COVER SHEET

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S.E.C Registration No.

WILCON DEPOT INC. DOING
BUSINESS UNDER THE NAME
AND STYLE OF WILCON DEPOT
AND WILCON HOME ESSENTIALS

(Company's Full name)

90 E. RODRIGUEZ JR. AVE.
UGONG NORTE QUEZON CITY

(Principal Office)

Atty. Sheila Pasicolan - Camerino
Contact Person

(02) 8634-8387
Tel. No.

Month *Day*

1 7 - Q
FORM TYPE

Month *Date*
(Annual Meeting)

Secondary License, (if applicable type)

MSRD
Dept. requiring this doc

N/A
Amended Articles number

155
Total stockholders

Domestic **Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2021

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

   90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY, 1110

8. Issuer's telephone number, including area code: (02) 8634 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 condensed financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020, 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-month Periods Ended June 30, 2021 and 2020

The Company recorded net income of ₱1,247 million for the first half of 2021, up by 254% or ₱895 million from the ₱352 million reported during the same period in 2020 with net margins of 9.3% and 3.9%, respectively. The increase was mainly driven by the hike in net sales and the expansion in the gross profit margin partly offset by the increase in operating expenses.

Net Sales

Net sales for the six-month period ended June 30, 2021, amounted to ₱13,426 million, an increase of 48.5% or ₱4,386 million from the same period last year. The increase was contributed by comparable sales which grew by 36.4% and sales from new stores. The growth in comparable sales was attributed mainly to the increase in the number of transactions particularly in branches located in Luzon. These Luzon branches were temporarily shut down from March 17 to May 15, 2020 in compliance with the quarantine rules imposed by the Philippine government to control the spread of the Covid-19 disease.

Meanwhile, from March 26 to April 30, 2021 Metro Manila and nearby provinces, called "NCR plus" were again placed under stricter quarantine measures but the rules were modified to create a bubble whereby businesses within the bubble were allowed to operate at reduced capacity. Under this new quarantine scheme, all branches remained open albeit at a limited capacity. Hence, the company was still able to post a 95.7% or ₱3,301 million year-on-year growth in net sales, which totaled ₱6,751 million for the second quarter, 2021. Comparable sales growth for the quarter reached 79.7%.

The Company opened two new depots in January 2021 and another two in June 2021, the net sales from these and the below one-year net sales of stores opened in 2020 accounted for 24.9% of the total net sales increase year-on-year.

On a per format basis, sales from the depot-format stores, which comprised 97.3% of total net sales, grew by 49.6% or ₱4,332 million to ₱13,068 million from the ₱8,736 million net sales for the six-month period of 2020. Comparable sales growth (same store sales growth) reached 37.1%, contributing 74.8% of the total net sales increase of the format. Meanwhile, sales from new depots, including the four opened in January and June, 2021 comprised 25.2% of the format's net sales growth.

The smaller format "Home Essentials", recording net sales of ₱267 million accounting for 2.0% of total net sales, likewise reported a growth of 24.2 % or ₱52 million as at June 30, 2021 from the prior year's ₱215 million.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱91 million, increasing by 2.1% or ₱2 million year-on-year.

Gross Profit

Gross profit grew by 57.4% or ₱1,792 million from the 2020 first half level of ₱3,122 million to close at ₱4,914 million for the period for a gross profit margin of 36.6%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 210 basis points year-on-year. The improvement in gross profit margin is traced mainly to changes in product mix within the exclusive and in-house brands classification, which resulted in a higher overall margin for the class, partly offset by the drop in their contribution to total net sales to 49.4% from 51.2% in the same period in 2020.

Operating Expenses

Operating expenses increased to ₱3,155 million for the period, up 21.2% or ₱552 million from the prior year's ₱2,602 million. The increase is attributable mainly to the increased volume of business particularly of Luzon branches in the second quarter and expansion-related expenses such as trucking, salaries, outsourced services, depreciation and amortization. Non-PFRS 16 related rent expense increased by 153.3% or ₱56 million to ₱93 million in view of additional short-term contracts.

Interest Expense

Interest expense increased by 13.0% or ₱27 million, to total ₱233 million for the period from the prior year's six-month period of ₱206 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

Other Income (Charges)

Other income (charges) for the six-month period ended June 30, 2021 amounted to ₱150 million, down by 13.5% or ₱24 million from the ₱174 million generated in the same period in 2020 mainly due to the decrease in interest income and net other income partly offset by the increase in rent income. Other income consists of:

1) Interest income of ₱17 million, which decreased from the prior period balance of ₱39 million as investible funds particularly from IPO proceeds continued to be deployed for store network expansion. The IPO proceeds were fully utilized as at June 30, 2021.

2) Rent income of ₱27 million, rose by 205.8% or ₱18 million year-on-year in view of new contracts and the continued collection of rent as all branches remained open through all the quarantine phases imposed in the first half of 2021.

3) Net other income from trade and other suppliers amounting to ₱107 million, down by 15.2% or ₱19 million from the same period in 2020. Net other income is comprised of the share in the various operational and promotional/marketing expenses of suppliers and other non-merchandise sales related income.

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

Adjusting the 2021 and 2020 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

1) EBITDA as of June 30, 2021 reached ₱2,106 million, or 15.7% of net sales, rising by 173.2% from the ₱771 million, or 8.5% of net sales, recorded as of June 30, 2020.
2) EBIT for the six-month of 2020 is ₱1,660 million or 12.4% of net sales, growing by 270.9% from ₱448 million, or 5.0% of net sales, year-on-year.

The growth in both EBITDA and EBIT was driven by the improved sales performance and expansion in gross profit margin partly offset by the increase in operating expenses.

Income Tax Expense

The Company's income tax expense increased by 219.7% or ₱295 million to end at ₱429 million in the first half of 2021 from the ₱134 million incurred during the same period last year. The increase is attributed to:

1) Higher taxable income in the first half of 2021 partly offset by the lower income tax rate of 25% from the previous 30%;
2) A one-time recognition of a net tax expense as a result of the downward adjustment in the deferred tax asset balance as of December 31, 2020 to reflect the decrease in the corporate income tax rate from 30% to 25% approved in March 2021 but retroactive from July 1, 2020.

Financial Condition as at June 30, 2021

Liquidity

Improved operating performance for the first half yielded substantial operating cash flows, which provided additional liquidity for the Company to be able to pursue its store network expansion and other planned capital expenditure even as the IPO proceeds were fully deployed.

Cash and cash equivalents and short-term investments totaled ₱4,222 million, an 8.4% or ₱389 million drop from the balance as at December 31, 2020 as the Company continued to disburse funds for the construction of new branches and warehouses and the distribution of dividends in April, 2021 of ₱0.12 per share partly offset by cash generated from operations. Nonetheless, current ratio at 1.89:1.00 remained unchanged from that as of December 31, 2020.

Capital Expenditure

For the first half of the year, the Company's capital expenditure totaled ₱1,155 million, the bulk of which was spent on the construction of new stores and warehouses.

Capital Resources

The Company continues to have easy access to the debt markets for both its working capital and long-term funding requirements having remained bank debt-free and with preferential lines with the Philippines' top banks.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. The company has no existing lease or other contracts with material contingent liability that will adversely affect the company's operations or the implementation of its strategic initiatives.

Key Financial Performance Indicators

Key Performance Indicators	As at June 30, 2021	As at June 30, 2020
Sales	13,426,284,821	9,039,952,851
EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense[1]	1,660,132,045	447,628.543
EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense[2]	2,106,220,006	770,989,642
EBIT Margin - Treating Interest on Lease Liability as Rent Expense[3]	12.4%	5.0%
EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense[4]	15.7%	8.5%

Key Performance Indicators	As at June 30, 2021	As at Dec 31, 2020
Return on Equity Ratio[5]	7.76%	9.46%
Current Ratio[6]	1.89	1.89
Debt to Equity Ratio[7]	0.85	0.84

1 Income before tax add net interest expense less lease interest expense
2 Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets
3 EBIT / Net Sales
4 EBITDA / Net Sales
5 Net Income / Total Equity
6 Current Assets / Current Liabilities
7 Total Liabilities / Total Equity

MATERIAL CHANGES (+/-5%) IN THE FINANCIAL STATEMENTS

Statement of Financial Position as at June 30, 2021 and December 31, 2020

1. Aggregate cash and short-term investments decreased by ₱389 million or 8.4% from ₱4,611 million at the close of 2020 to ₱4,222 million as at June 30, 2021, traceable primarily to capital expenditure, payment of dividends, lease and income tax.

2. Trade and other receivables totaled ₱938 million as at June 30, 2021, 125.4% or ₱522 million higher than the ₱416 million balance as at December 31, 2020. The increase was mainly due to advances made to suppliers partially offset by decrease in trade receivables.

3. Merchandise Inventories increased by ₱440 million or 5.1% from ₱8,692 million at the close of 2020 to ₱9,132 million as at June 30, 2021 due mainly to increase in purchases.

4. Other Current Assets increased by ₱212 million or 31.7% from ₱671 million at the close of 2020 to ₱883 million as at June 30, 2021 due mainly to prepayments, input tax from purchases and increase in supplies.

5. Property and equipment increased by ₱698 million or 10.3% from ₱6,757 million at the close of 2020 to ₱7,455 million as at June 30, 2021 due mainly to capital expenditures related to store network expansion.

6. Net deferred tax assets decreased by ₱33 million or 8.0% from ₱414 million at the close of 2020 to ₱381 million as at June 30, 2021 due mainly to the tax effect of the application of CREATE Law with new tax rate of 25%.

7. Current liabilities amounted to ₱8,008 million as at June 30, 2021, up by 5.1% or ₱387 million from the ₱7,621 million balance as at December 31, 2020. The increase was driven by trade and other payables and income tax payable.

8. Non-current liabilities totaled ₱5,691 million, higher by 7.6% or ₱404 million from the December 31, 2020 balance of ₱5,287 million. The increase was mainly due to additional lease liabilities recognized for new contracts.

Income Statement Items

1. Net sales for the six-month period ended June 30, 2021 amounted to ₱13,426 million, 48.5% or ₱4,386 million higher than the ₱9,040 million generated during the same period in 2020.

2. Gross profit increased by 57.4% to ₱4,914 million for the period from the ₱3,122 million level for the same period in 2020, mainly driven by the increase in sales and gross profit margin.

3. Operating expenses increased to ₱3,155 million for the period, up 21.2% or ₱552 million from the prior period's ₱2,602 million The increase is attributable mainly to the increased volume of business particularly of Luzon branches in the second quarter and expansion-related expenses such as trucking, salaries, outsourced services, depreciation and amortization. Non-PFRS 16 related rent expense increased by 153.3% or ₱56 million to ₱93 million in view of additional short-term contracts.

4. Interest expense increased to ₱233 million for the period from the prior year's first six-month period of ₱206 million, representing non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

5. Other income (charges) for the three months ended June 30, 2021 totaled ₱150 million, down by 13.5% or ₱24 million from the ₱174 million recorded in the same period of 2020 mainly due to the decrease in interest income and net other income partially offset by increase in rent income.

6. The Company's income tax expense increased by 219.7% or ₱295 million to end at ₱429 million, versus the ₱134 million incurred during the same period last year. The increase is due mainly to higher taxable income partly offset by the lower income tax rate. The retroactive application of the new corporate income tax rate also resulted in the recognition of a one-time tax expense to account for the revaluation of the deferred tax asset account.

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.

July 28, 2021

WILCON DEPOT, INC.

By:

LORRAINE BELO-CINCOCHAN
President - CEO

MARK ANDREW Y. 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, 2021 and December 31, 2020 and
For the Six-Month Periods Ended June 30, 2021 and 2020

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, 2021 AND DECEMBER 31, 2020

	Note	2021 Unaudited	2020 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱1,128,874,921**	₱1,854,893,411
Short-term investments	6	**3,093,022,060**	2,755,969,767
Trade and other receivables	7	**938,109,861**	416,198,536
Merchandise inventories	8	**9,131,731,853**	8,692,127,615
Other current assets	9	**883,054,620**	670,615,142
Total Current Assets		**15,174,793,315**	14,389,804,471
Noncurrent Assets			
Property and equipment	10	**7,455,046,429**	6,757,351,004
Right-of-use assets	11	**6,358,453,258**	6,280,165,526
Net deferred tax assets	19	**381,099,808**	414,219,401
Other noncurrent assets	12	**394,599,661**	376,075,576
Total Noncurrent Assets		**14,589,199,156**	13,827,811,507
		₱29,763,992,471	₱28,217,615,978
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	**₱6,115,182,914**	₱5,578,277,870
Income tax payable		**220,315,045**	205,319,302
Current portion of lease liabilities	11	**1,672,531,545**	1,837,560,851
Current portion of long-term debt	14	**20,000**	20,000
Total Current Liabilities		**8,008,049,504**	7,621,178,023
Noncurrent Liabilities			
Lease liabilities - net of current portion	11	**5,346,738,357**	4,949,331,695
Net retirement liability	15	**344,105,716**	337,412,956
Total Noncurrent Liabilities		**5,690,844,073**	5,286,744,651
Total Liabilities		**13,698,893,577**	12,907,922,674
Equity			
Capital stock	16	**4,099,724,116**	4,099,724,116
Additional paid-in capital		**5,373,738,427**	5,373,738,427
Other comprehensive income		**573,542**	573,542
Retained earnings		**6,591,062,809**	5,835,657,219
Total Equity		**16,065,098,894**	15,309,693,304
		₱29,763,992,471	₱28,217,615,978

See accompanying Notes to 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, 2021 AND 2020

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	**2021**	2020	**2021**	2020
NET SALES		**₱13,426,284,821**	₱9,039,952,851	**₱6,750,513,017**	₱3,449,051,311
COST OF SALES	8	**(8,512,251,332)**	(5,918,369,274)	**(4,257,880,429)**	(2,218,295,108)
GROSS INCOME		**4,914,033,489**	3,121,583,577	**2,492,632,588**	1,230,756,203
OPERATING EXPENSES	17	**(3,154,573,715)**	(2,602,338,023)	**(1,603,010,208)**	(1,169,609,179)
INTEREST EXPENSE	14	**(233,011,068)**	(206,295,572)	**(116,651,092)**	(104,127,073)
OTHER INCOME - Net	18	**150,303,304**	173,697,867	**81,548,059**	71,793,508
INCOME BEFORE INCOME TAX		**1,676,752,010**	486,647,849	**854,519,347**	28,813,459
INCOME TAX EXPENSE (BENEFIT)	19				
Current		**396,259,933**	175,825,068	**230,540,105**	24,371,264
Deferred		**33,119,593**	(41,536,506)	**(18,987,110)**	(19,424,195)
		429,379,526	134,288,562	**211,552,995**	4,947,069
NET INCOME		**1,247,372,484**	352,359,287	**642,966,352**	23,866,390
OTHER COMPREHENSIVE LOSS					
Item to be reclassified to profit or loss -					
Unrealized loss on fair value changes of investment in retail treasury bond	6	–	(3,196,976)	–	(414,346)
Item not to be reclassified to profit or loss-					
Remeasurement loss on retirement liability, net of deferred income tax		–	(1,845,210)	–	(1,845,210)
		–	(5,042,186)	–	(2,259,556)
TOTAL COMPREHENSIVE INCOME		**₱1,247,372,484**	₱347,317,101	**₱642,966,352**	21,606,834
BASIC AND DILUTIVE EARNINGS PER SHARE	22	**₱0.30**	₱0.09	**₱0.16**	₱0.01

See accompanying Notes to 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, 2021 AND 2020

		Unaudited	
	Note	**2021**	2020
CAPITAL STOCK	16	**₱4,099,724,116**	₱4,099,724,116
ADDITIONAL PAID-IN CAPITAL		**5,373,738,427**	5,373,738,427
OTHER COMPREHENSIVE INCOME			
Cumulative Remeasurement Gains on Retirement Liability			
Balance at beginning of period		**573,542**	59,752,205
Remeasurement loss net of deferred income tax		–	(1,845,210)
Balance at end of period		**573,542**	57,906,995
Cumulative Unrealized Gain (Loss) on Fair Value Changes of Investment in Retail Treasury Bond			
Balance at beginning of period		–	3,523,133
Unrealized loss	6	–	(3,196,976)
Balance at end of period		–	326,157
		573,542	58,233,152
RETAINED EARNINGS			
Balance at beginning of period		**5,835,657,219**	5,124,763,781
Net income		**1,247,372,484**	352,359,287
Cash dividends	16	**(491,966,894)**	(737,950,341)
Balance at end of period		**6,591,062,809**	4,739,172,727
		₱16,065,098,894	₱14,270,868,422

See accompanying Notes to 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, 2021 AND 2020

		Unaudited	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱1,676,752,010**	₱486,647,849
Adjustments for:			
Depreciation and amortization	10	**1,032,470,868**	856,470,921
Interest expense	14	**233,011,068**	206,295,572
Interest income	5	**(16,620,316)**	(39,019,612)
Retirement benefits	15	**21,965,222**	16,746,493
Provision for impairment losses on receivables	7	**3,703,025**	4,612,063
Rent concession		**(1,863,170)**	–
Gain on sale of property and equipment		**–**	(54,911)
Operating income before working capital changes		**2,949,418,707**	1,531,698,375
Decrease (Increase) in:			
Trade and other receivables		**(522,274,871)**	(47,085,564)
Merchandise inventories		**(439,604,238)**	(189,641,987)
Other current assets		**(226,518,801)**	17,762,349
Increase (Decrease) in trade and other payables		**536,905,085**	(409,207,308)
Net cash generated from operations		**2,297,925,882**	903,525,865
Income tax paid		**(367,184,869)**	(431,262,410)
Contributions to retirement plan	15	**(15,272,462)**	(38,895,156)
Interest received from cash in banks		**585,320**	907,311
Retirement benefits paid	15	**–**	(1,159,107)
Net cash provided by operating activities		**1,916,053,871**	433,116,503
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	**(1,137,856,645)**	(808,523,411)
Computer software	12	**(16,791,838)**	(19,306,588)
Decrease (increase) in:			
Short-term investments		**(337,052,293)**	210,017,665
Advances to contractors		**(6,132,340)**	160,255,753
Other noncurrent assets		**(1,526,647)**	(1,058,849)
Interest received from investments		**12,695,517**	55,102,175
Net proceeds from sale of investment in retail treasury bonds		**–**	2,250,000,000
Net proceeds from disposal of property and equipment	10	**–**	200,000
Net cash provided by (used in) investing activities		**(1,486,664,246)**	1,846,686,745

(Forward)

		Unaudited	
	Note	**2021**	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Lease liabilities	11	**(₱663,440,829)**	(₱579,593,959)
Cash dividend		**(491,966,894)**	(737,950,341)
Interest on long-term debt		**(392)**	(358)
Cash used in financing activities		**(1,155,408,115)**	(1,317,544,658)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(726,018,490)**	962,258,590
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,854,893,411**	1,462,042,311
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**₱1,128,874,921**	₱2,424,300,901

See accompanying Notes to 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 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 June 30, 2017, the 1,393,906,200 common shares of the Company were listed in the Philippine Stock Exchange (PSE) at an offer price of ₱5.05 a share. Net proceeds from the Initial Public Offering (IPO) amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 16).

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

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 years 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 investment in retail treasury bond (RTB) that is measured at fair value, net retirement liability that is carried at the aggregate of the present value of the defined benefit obligation and the fair value of plan assets and lease liabilities that are initially carried at the present value of minimum lease payments. 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 measurement 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 year.

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 24, *Fair Value of Financial Instruments*

Amended PFRS Issued but Not yet Effective
Relevant amended PFRS, which are not yet effective for six-month periods ended June 30, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

Annual Improvements to PFRS 2018 to 2020 Cycle:

- Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Under prevailing circumstances, the adoption of the foregoing amended PFRS will not have a material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or liability 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 fair value through other comprehensive income (FVOCI). The classification of financial asset largely depends on the Company's business model and its contractual cash flow characteristics.

As at June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers, and officers and employees), 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 include cash on hand, cash in banks and money market placements. 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 Assets at FVOCI. Financial assets at FVOCI which pertain to debt instrument, is 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, 2021 and December 31 2020, the Company does not have financial assets measured at FVOCI.

Impairment. The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not measured at FVPL. Expected credit loss 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 instruments 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 June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, the long-term debt, lease liabilities 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 moving 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 charged to cost of sales at the year in which it occurred. The amount due to 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.

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

Deferred Input VAT. Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold and other accruals, wherein the suppliers' invoices are received subsequently. 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.

Materials and Supplies. Materials and supplies are carried at cost and are recognized as expense upon consummation. Materials and supplies that are expected to be consumed for no more than 12 months after the financial 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.

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.

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

Property and Equipment
Property and equipment, excluding construction in progress, 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 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.

The estimated useful life of solar panels installed in the leased and owned buildings is 15 years.

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 security deposits, computer software, electricity deposits, advances to contractors and refundable cash bonds. Other noncurrent assets, except computer software, qualify as financial assets and are disclosed under financial instruments.

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 annually. 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

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.

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 year. 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 (Loss). Other comprehensive income (loss) 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 cumulative unrealized gain (loss) on fair value changes of investment in RTB and cumulative remeasurement gains (losses) 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.

Revenue within the scope of PFRS 15 is recognized as follows:

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.

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.

Revenue outside scope of PFRS 15 is recognized as follows:

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

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

Cost and Expense Recognition

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

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. Operating expenses are expensed as incurred.

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

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.

The 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

The Company as a Lessee

Right-of-use (ROU) assets. ROU assets are measured at cost comprising the following:

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

The ROU assets are measured subsequently at cost less amortization and any impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liabilities resulting from reassessments or lease modifications.

Lease Liabilities. Lease liabilities are measured at the 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 payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

After the initial recognition, the measurement of a lease liability is affected by:

- accruing interest on the lease liability
- lease payments made
- remeasurements reflecting any reassessment or lease modifications

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.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

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

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

Policies prior to January 1, 2019. The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies:

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

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

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 year (adjusting events) are reflected in the financial statements. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the 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 judgments and estimates are based on management's evaluation of relevant facts and circumstances as of the date of the comparative financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

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

Determining Ability to Continue as a Going Concern. The management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Company is not aware of any material uncertainties that may cast significant doubts upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

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 Classification of Financial Assets. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the key factors considered by the Company in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Company also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, retail and office units, computer software and transportation equipment.
The Company has exercised significant judgment in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Starting January 1, 2019, all the existing leases of the Company, except for short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition, qualified as leases under PFRS 16.

Lease liabilities and ROU assets were recognized for the remaining lease agreements. Payments of lease liabilities are allocated over the principal liability and finance costs. 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 liability for each year. The ROU assets are amortized over the lease term on a straight-line basis.

The leases on land, buildings, retail and office units and computer software are renewable upon mutual agreement by both parties (as amended for certain lease agreements) to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

Significant management judgment was likewise exercised by the Company in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranges from 4.21% to 8.31% which are the incremental borrowing rates as obtained from the banks.

Reassessments are made on a continuing basis whether changes should be reflected on the amount of lease liabilities due to circumstances affecting lease payments and discount rates.

Interest expense on lease liabilities amounted to ₱233.0 million and ₱206.3 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱116.7 million and ₱104.1 million for the three-month periods ended June 30, 2021 and 2020 (see Note 11).

Amortization on ROU assets amounted to ₱586.4 million and ₱533.1 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱293.4 million and ₱262.1 million for the three-month periods ended June 30, 2021 and 2020 (see Note 11).

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term amounted to ₱92.6 million and ₱36.5 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱47.0 million and ₱20.2 million for the three-month periods ended June 30, 2021 and 2020 (see Note 11).

As at June 30, 2021 and December 31, 2020, ROU assets amounted to ₱6,358.5 million and ₱6,280.2 million, respectively (see Note 11).

As at June 30, 2021 and December 31, 2020, lease liabilities amounted to ₱7,019.3 million and ₱6,786.9 million, respectively (see Note 11).

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 ₱26.9 million and ₱8.8 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱11.9 and ₱2.4 million for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 11).

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 or claims under these lawsuits 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.

Assessing Impairment of Trade and Other Receivables. Starting 2018, the Company adopted the simplified approach in measuring ECL based on lifetime expected credit losses on its trade 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 recognized as at June 30, 2021 and 2020 amounted to ₱3.7 million and ₱4.6. million, respectively and ₱1.1 million and ₱7.2 million for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 7).

Based on management assessment, the allowance for impairment losses of trade and other receivables as at June 30, 2021 and December 31, 2020 is adequate to cover for possible losses.

The carrying amount of trade and other receivables (excluding advances to suppliers and officers and employees) amounted to ₱239.0 million and ₱283.8 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7). Allowance for impairment losses amounted to ₱68.3 million and ₱64.6 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7).

Assessing Estimated Impairment Losses on Other Financial Assets at Amortized Cost. In assessing ECL for other financial asset 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 as at June 30, 2021 and December 31, 2020.

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

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Security deposits	12	**₱152,337,009**	₱150,319,561
Electricity deposits	12	**58,661,029**	55,904,507
Container deposits	9	**12,483,300**	8,010,715
		₱223,481,338	₱214,234,783

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 since 2016 (see Note 12).

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 amount of merchandise inventories amounted to ₱9,131.7 million and ₱8,692.1 million as at June 30, 2021 and December 31, 2020, respectively (see Note 8). Allowance for inventory write-down and losses amounted to ₱97.5 million as at June 30, 2021 and December 31, 2020 (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.

In 2019, the Company changed the estimated useful lives of buildings and leasehold improvements covered with lease agreements with related parties and third parties on land, buildings and retail and office units from 20 years to 15 years and from five to three years, respectively, to align with the lease terms for land, buildings and retail and office units of 15 years and three years (as amended for certain lease agreements). The change in estimate is effective January 1, 2020. The effect of the change in estimated useful lives of buildings and leasehold improvements resulted to an increase in depreciation and amortization by ₱50.0 million for the year ended December 31, 2020.

There is no change in estimated useful lives of property and equipment and computer software in 2021. The carrying amount of depreciable property and equipment and computer software follows:

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Property and equipment*	10	**₱6,528,904,202**	₱5,464,437,041
Computer software	12	**124,803,307**	113,938,210
		₱6,653,707,509	₱5,578,375,251

**Excluding construction in progress amounting to ₱926.1 million and ₱1,292.9 million as at June 30, 2021 and December 31, 2020, 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 2021 and 2020.

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

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Property and equipment	10	**₱7,455,046,429**	₱6,757,351,004
ROU assets	11	**6,358,453,258**	6,280,165,526
Input VAT (including deferred input VAT)	9, 12	**482,225,025**	396,846,644
Computer software	12	**124,803,307**	113,938,210
		₱14,420,528,019	₱13,548,301,384

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement expense amounted to ₱22.0 million and ₱16.7 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱11.2 and ₱8.9 million for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 15).

Net retirement liability amounted to ₱344.1 million and ₱337.4 million as at June 30, 2021 and December 31, 2020, respectively (see Note 15).

Assessing Realizability of Deferred Tax Assets. The Company reviews the carrying amount of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. 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 ₱381.1 million and ₱414.2 million as at June 30, 2021 and December 31, 2020, respectively (see Note 19).

4. Initial Public Offering

On June 30, 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 16).

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.

As of June 30, 2021, the Company has fully utilized the proceeds from the Offering.

Balances and movements of unapplied proceeds are as follows:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Cash in designated bank accounts for offering proceeds	**₱101,350,085**	₱1,400,668,972
Disbursements for store network expansion	**(101,350,085)**	(1,299,318,887)
	₱–	₱101,350,085

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Cash on hand	**₱10,741,580**	₱32,475,943
Cash in banks	**1,118,133,341**	1,321,417,468
Cash equivalents	**–**	501,000,000
	₱1,128,874,921	₱1,854,893,411

Cash in banks earn interest at prevailing bank deposit rates. Cash Equivalents represent money market placements with interest ranging from 1.20% to 1.50%.

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	**2021**	2020	**2021**	2020
Short-term investments	6	**₱14,335,034**	₱8,894,948	**₱7,793,466**	₱516,635
Cash and cash equivalents		**2,285,282**	10,075,057	**513,905**	9,679,655
Investment in RTB	6	**–**	20,049,607	**–**	2,125,000
	18	**₱16,620,316**	₱39,019,612	**₱8,307,371**	₱12,321,290

6. Investments

<u>Short-term investments</u>
Short-term investments amounting to ₱3,093.0 million and ₱2,756.0 million as at June 30, 2021 and December 31, 2020, respectively, represent money market placements, which bears interest from 0.25% to 1.70%.

Interest income from these investments amounted to ₱14.3 million and ₱8.9 million for the six-month periods, respectively and ₱7.8 million and ₱0.5 million for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 5).

<u>Investment in RTB</u>
Interest income earned from investment in RTB amounted to ₱20.0 million for the six-month periods and three-month periods ended June 30, 2020 (see Note 5).

7. Trade and Other Receivables

Details of this account are as follows:

	Note	**June 30, 2021 (Unaudited)**	December 31,2020 (Audited)
Trade:			
Third parties		**₱212,702,180**	₱250,754,008
Related parties	21	**1,867,191**	1,882,426
Advances to suppliers		**674,502,740**	101,086,218
Advances to officers and employees		**24,573,410**	31,328,696
Rent receivables	11	**11,356,810**	18,475,706
Accrued interest		**7,153,049**	3,813,570
Others		**74,265,076**	73,465,482
		1,006,420,456	480,806,106
Allowance for impairment losses		**(68,310,595)**	(64,607,570)
		₱938,109,861	₱416,198,536

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

Advances to suppliers pertain to advance payments on purchases of trade and nontrade goods and services.

Advances to officers and employees are noninterest-bearing advances and are normally settled through salary deduction. This account also includes cash advances to employees and officers for store operations which are for liquidation.

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

Accrued interest pertains to interest receivable on the Company's cash and cash equivalents, short-term investments and investment in RTB.

Others mainly pertain to marketing support granted by suppliers.

Aging of trade and other receivables are as follows:

Amounts in Millions	As at June 30, 2021 (Unaudited)				
	Total	**Neither Past Due Nor Impaired**	**Less Than One Year**	**One Year to Less Than Three Years**	**More Than Three Years**
Trade:					
Third parties	**₱212.6**	**₱68.2**	**₱56.1**	**₱47.2**	**₱41.1**
Related parties	**1.8**	**1.3**	**0.2**	**0.3**	**–**
	214.4	**69.5**	**56.3**	**47.5**	**41.1**
Advances to suppliers	**674.5**	**674.5**	**–**	**–**	**–**
Advances to officers and employees	**24.6**	**24.6**	**–**	**–**	**–**
Rental	**11.3**	**7.2**	**3.5**	**0.6**	**–**
Accrued interest	**7.2**	**7.2**	**–**	**–**	**–**
Others	**74.4**	**11.3**	**32.4**	**21.2**	**9.5**
	1,006.4	**794.3**	**92.2**	**69.3**	**50.6**
Allowance for impairment losses	**(68.3)**	**–**	**(8.7)**	**(17.2)**	**(42.4)**
	₱938.1	**₱794.3**	**₱83.5**	**₱52.1**	**₱8.2**

Amounts in Millions	As at December 31, 2020 (Audited)				
	Total	Neither Past Due Nor Impaired	Less Than One Year	One Year to Less Than Three Years	More Than Three Years
Trade:					
Third parties	₱250.9	₱79.1	₱84.2	₱52.7	₱34.9
Related parties	1.9	0.7	1.0	0.2	–
	252.8	79.8	85.2	52.9	34.9
Advances to suppliers	101.1	101.1	–	–	–
Accrued interest	3.8	3.8	–	–	–
Advances to officers and employees	31.3	31.3	–	–	–
Rental	18.5	17.4	0.5	0.6	–
Others	73.3	4.8	48.9	17.6	2.0
	480.8	238.2	134.6	71.1	36.9
Allowance for impairment losses	(64.6)	–	(9.6)	(18.1)	(36.9)
	₱416.2	₱238.2	₱125.0	₱53.0	₱–

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Balance at beginning of year	**₱64,607,570**	₱75,217,902
Provision	**3,703,025**	15,718,838
Write-off	**–**	(26,329,170)
Balance at end of year	**₱68,310,595**	₱64,607,570

Based on management assessment, the allowance for impairment losses on receivables as at June 30, 2021 and December 31, 2020 is adequate to cover for possible losses.

8. Merchandise Inventories

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
At cost	**₱9,082,745,332**	₱8,649,939,664
At NRV	**48,986,521**	42,187,951
	₱9,131,731,853	₱8,692,127,615

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 ₱79.6 million and ₱139.7 million as at June 30, 2021 and December 31, 2020, respectively.

Allowance for inventory write-down and losses as at June 30, 2021 and December 31, 2020 amounted to ₱97.5 million. Based on management assessment, the allowance for inventory write-down and losses is adequate to cover for possible losses.

Inventories charged to cost of sales amounted to ₱8,512.3 million and ₱5,918.4 million for the six-month periods, respectively and ₱4.3 million and ₱2.2 million for the three-month periods as at June 30, 2021 and 2020, respectively, including any reversal of allowance and provision for inventory write-down and losses.

9. Other Current Assets

Details of this account are as follows:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Current deferred input VAT	**₱403,290,262**	₱343,895,227
Materials and supplies	**252,553,346**	198,943,033
Prepaid expenses	**175,750,400**	110,019,523
Input VAT	**38,977,312**	9,746,644
Container deposits	**12,483,300**	8,010,715
	₱883,054,620	₱670,615,142

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

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

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

Container deposits pertain to monetary deposits for containers used for imported goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

10. Property and Equipment

Details and movements of this account are as follows:

	June 30, 2021 (Unaudited)					
	Buildings and Improvements	**Furniture and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of period	**₱4,421,664,971**	**₱1,412,666,480**	**₱998,833,636**	**₱46,530,839**	**₱1,292,913,963**	**₱8,172,609,889**
Additions	**–**	**63,817,354**	**–**	**45,000**	**1,073,994,291**	**1,137,856,645**
Reclassifications	**1,200,800,147**	**49,520,908**	**190,444,972**		**(1,440,766,027)**	**–**
Balance at end of period	**5,622,465,118**	**1,526,004,742**	**1,189,278,608**	**46,575,839**	**926,142,227**	**9,310,466,534**
Accumulated Depreciation and Amortization						
Balance at beginning of period	**469,435,977**	**644,621,872**	**276,961,742**	**24,239,294**	**–**	**1,415,258,885**
Depreciation and amortization	**162,854,763**	**125,899,415**	**146,789,948**	**4,617,094**	**–**	**440,161,220**
Balance at end of period	**632,290,740**	**770,521,287**	**423,751,690**	**28,856,388**	**–**	**1,855,420,105**
Carrying Value	**₱4,990,174,378**	**₱755,483,455**	**₱765,526,918**	**₱17,719,451**	**₱926,142,227**	**₱7,455,046,429**

	December 31, 2020 (Audited)					
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱3,263,751,108	₱1,167,464,751	₱480,512,334	₱41,686,017	₱753,545,152	₱5,706,959,362
Additions	–	189,380,320	–	5,068,036	2,271,425,385	2,465,873,741
Reclassifications	1,157,913,863	55,821,409	518,321,302	–	(1,732,056,574)	–
Disposal	–	–	–	(223,214)	–	(223,214)
Balance at end of year	4,421,664,971	1,412,666,480	998,833,636	46,530,839	1,292,913,963	8,172,609,889
Accumulated Depreciation and Amortization						
Balance at beginning of year	217,915,439	404,754,613	87,460,251	15,461,930	–	725,592,233
Depreciation and amortization	251,520,538	239,867,259	189,501,491	8,855,489	–	689,744,777
Disposal	–	–	–	(78,125)	–	(78,125)
Balance at end of year	469,435,977	644,621,872	276,961,742	24,239,294	–	1,415,258,885
Carrying Value	₱3,952,228,994	₱768,044,608	₱721,871,894	₱22,291,545	₱1,292,913,963	₱6,757,351,004

Construction in progress pertains to costs incurred for constructing new stores in various strategic locations within the Philippines and are expected to be completed in 2021.

Depreciation and amortization are summarized below:

		Unaudited			
		For the Six-Month Periods Ended June 30		**For the Three-Month Periods Ended June 30**	
	Note	**2021**	2020	**2021**	2020
ROU assets	11	**₱586,382,907**	₱533,109,821	**₱293,379,133**	₱262,096,268
Property and equipment		**440,161,220**	318,612,372	**226,319,678**	165,273,069
Computer software	12	**5,926,741**	4,748,728	**3,059,284**	2,322,606
	17	**₱1,032,470,868**	₱856,470,921	**₱522,758,095**	₱429,691,943

The acquisition costs of fully depreciated assets still in use are summarized below:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
ROU assets	**₱355,746,229**	₱244,207,456
Property and equipment	**240,936,448**	181,584,118
	₱596,682,677	₱425,791,574

11. Lease Commitments

The Company as a Lessee

The Company has various lease agreements with related parties and third parties for the use of land, buildings, retail and office units, transportation equipment and computer software for a period of one to 15 years. The leases are renewable upon mutual agreement by both parties (as amended for certain lease agreements in 2018) to be covered by a separate and new lease agreement upon renewal. The annual rent of most contracts of lease is subject to escalation of 5.00%.

Security deposits amounted to ₱152.3 million and ₱150.3 million as at June 30, 2021 and December 31, 2020, respectively (see Note 12). Accrued rent and advance rent amounting to ₱143.9 million and ₱54.9 million were reclassified as part of ROU assets upon the adoption of PFRS 16 January 1, 2019.

Amounts recognized in profit and loss:

		Unaudited			
		For the Six-Month Periods Ended June 30		**For the Three-Month Periods Ended June 30**	
	Note	**2021**	2020	**2021**	2020
Amortization on ROU assets	10	**₱586,382,907**	₱533,109,821	**₱293,379,133**	₱262,096,268
Interest on lease liabilities	14	**233,010,716**	206,295,266	**116,650,915**	104,127,001
Rent expense	17	**92,565,397**	36,544,372	**47,014,133**	20,220,708
		₱911,959,020	₱775,949,459	**₱457,044,181**	₱386,443,977

Rent expense in 2020 and 2021 pertains to variable lease payments pertaining to real property taxes on leased properties from related parties and short-term leases.

Movements in the ROU assets are presented below:

		June 30, 2021 (Unaudited)					
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Cost							
Balances at beginning of period		₱4,943,242,213	₱2,616,597,530	₱361,379,636	₱162,704,797	₱38,914,064	₱8,122,838,240
Additions		664,670,639	–	–	–	–	664,670,639
Balance at end of period		5,607,912,852	2,616,597,530	361,379,636	162,704,797	38,914,064	8,787,508,879
Amortization							
Balances at beginning of period		516,793,099	1,067,803,338	147,793,002	75,692,997	34,590,278	1,842,672,714
Amortization	10	188,466,823	327,245,801	50,007,171	16,339,326	4,323,786	586,382,907
Balances at end of period		705,259,922	1,395,049,139	197,800,173	92,032,323	38,914,064	2,429,055,621
Carrying Value		₱4,902,652,930	₱1,221,548,391	₱163,579,463	₱70,672,474	₱–	₱6,358,453,258

		December 31, 2020 (Audited)					
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Cost							
Balances as at January 1, 2020		₱3,480,129,245	₱2,066,847,254	₱347,168,152	₱48,742,662	₱38,914,064	₱5,981,801,377
Additions		1,463,112,968	549,750,276	14,211,484	113,962,135	–	2,141,036,863
Balance as at end of year		4,943,242,213	2,616,597,530	361,379,636	162,704,797	38,914,064	8,122,838,240
Amortization							
Balances as at January 1, 2020		212,640,047	406,764,729	50,251,887	34,379,377	17,295,139	721,331,179
Amortization	10	304,153,052	661,038,609	97,541,115	41,313,620	17,295,139	1,121,341,535
Balances as at end of the year		516,793,099	1,067,803,338	147,793,002	75,692,997	34,590,278	1,842,672,714
Carrying Value		₱4,426,449,114	₱1,548,794,192	₱213,586,634	₱87,011,800	₱4,323,786	₱6,280,165,526

Movements in the lease liabilities are presented below:

	Note	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Balance at beginning of the period		**₱6,786,892,546**	₱5,486,482,205
Additions		**664,670,639**	2,114,835,519
Payments		**(663,440,829)**	(1,142,517,417)
Interest expense		**233,010,716**	429,018,646
Rent concession	18	**(1,863,170)**	(100,926,407)
Balance at end of the period		**7,019,269,902**	6,786,892,546
Current portion		**1,672,531,545**	1,837,560,851
Noncurrent portion		**₱5,346,738,357**	₱4,949,331,695

Due to the impact of the Covid-19 pandemic, the Company received rent concession from its lessors related to its leases of land and buildings. The Company adopted the amendments to PFRS 16 upon its effectivity by applying the practical expedient. The amount of reduction in lease liabilities that was recognized in profit or loss amounted to ₱100.9 million in 2020.

As at June 30, 2021 and December 31, 2020, the future minimum lease payments are as follows:

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Less than one year	**₱1,232,742,836**	₱1,352,199,267
Between one and five years	**2,830,530,298**	2,817,510,039
More than five years	**6,466,018,821**	6,123,678,243
	₱10,529,291,955	₱10,293,387,549

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 ₱26.9 million and ₱8.8 million for the six-month periods ended June 30, 2021 and 2020, respectively and ₱11.9 million and ₱2.4 million for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 18). Rent receivables amounted to ₱11.4 million and ₱18.5 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7).

12. Other Noncurrent Assets

Details of this account are as follows:

	Note	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Security deposits	11	**₱152,337,009**	₱150,319,561
Computer software		**124,803,307**	113,938,210
Electricity deposits		**58,661,029**	55,904,507
Noncurrent deferred input VAT		**39,957,451**	43,204,773
Advances to contractors		**18,840,865**	12,708,525
		₱394,599,661	₱376,075,576

Movements of computer software are as follows:

	Note	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Cost			
Balance at beginning of period		**₱140,808,567**	₱103,690,309
Additions		**16,791,838**	37,118,258
Balance at end of period		**157,600,405**	140,808,567
Accumulated Amortization			
Balance at beginning of period		**26,870,357**	17,407,837
Amortization	10	**5,926,741**	9,462,520
Balance at end of period		**32,797,098**	26,870,357
Carrying Amount		**₱124,803,307**	₱113,938,210

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

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors.

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, 2021 and December 31, 2020, the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

13. Trade and Other Payables

Details of this account are as follows:

	Note	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Trade:			
Third parties		**₱4,742,388,042**	₱4,273,047,618
Related parties	21	**2,361,507**	133,518,034
Nontrade:			
Third parties		**468,830,879**	357,039,860
Related parties	21	**227,939**	2,393,422
Accrued expenses:			
Construction costs		**308,020,312**	260,451,638
Outside services		**37,317,263**	41,715,970
Salaries and wages		**51,522,182**	86,634,288
Utilities		**29,569,685**	13,370,680
Advertising expenses		**7,974,538**	–
Insurance expenses		**1,170,445**	–

(Forward)

	Note	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Rent		**398,357**	212,800
Others		**3,550,738**	8,886,801
Advances from customers		**311,090,900**	253,273,996
Unearned revenue		**101,610,414**	98,048,696
Statutory payables		**49,149,713**	49,684,067
		₱6,115,182,914	₱5,578,277,870

Trade payables and accrued expenses 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 and transportation and travel, which are payable in the succeeding month.

Advances from customers pertain to payments and deposits made by the customers, which are to be applied against future purchases.

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

Statutory payables pertain to withholding taxes and obligatory contributions as mandated by the government. These are paid within 12 months.

14. Long-term Debt

Long-term debt amounting to ₱20,000 represent loans maturing in August 2021 and bears interest ranging from 2.25% to 6.00% in 2021 and 2020.

Details of interest expense follows:

		Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	**2021**	2020	**2021**	2020
Lease liabilities	11	**₱233,010,716**	₱206,295,266	**₱116,650,915**	₱104,127,001
Long-term debt		**352**	306	**177**	72
		₱233,011,068	₱206,295,572	**₱116,651,092**	₱104,127,073

As at June 30, 2021 and December 31, 2020, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 21).

There are no other financing activities other than presented in the statement of cash flows and no noncash financing activity in 2021 and 2020.

15. Retirement Plan

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 liabilities and the amount of contributions. The latest actuarial valuation report was dated as at December 31, 2020.

Details of retirement benefits recognized in profit or loss are as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		**For the Three-Month Periods Ended June 30**	
	2021	2020	**2021**	2020
Current service cost	**₱13,867,311**	₱10,805,529	**₱7,283,814**	₱6,411,501
Interest expense	**12,514,862**	8,568,366	**5,992,012**	3,564,106
Interest income	**(4,416,951)**	(2,627,402)	**(2,114,799)**	(1,092,896)
	₱21,965,222	₱16,746,493	**₱11,161,027**	₱8,882,711

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Present value of defined benefit obligation	**₱547,834,757**	₱521,452,584
Fair value of plan assets	**(203,729,041)**	(184,039,628)
	₱344,105,716	₱337,412,956

The present value of the retirement liability was 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.

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Balance at beginning of period	**₱521,452,584**	₱397,557,876
Current service cost	**13,867,311**	32,227,506
Interest expense	**12,514,862**	20,752,521
Remeasurement loss (gain):		
Changes in financial assumptions	**-**	91,062,038
Changes in demographic assumptions	**-**	(5,763,233)
Experience	**-**	(10,849,886)
Benefits paid	**-**	(3,534,238)
Balance at end of period	**₱547,834,757**	₱521,452,584

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Balance at beginning of year	**₱184,039,628**	₱121,906,972
Contributions	**15,272,462**	67,687,961
Interest income	**4,416,951**	8,070,960
Remeasurement loss	**–**	(10,092,027)
Benefits paid	**–**	(3,534,238)
Balance at end of year	**₱203,729,041**	₱184,039,628

Details of plan assets are as follows:

Unit investment trust funds	100.00%
Others	0.00%
	100.00%

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

	June 30, 2021 (Unaudited)	December 31,2020 (Audited)
Discount rate	**5.00%**	3.91%
Annual salary increase rate	**4.80%**	4.00%

Sensitivity analysis on retirement liabilities is as follows:

	Basis Points	Amount
Discount rate	+100	(₱71,672,768)
	-100	88,436,703
Salary rate	+100	87,417,986
	-100	(72,242,446)
Turnover rate	–	180,055,581

As at June 30, 2021, the expected future benefits payments are as follows:

Year	Amount
2021	60,841,479
2022	12,496,434
2023	5,159,021
2024	9,815,856
2025	14,129,428
2026 to 2029	97,369,521
	₱199,811,739

16. Equity

Details of capital stock as at June 30, 2021 and December 31, 2020 are as follows:

	Number of Shares	Amount
Authorized - at ₱1 a share	5,000,000,000	₱5,000,000,000
Issued and outstanding	4,099,724,116	₱4,099,724,116

On June 30, 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 (see Notes 1 and 4). Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million. Net additional paid-in capital amounted to ₱5,373.7 million.

As at June 30, 2021 and December 31, 2020, the Company has 4,099,724,116 listed shares.

On February 24 2020, the Company's BOD approved the declaration of regular cash dividend of ₱0.12 per share and a special cash dividend of ₱0.06 per share or a total of ₱0.18 per share, an amount equivalent to ₱738.0 million to stockholders on record date of March 20, 2020 and payment date of April 16, 2020.

On February 24, 2021, the Company's BOD approved the declaration of regular cash dividend of ₱0.10 per share and a special cash dividend of ₱0.02 per share or a total of ₱0.12 per share, an amount equivalent to ₱492.0 million to stockholders on record date of March 19, 2021 and payment date of April 16, 2021.

17. 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	**2021**	2020	**2021**	2020
Depreciation and amortization	10	**₱1,032,470,868**	₱856,470,921	**₱522,758,095**	₱429,691,943
Salaries, wages and employee benefits		**590,330,269**	517,060,990	**306,667,141**	244,364,713
Outsourced services		**459,113,673**	404,477,846	**231,182,984**	156,016,120
Trucking services		**286,429,038**	195,711,002	**142,569,983**	57,443,891
Utilities		**250,313,157**	172,256,835	**134,407,539**	67,657,916
Taxes and licenses		**144,239,564**	132,220,244	**73,595,260**	66,600,821
Credit card charges		**101,627,572**	73,002,974	**50,235,268**	24,343,299
Rent	11	**92,565,397**	36,544,372	**47,014,133**	20,220,708
Repairs and maintenance		**54,921,283**	31,635,036	**26,632,889**	12,433,304
Supplies		**48,981,206**	33,245,019	**24,259,370**	12,768,063
Advertising and promotions		**24,271,021**	22,077,145	**9,913,772**	6,687,445
Postage, telephone and telegraph		**18,486,250**	16,133,784	**8,668,647**	7,511,677
Professional fees		**6,813,312**	4,503,956	**3,295,577**	2,166,537
Donations and contributions		**5,749,288**	71,887,476	**37,500**	41,704,249
Transportation and travel		**3,890,001**	7,059,489	**2,123,253**	775,197
Others		**34,371,816**	28,050,934	**19,648,797**	19,223,296
		₱3,154,573,715	₱2,602,338,023	**₱1,603,010,208**	₱1,169,609,179

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

18. Other Income

Details of this account are as follows:

	Note	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2021	2020	**2021**	2020
Rent	11	**₱26,937,076**	₱8,810,000	**₱11,943,144**	₱2,416,500
Interest	5	**16,620,316**	39,019,612	**8,307,370**	12,321,290
Others - net		**106,745,912**	125,868,255	**61,297,543**	57,055,718
		₱150,303,304	₱173,697,867	**₱81,548,057**	₱71,793,508

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

Interest income arises from investment in RTB, short-term investments and cash in banks.

Others include amount 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. It also includes amounts charged to customers such as delivery fees and other charges.

19. Income Tax

The current income tax expense represents regular corporate income tax.

The reconciliation between income tax expense at statutory tax rate and as 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	
	2021	2020	**2021**	2020
Income tax expense at statutory rate	**₱419,188,003**	₱145,994,355	**₱213,629,838**	₱8,643,435
Income tax effects of:				
Interest income already subjected to final tax	**(4,155,079)**	(11,705,884)	**(2,076,843)**	(3,696,387)
Nondeductible expenses	**–**	91	**–**	21
Adjustment due to change in tax rate	**14,346,602**	–	**–**	–
	₱429,379,526	₱134,288,562	**₱211,552,995**	₱4,947,069

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets:		
Net lease rental payments	**₱202,993,366**	₱204,729,554
Retirement liability	**92,596,296**	109,587,547
Allowance for inventory write-down and losses	**24,372,288**	29,246,745
Unearned revenue from loyalty program	**23,197,270**	26,111,563
Allowance for impairment of refundable cash bonds	**20,852,484**	25,022,980
Allowance for impairment losses on receivables	**17,077,649**	19,382,271
Unrealized foreign exchange gain	**10,455**	138,741
	₱381,099,808	**₱414,219,401**

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Through profit or loss	**₱381,304,645**	₱414,465,205
Through other comprehensive income	**(204,837)**	(245,804)
	₱381,099,808	₱414,219,401

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subjected to 25% or 20% income tax depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

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

Based on the provisions of Revenue Regulations (RR) No.2-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for year ended December 31, 2020 is 27.5%. The result is lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 amounting to ₱54.7 million. The reduced amounts are reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the first quarter of 2021 financial statements.

In addition, a reduction in net deferred tax assets as of December 31, 2020 and higher provision for deferred income tax for the year then ended by ₱69.0 million. The re-valuation is recognized in the first quarter of 2021 financial statements.

20. Commitments and Contingencies

Contingencies

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

Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at June 30, 2021 and December 31, 2020.

21. Related Party Transactions and Balances

The Company has an approval policy on material related party transactions (RPT) wherein all individual material RPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent director's vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

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

	Year	For the Six-Month Periods Ended June 30 (Unaudited)		As at June 30, 2021 (Unaudited) and December 31, 2020 (Audited)	
Related Party		Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	**2021**	**₱1,817,022**	**₱380,823,348**	**₱222,829,913**	**₱82,883**
	2020	426,716	364,052,864	226,782,386	413,951
Entities under	**2021**	**1,104,871**	**481,844,639**	**184,173,967**	**3,136,614**
Common Control	2020	14,930,067	666,024,368	168,983,561	135,408,171
Stockholders	**2021**	**371,504**	**26,449,201**	**9,625,906**	**53,337**
	2020	392,592	11,546,718	10,567,619	108,931
	2021	**₱3,293,397**	**₱889,117,188**	**₱416,629,786**	**₱3,272,834**
	2020	15,749,375	1,041,623,950	406,333,566	135,931,053

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱ 38.1 million and ₱ 41.4 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7) and security deposits and advance rent (included as part of "Other current assets", "Right of Use Asset" or "Other noncurrent assets") aggregating ₱378.5 million and ₱364.9 million as at June 30, 2021 and December 31, 2020, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2021 and 2020.

Amounts owed to related parties consist of trade and other payables aggregating ₱3.3 million and ₱135.9 million as at June 30, 2021 and December 31, 2020, respectively (see Note 13).

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 and services from related parties aggregated ₱4.9 million and ₱316.6 million for the six-month periods ended June 30, 2021 and 2020, respectively.

   Sale of goods and services to related parties aggregated ₱3.3 million and ₱15.7 for the six-month periods ended June 30, 2021 and 2020, respectively.

b. Reimbursement of certain expenses mainly pertain to taxes, power and electricity, water, postage, telephone and telegraph. Reimbursement of certain expenses from related parties amounted to ₱89.7 million and ₱58.3 million for the six-month periods ended June 30, 2021 and 2020, respectively.

c. Lease agreements with the Parent Company and related parties for the use of land, buildings, computer software for a period of one to 15 years (see Note 11).

   Interest expense on lease liabilities to related parties amounted to ₱ 223.1 million and ₱194.1 million while amortization of ROU assets amounted to ₱563.9 million and ₱472.6 million for the six-month periods ended June 30, 2021 and 2020, respectively.

   Total lease payments, including payments on lease liabilities, amounted to ₱643.5 million and ₱514.0 million for the six-month periods ended June 30, 2021 and 2020, respectively.

   Rent expense from related parties amounted to ₱8.4 million and nil for the six-month periods ended June 30, 2021 and 2020, respectively.

d. As at June 30, 2021 and December 31, 2020, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 14).

Balances are unsecured and are normally settled in cash. Lease payments are due within the first 10 days of the month. Reimbursement of expenses and purchases and sales of goods and services normally have a repayment term of 30 days.

No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year. No impairment loss on amounts owed by related parties was recognized as at June 30, 2021 and December 31, 2020.

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	
	2021	2020	**2021**	2020
Short-term employee benefits	**₱71,532,269**	₱55,447,050	**₱37,543,934**	₱29,791,625
Retirement benefits	**3,345,112**	2,266,853	**1,721,811**	1,332,374
	₱74,877,381	₱57,713,903	**₱39,265,745**	₱31,123,999

22. 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	
	2021	2020	**2021**	2020
Net income	**₱1,247,372,484**	₱352,359,287	**₱642,966,352**	₱23,866,390
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
	₱0.30	₱0.09	**₱0.16**	₱0.01

23. 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 and officers and employees), trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), investment in RTB, security, electricity and container deposits, refundable cash bonds, lease liabilities 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 investment in RTB. 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.

The primary measure of the Company's interest rate risk is the duration of its financial assets. It quantifies the effect of changes in interest rates in the value of fixed income securities. The longer the duration, the more sensitive it should be to changes in interest rates.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Total debt	**₱13,698,893,577**	₱12,907,922,674
Total equity	**16,065,098,894**	15,309,693,304
Debt-to-equity ratio	**0.85:1**	0.84:1

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

24. 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, refundable cash bonds, 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.

Investment in RTB. The fair value of investment in RTB is estimated by reference to quoted bid price in an active market at the end of the reporting year 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.

Lease Liabilities. The carrying amount of lease liabilities approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease.

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 2021 and 2020, 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, 2021

Retained earnings at beginning of period as shown in the financial statements	₱5,835,657,219
Net income during the period closed to retained earnings	1,247,372,484
Dividends declared during the period	(491,966,894)
Net deferred tax assets as at June 30, 2021	(381,099,808)
Retained earnings as at end of period available for dividend declaration	₱6,209,963,001

Reconciliation

Retained earnings at end of period as shown in the financial statements	₱6,591,062,809
Net deferred tax assets as at June 30, 2021	(381,099,808)
Retained earnings as at end of period available for dividend declaration	₱6,209,963,001

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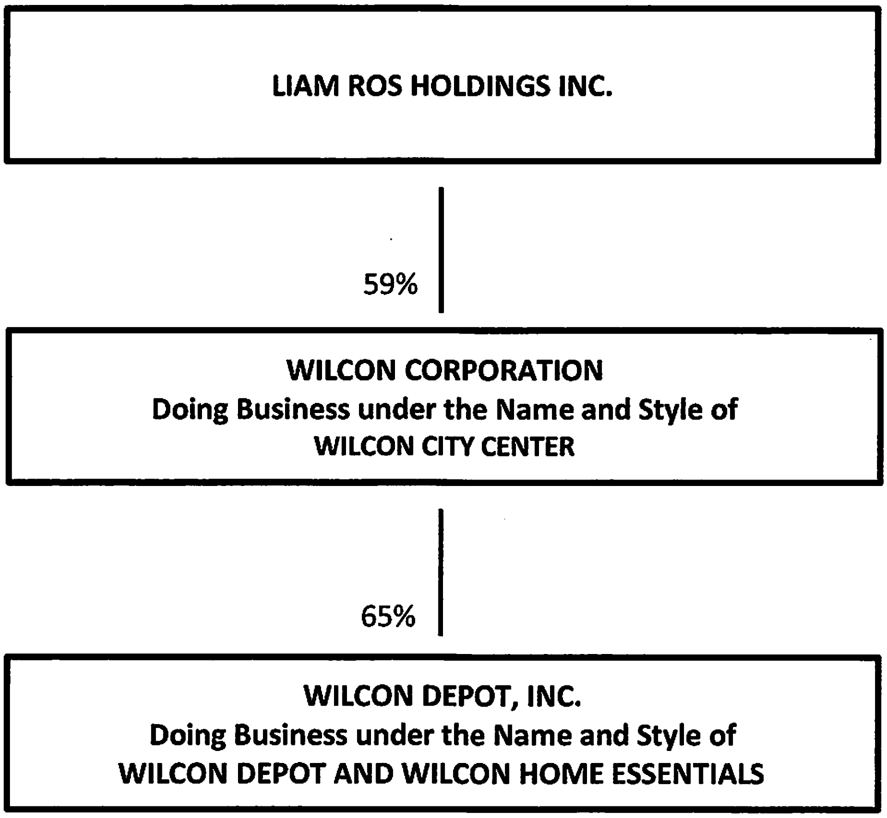
CORPORATE STRUCTURE
AS AT JUNE 30, 2021



WILCON DEPOT, INC.
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SUPPLEMENTARY SCHEDULE OF APPLICATION OF
PROCEEDS FROM INITIAL PUBLIC OFFERING
AS AT JUNE 30, 2021

As at June 30, 2021, the Company has fully utilized the proceed from the Offering. The details of the actual use of proceeds are presented below:

Store network expansion	₱6,121,228,507
Debt repayment	428,100,000
Offer expenses	289,897,803
General corporate purposes	200,000,000
	₱7,039,226,310

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SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE PERIODS ENDED JUNE 30, 2021 AND 2020
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020

	Formula		**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited)	December 31, 2020 (Audited)
Liquidity ratio					
Current ratio	Total Current Assets	₱15,174,793,315	**1.89 : 1**	2.09 : 1	1.89 : 1
	Divided by: Total Current Liabilities	8,008,049,504			
	Current ratio	1.89			
Acid test ratio	Total Current Assets	₱15,174,793,315	**0.64 : 1**	0.50 : 1	0.66 : 1
	Less: Merchandise Inventories	9,131,731,853			
	Other Current Assets	883,054,620			
	Quick Assets	5,160,006,842			
	Divided by: Total Current Liabilities	8,008,049,504			
	Acid test ratio	0.64			
Solvency ratio					
Debt to equity ratio	Total Liabilities	₱13,698,893,577	**0.85 : 1**	0.78 : 1	0.84 : 1
	Divided by: Total Equity	16,065,098,894			
	Debt to equity ratio	0.85			
Asset to equity ratio	Total Assets	₱29,763,992,471	**1.85**	1.78	1.84
	Divided by: Total Equity	16,065,098,894			
	Asset to equity ratio	1.85			
Profitability ratio					
Return on assets	Net Income	₱1,247,372,484	**4.19%**	1.39%	5.13%
	Divided by: Total Assets	29,763,992,471			
	Return on assets	4.19%			
Return on equity	Net Income	₱1,247,372,484	**7.76%**	2.47%	9.46%
	Divided by: Total Equity	16,065,098,894			
	Return on equity	7.76%			
Book value per share	Total Equity	₱16,065,098,894	**₱3.92**	₱3.48	₱3.73
	Divided by: Number of outstanding shares	4,099,724,116			
		₱3.92			

	Formula		June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2020 (Audited)
Gross income	Gross income	₱4,914,033,489	**36.60%**	34.53%	34.39%
	Divided by: Net Sales	13,426,284,821			
		36.60%			
EBITDA margin	Income before Income Tax	₱1,676,752,010	**21.79%**	16.71%	18.76%
	Add: Depreciation and Amortization	1,032,470,868			
	Net Interest Expense	216,390,751			
	Earnings Before Interest, Tax, Depreciation, and Amortization	2,925,613,629			
	Divided by: Net Sales	13,426,284,821			
	EBITDA margin	21.79%			
Net income margin	Net Income	₱1,247,372,484	**9.29%**	3.90%	6.40%
	Divided by: Net Sales	13,426,284,821			
	Net income margin	9.29%			