,536
	₱114,679,856	₱118,427,835

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	₱200,113,371	₱183,081,500
Current service cost	15,912,663	16,989,341
Interest expense	5,380,048	10,435,646
Remeasurement gain	–	(8,639,470)
Benefits paid	(509,939)	(1,753,646)
Balance at end of period	₱220,896,143	₱200,113,371

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	₱81,685,536	₱50,545,789
Contributions	16,192,264	37,633,926
Remeasurement gain (loss)	4,388,725	(8,644,231)
Interest income	2,196,116	3,903,698
Benefits paid	1,753,646	(1,753,646)
Balance at end of period	₱106,216,287	₱81,685,536

Details of plan assets are as follows:

Unit investment trust funds	72.07%
Mutual funds	19.59%
Others	8.34%
Balance at end of period	100.00%

The principal actuarial assumptions used to determine the retirement liability as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Discount rate	5.38%	7.53%
Annual salary increase rate	4.00%	4.00%

Sensitivity analysis on retirement liability is as follows:

	Basis Points	Amount
Discount rate	+100	(₱22,478,933)
	-100	27,490,621
Salary rate	+100	28,225,083
	-100	(23,369,424)
Turnover rate	–	40,468,019

As at June 30, 2019, the expected future benefits payments are as follows:

Year	Amount
2019	₱29,985,802
2020	2,284,785
2021	5,661,804
2022	10,288,937
2023	3,712,804
2024 to 2028	56,200,465
	₱108,134,597

15. Equity

Details of capital stock are as follow:

	June 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - at ₱1 a share	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued and outstanding:	**4,099,724,116**	**₱4,099,724,116**	4,099,724,116	₱4,099,724,116

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 1 and 4). The Company incurred transaction costs incidental to the IPO amounting to ₱271.6 million, which was charged against additional paid-in capital and other offer expenses charged to profit or loss amounting to ₱18.3 million. Net additional paid-in capital amounted to ₱5,373.7 million.

On May 9, 2018, the Company's BOD approved the declaration of a regular cash dividend of ₱0.08 per share and a special cash dividend of ₱0.03 per share, or a total of ₱0.11 per share equivalent to ₱451.0 million to stockholders on record date of May 24, 2018 and payment date of June 8, 2018.

On March 6, 2019, the Company's BOD approved the declaration of a regular cash dividend of ₱0.11 per share and a special cash dividend of ₱0.05 per share, or a total of ₱0.16 per share equivalent to ₱656.0 million to stockholders on record date of March 22, 2019 and payment date of April 16, 2019.

16. Operating Expenses

Details of this account are as follows:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	**2019**	2018	**2019**	2018
Outsourced services		**₱442,739,057**	₱352,979,310	**₱232,357,740**	₱181,938,539
Salaries, wages and employee benefits		**455,900,415**	356,039,664	**247,989,156**	203,372,254
Depreciation and amortization	10	**416,675,727**	63,763,631	**237,946,514**	33,316,377
Rent	19	**258,505,128**	425,061,753	**114,266,623**	213,993,898
Trucking services		**266,283,718**	234,216,498	**140,197,529**	93,731,323
Utilities		**249,625,247**	206,730,727	**137,320,241**	113,173,596
Taxes and licenses		**116,953,289**	88,040,318	**60,477,551**	35,670,253
Credit card charges		**95,799,491**	83,003,759	**48,822,439**	42,595,982
Supplies		**51,219,450**	66,128,832	**18,177,203**	40,071,898
Repairs and maintenance		**44,858,778**	45,190,711	**24,256,698**	25,498,435
Advertising and promotions		**43,670,471**	52,266,590	**23,833,045**	35,049,609
Postage, telephone and telegraph		**16,974,823**	14,819,065	**8,121,949**	8,014,789
Donations and contributions		**12,898,419**	6,369,584	**6,659,960**	427,582
Transportation and travel		**11,002,790**	6,989,812	**6,954,975**	3,436,362
Professional fees		**4,049,915**	6,101,917	**1,739,841**	4,008,919
Others		**35,945,832**	31,759,787	**17,461,889**	14,411,861
		₱2,523,102,550	₱2,039,461,958	**₱1,326,583,353**	₱1,048,711,677

Other expenses include director's fee, fuel & oil, net provision for impairment losses on receivables and other operating costs.

17. Other Income

Details of this account are as follow:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	**2019**	2018	**2019**	2018
Interest	5	**₱83,735,082**	₱89,821,388	**₱33,777,760**	₱45,362,129
Rent	19	**16,348,071**	9,387,000	**7,803,071**	4,341,000
Others		**123,350,244**	83,008,052	**72,775,760**	46,080,413
		₱223,433,397	₱182,216,440	**₱114,356,591**	₱95,783,542

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 signages, office supplies, marketing support for new stores from the suppliers and other reimbursable costs.

18. Income Tax

The current income tax expense for the six-month periods ended June 30, 2019 and 2018 represents regular corporate income tax. The Company is subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the BIR on December 17, 2015.

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

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2019	2018	**2019**	2018
Income tax expense at statutory rate	**₱417,140,783**	₱380,621,474	**₱209,210,130**	₱210,779,415
Income tax effects of:				
Interest income already subjected to final tax	**(205,011)**	(265,594)	**(96,763)**	(123,361)
Nontaxable interest income	**(24,915,514)**	(26,680,823)	**(10,036,566)**	(13,485,277)
Nondeductible expenses	**3,897,078**	703,453	**(12,629,638)**	212,146
	₱395,917,336	₱354,378,510	**₱186,447,163**	₱197,382,923

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Deferred tax assets:		
Allowance for inventory write-down and losses	**₱39,247,964**	₱39,247,964
Retirement liability	**34,403,957**	35,528,351
Allowance for impairment of refundable cash bonds	**25,022,980**	25,022,980
Allowance for impairment losses on receivables	**21,393,069**	19,090,999
Accrued rent	**74,569,684**	28,788,008
Unearned revenue from loyalty program	**20,091,829**	17,633,245
	214,729,483	165,311,547
Deferred tax liabilities:		
Advance rent	**(55,676,141)**	(23,324,851)
Prepaid taxes	**(4,460,864)**	(4,460,864)
Unrealized foreign exchange gain (loss)	**47,968**	(6,139)
	(60,089,037)	(27,791,854)
	₱154,640,446	₱137,519,693

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

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Through profit or loss	**₱231,463,191**	₱213,025,820
Through other comprehensive income	**(76,822,745)**	(75,506,127)
	₱154,640,446	₱137,519,693

19. 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 and shall be covered by a separate and new contract of lease. The annual rent is subject to escalation.

Security deposits amounted to ₱ 126.2 million and ₱ 101.6 million as at June 30, 2019 and December 31, 2018, respectively (see Note 11). Upon adoption of PFRS 16, advance rent amounted to ₱142.6 million and ₱54.9 million as at June 30, 2019 and December 31, 2018, respectively, were reclassified to right of use asset. Accrued rent as at June 30, 2019 and December 31, 2018 amounted to ₱2.5 million and ₱104.9 million, respectively (included as part of "Nontrade Payables").

Details of lease expense are as follow:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	2019	2018	2019	2018
Interest		₱122,854,007	₱–	₱69,756,770	₱–
Amortization	10	234,542,476	–	147,141,380	–
Rent	16	258,505,128	425,061,753	114,266,623	213,993,898
		₱615,901,611	₱425,061,753	₱311,164.773	₱213,993,898

Total cash outflow on land and building leases amounted to ₱506.3 million and ₱378.0 million for the six-month periods ended June 30, 2019 and 2018, respectively.

Lease Liability

The changes in the lease liability as at June 30, 2019 are presented below:

Balance as at January 1, 2019 (upon adoption of PFRS 16)	₱2,598,224,186
Additions	1,900,330,976
Payments	(268,904,542)
Interest expense	122,854,007
Balance at end of period	4,352,504,627
Current portion	1,236,379,767
Noncurrent portion	3,116,124,860
Balance at end of period	₱4,352,504,627

Maturity analysis of lease liabilities are as follows:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Within one year	₱983,451,466	₱532,328,641
After one year but not more than five years	2,516,975,254	849,830,332
More than five years	3,380,258,273	1,028,895,858
	₱6,880,684,993	₱2,411,054,831

Right-of-use Asset

The changes in the right-of-use asset as at June 30, 2019 are presented below:

	Note	Land	Land and Building	Building	Rental units and Office spaces	Total
Balance as at January 1, 2019 (upon adoption of PFRS 16)		₱2,089,237,267	₱353,703,578	₱17,477,718	₱48,762,768	₱2,509,181,331
Additions		254,491,793	1,419,347,884	–	–	1,673,839,677
Remeasurement		363,550,830	2,074,492	89,869	(14,117)	365,701,074
Amortization	10	(93,169,609)	(121,287,177)	(3,100,162)	(16,985,528)	(234,542,476)
Balance at end of period		₱2,614,110,281	₱1,653,838,777	₱14,467,425	₱31,763,123	₱4,314,179,606

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 ₱16.3 million and ₱9.4 million for the six-month periods ended June 30, 2019 and 2018, respectively and ₱7.8 and ₱4.3 million for the three-month periods ended June 30, 2019 and 2018, respectively (see Note 17). Rent receivables amounted to ₱5.5 million and ₱3.7 million as at June 30, 2019 and December 31, 2018, 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 ₱106.2 million in 2018.

20. Related Party Transactions and Balances

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

		For the Six-Month Periods Ended June 30 (Unaudited)		As at June 30, 2019 (Unaudited) and December 31, 2018 (Audited)	
Related Party	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	**2019**	**₱175,289**	**₱390,529,458**	**₱41,333,237**	**₱8,665,527**
	2018	945,139	246,856,683	112,001,511	10,657,818
Entities under	**2019**	**13,881,675**	**624,364,378**	**57,826,566**	**184,221,770**
Common Control	2018	6,966,443	445,926,447	85,009,911	225,799,020
Stockholders	**2019**	**427,678**	**8,220,027**	**2,419,575**	**15,786**
	2018	128,324	7,581,908	1,800,315	–
	2019	**₱14,484,642**	**₱1,023,113,863**	**₱101,579,378**	**₱192,903,083**
	2018	8,039,906	700,365,038	198,811,737	236,456,838

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱27.7 million and ₱17.5 million as at June 30, 2019 and December 31, 2018, respectively (see Note 7), security deposits amounting to ₱73.9 million and ₱61.2 million as at June 30, 2019 and December 31, 2018 respectively (see Note 11) and advance rent amounting to ₱120.1 million as at December 31, 2018. No impairment loss was recognized on trade and other receivables and security deposits in 2019 and 2018.

Amounts owed to related parties consist of trade and other payables aggregating ₱ 192.9 million and ₱236.5 million as at June 30, 2019 and December 31, 2018, respectively (see Note 12).

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

a. Purchases and sales of goods and services with Parent Company and entities under common control.

   Purchases of goods from related parties aggregated ₱365.5 million and ₱341.8 million for the six-month periods ended June 31, 2019 and 2018, respectively.

   Sale of goods and services to related parties aggregated ₱14.5 million and ₱8.0 million for the six-month periods ended June 30, 2019 and 2018, respectively.

b. Reimbursable certain expenses mainly pertain to power and electricity, water, management fee, postage, telephone and telegraph. Reimbursement of certain expenses from related parties amounted to ₱28.5 million and ₱57.0 million in 2019 and 2018, respectively.

b. 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 19). Rent expenses from related parties amounted to ₱271.7 million and ₱354.7 million for the six-month periods ended June 30, 2019 and 2018, respectively.

   Interest expenses and amortization of right-of-use asset from related parties amounted ₱122.9 million and ₱234.5 million to for six-month period ended June 30, 2019.

c. As at June 30, 2019 and December 31, 2018, certain loans are collateralized by the Parent Company's property and equipment and investment properties.

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

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2019	2018	**2019**	2018
Short-term employee benefits	**₱43,100,252**	₱25,134,371	**₱19,508,121**	₱14,553,276
Retirement benefits	**2,182,369**	876,012	**997,454**	437,725
	₱45,282,621	₱26,010,383	**₱20,505,575**	₱14,991,001

21. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2019	2018	**2019**	2018
Net income	**₱944,551,942**	₱914,359,738	**₱510,919,938**	₱505,215,128
Divided by the weighted average number of outstanding shares	**4,099,724,116**	4,099,724,116	**4,099,724,116**	4,099,724,116
	₱0.23	₱0.22	**₱0.12**	₱0.12

22. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers), trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), financial asset at FVOCI, security, electricity and container deposits, refundable cash bonds and short-term and long-term debt. The main purpose of these financial instruments is to fund the Company's operations.

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

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

Credit Risk. Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations. Receivables are monitored on an on-going basis with the result that the

Company's exposure to possible losses is not significant.

Liquidity Risk. Liquidity risk is the risk that the Company will not be able to settle its obligations when these falls 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.

Interest Rate Risk. Interest rate risk pertains to the fluctuations in interest of cash in banks and cash equivalent, short-term investments and financial assets at FVOCI. The interest rates on these assets are disclosed in Notes 5 and 6. 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.

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:

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Total debt	**₱8,651,290,345**	₱4,289,712,504
Total equity	**13,596,287,316**	13,212,469,249
Debt-to-equity	**0.64:1**	0.32:1

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

23. Fair Value of Financial Instruments

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, 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 their 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.

Financial Asset at FVOCI/AFS Financial Asset. The fair value of financial asset at FVOCI which represents investment in retail treasury bonds is estimated by reference to directly observable inputs at the end of the reporting period and is categorized as Level 2.

Security Deposits. Fair values of security deposits are based on the present value of the expected future cash flows. These are categorized 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.

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 2019 and 2018, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE PERIOD ENDED JUNE 30, 2019

Retained earnings at beginning of period as shown in the financial statements	₱3,656,104,636
Net income during the period closed to retained earnings	994,551,942
Dividends declared during the period	(655,955,859)
Deferred tax assets related to temporary differences that flow through profit or loss	(231,463,191)
Retained earnings as at end of period available for dividend declaration	₱3,763,237,528

Reconciliation

Retained earnings at end of period as shown in the financial statements	₱3,994,700,719
Deferred tax assets related to temporary differences that flow through profit or loss	(231,463,191)
Retained earnings as at end of period available for dividend declaration	₱3,763,237,528

WILCON DEPOT, INC.
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CORPORATE STRUCTURE
JUNE 30, 2019

LIAM ROS HOLDINGS INC.

59%

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

65%

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

WILCON DEPOT, INC.
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SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING
AS AT JUNE 30, 2019

	Allocation Based on Prospectus	Allocation Based on Actual Net Proceeds	Actual Disbursements	Remaining Balance
Gross Proceeds	**₱7,039,226,310**	**₱7,039,226,310**	**₱7,039,226,310**	**₱–**
Offer expenses	(289,132,001)	(289,897,803)	(289,897,803)	–
Net Proceeds	**₱6,750,094,309**	**₱6,749,328,507**	**₱6,749,328,507**	**₱–**
Use of the Proceeds				
Debt repayment	(428,100,000)	(428,100,000)	(428,100,000)	–
General corporate purposes	(200,000,000)	(200,000,000)	(200,000,000)	–
Store network expansion	(6,121,994,309)	(6,121,228,507)	(3,786,302,606)	(2,334,925,901)
	(6,750,094,309)	**(6,749,328,507)**	**(4,414,402,606)**	**(2,334,925,901)**
Unapplied Proceeds	**₱–**	**₱–**	**₱2,334,925,901**	**(₱2,334,925,901)**

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

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018, AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Liquidity Ratio			
Current ratio	**1.92:1**	2.71:1	2.67:1
Quick ratio	**0.39:1**	0.92:1	0.75:1
Solvency Ratio			
Debt to equity ratio	**0.64:1**	0.36:1	0.32:1
Profitability Ratio			
Return on assets	**4.47%**	5.45%	10.49%
Return on equity	**7.31%**	7.40%	13.89%
Book value per share	**₱3.32**	₱3.01	₱3.22
Gross margin	**32.37%**	31.28%	31.38%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	**15.68%**	12.45%	12.86%
Net income margin	**8.44%**	9.14%	8.72%

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
JUNE 30, 2019

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgements			✓

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			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemption for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance 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 9	Financial Instruments	✓		
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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	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			✓
PFRS 15	Revenue from Contract with Customers	✓		
PFRS 16	Leases	✓		

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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	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	Title	Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

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

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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