



2021 ANNUAL REPORT



I AM

WILCON

WILCON

DEPOT



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CORPORATE PROFILE



WILCON DEPOT, INC. (PSE: WLCON) is the Philippines' leading home improvement and construction supplies retailer. It caters to the fast-growing segment of middle-to-high income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. Wilcon is top-of-mind among homebuilders and homeowners looking to build or renovate their homes with its complete spectrum of product offerings.

Wilcon carries local and international brands of tiles, sanitary wares and plumbing, hardware and tools, and other DIY items such as electrical and lighting, paints and building materials, doors and mouldings, and also household items such as furniture and home interiors, appliances and housewares, among others. Despite having a huge collection of products, Wilcon maintains ease in shopping through its organized and clutter-free environment.

Wilcon traces its roots in 1977 when its founder, Mr. William T. Belo, opened his first branch, a modest 60-sqm hardware store, in Quezon City. He gradually expanded the pioneer Wilcon branch as business picked up, opening three more Metro Manila branches with an average area of 2,400 sqm from 1989 to 1995.



Wilcon's first foray outside Metro Manila was in 2002 when it opened a branch in Davao City. In its continued efforts to find ways of delivering the best service to its customers, Wilcon built its first depot-format store in Las Piñas in 2003. The depot-format is a new store concept for the business at that time and at 10,000 sqm, much larger than the older branches with a more comprehensive products selection. The depots offered more comfortable shopping experience with free parking spaces, air-conditioned stores, reliable delivery service and knowledgeable sales personnel. Over the next 18 years, Wilcon rapidly expanded its operation with the opening of 62 more depot format stores around the country.

In its initial years, the business operated under several corporate entities based on the geographical location of the branches and store formats. The companies were then consolidated into Wilcon Builders Depot, Inc. (WBDI), to achieve economies of scale and promote operational efficiencies, which was completed in 2013.

On December 17, 2015, the Company, Wilcon Depot, Inc. (WDI) was incorporated to operate the retail business of WBDI, which was renamed to Wilcon Corporation (WC) in November 2016. WDI commenced operations on April 1, 2016 upon transfer of the retail operations of the parent company and was listed on the Philippine Stock Exchange on March 31, 2017.

WDI commenced operations on April 1, 2016. It was listed on Philippine Stock Exchange on March 31, 2017 and was included in the Philippine Stock Exchange Index on October 11, 2021.



MISSION

To help people build, improve, and refine their homes for a sustainable and comfortable life.

VISION

Our vision is to become the preferred company in our industry for all our key stakeholders: our customers, our partners, our employees, our shareholders, environment, and the society we live in.

To deserve the trust and respect our key stakeholders place in us, we at Wilcon differentiate ourselves by the standard of excellence and commitment we adhere to.



INNOVATION



LEADERSHIP



INTEGRITY
TO ALL
STAKEHOLDERS



LOYALTY TO
OUR
CUSTOMERS
AND THE
COMPANY



EXCELLENCE
IN
CUSTOMER
SERVICE



CUSTOMER
DELIGHT



COLLABORATION

For our customers, we are committed to delivering products and solutions of superior quality and providing excellent and reliable service.

For our partners, we are committed in nurturing a winning network of suppliers in order to create mutual and enduring value.

For our employees, we are committed to create an environment that respects their dignity as persons, cultivates knowledge and talent, and empowers them to be the best they can be through continuous career and development opportunities.

For our shareholders, we are committed to maximize long – term returns to shareholders that can enable growth and prosperity in the business, and in turn, provide more opportunities for our employees and more solutions to our customers.

For the environment that supports the life we live on this planet, we are committed to promoting and innovating practical solutions that protect and manage the use of our natural resources by continuously providing eco-friendly products, adopting technologies and business practices, and shaping the behavior of our customers for better environmental impacts of the business.

For the society we live in, we are committed to contributing the best expertise, knowledge, skills, and resources to promote stronger, safer and more sustainable homes and buildings for all kinds of people.

BRANCHES NATIONWIDE

LUZON

WILCON DEPOT

LAOAG, ILOCOS NORTE
 VILLASIS, PANGASINAN
 IGUIG, CAGAYAN
 CABANATUAN CITY, NUEVA ECIJA
 CORDON ISABELA
 TARLAC CITY
 OLONGAPO CITY
 DAU, PAMPANGA
 SAN FERNANDO, PAMPANGA
 MEXICO, PAMPANGA
 BALIUAG, BULACAN
 SAN JOSE DEL MONTE CITY
 CALUMPIT, BULACAN
 TAYTAY, RIZAL
 SAN JUAN, TAYTAY, RIZAL
 ANTIPOLO CITY
 SAN ISIDRO, ANTIPOLO CITY
 DASMARIÑAS CITY
 GENERAL TRIAS CITY
 KAWIT, CAVITE
 BACOR CITY
 SILANG, CAVITE
 CALAMBA CITY
 CABUYAO CITY
 SAN PABLO CITY
 STA. ROSA CITY
 PILA, LAGUNA
 STO. TOMAS CITY
 ALANGILAN, BATANGAS CITY
 LIPA CITY
 TAYABAS, QUEZON
 DARAGA, ALBAY
 NAGA CITY
 SORSOGON CITY
 PUERTO PRINCESA CITY

LUZON (HOME ESSENTIALS)

SAN FERNANDO, PAMPANGA

METRO MANILA (DEPOT)

VALENZUELA CITY
 FAIRVIEW
 QUIRINO
 BALINTAWAK
 QUEZON AVENUE
 LIBIS
 CAPITOL-COMMONWEALTH
 WILCON IT HUB
 SUCAT
 ALABANG
 FILINVEST
 PASONG TAMO

METRO MANILA (HOME ESSENTIALS)

MINDANAO AVENUE
 CITY CENTER, VISAYAS AVENUE
 MUÑOZ
 ALI MALL
 STA. MESA
 PASAY CITY

VISAYAS

WILCON DEPOT

JARO, ILOILO CITY
 TACLOBAN CITY, LEYTE
 TALISAY CITY, CEBU
 MANDAUE CITY, CEBU
 STA. BARBARA, ILOILO
 MAKATO, AKLAN
 TALISAY-BACOLOD, NEGROS OCCIDENTAL
 ORMOC CITY, LEYTE
 DAUIS, BOHOL

VISAYAS (HOME ESSENTIALS)

FESTIVE WALK MALL ILOILO CITY

MINDANAO

WILCON DEPOT

BUTUAN CITY
 CAGAYAN DE ORO CITY, MISAMIS ORIENTAL
 MATINA, DAVAO CITY
 PANACAN, DAVAO CITY
 TAGUM CITY, DAVAO DEL NORTE
 ZAMBOANGA CITY
 GENERAL SANTOS CITY
 OPOL, MISAMIS ORIENTAL
 MALAYBALAY, BUKIDNON

54
 LUZON

10
 VISAYAS

9
 MINDANAO



STORE OPENINGS



**MAKATO AKLAN | COMMONWEATH QUEZON CITY | ORMOC LEYTE
CORDON ISABELA | SORSOGON CITY | PILA LAGUNA
TAGUM DAVAO | SAN FERNANDO PAMPANGA | DAUIS BOHOL
MALAYBALAY BUKIDNON**

COMPANY HIGHLIGHTS

1977 - 2001



Traditional trade

- Small hardware store format
- Wholesale and retail operations

2002 - UP



Introduced & Expanded depot format

- Converted into a modern trade channel
- Pure retail operations offering a complete spectrum of home improvement products

2009 - 2014



Major re-branding / evolution of Wilcon logo and brand.

- Re-conceptualization of the smaller-sized into a separate format labeled "Home Essentials"
- Consolidation of operations under one entity (Wilcon Builders' Depot, Inc., now Wilcon Corporation)
- Enhanced exclusive and in-house brand offerings



2021 - PRESENT



Included in the PSEI on October 11, 2021

- In the stock market front, WDI was included in the Philippine Stock Exchange index.

73 Operating Stores Nationwide

2017 - 2020



Initial Public Offering of WDI

- Roll out of the five-year 29- depot expansion plan

2015 - 2016



Wilcon Depot, Inc. was established on Dec. 17, 2015

- Retail business was transferred from Wilcon Corporation to Wilcon Depot, Inc. on April 1, 2016



PRESIDENT'S MESSAGE

Dear Fellow Shareholders,

I have never been more honored than to work alongside our customer experience heroes, our support team, management, and board of directors in turning around our operating and financial performance to tremendous growth amid a persistently challenging environment.

The country, in 2021, was beset by prolonged periods of mobility restrictions brought about by rising Covid-19 cases and deaths. While as an essential products provider, all our stores generally remained open, foot traffic slowed down, particularly in areas where stricter quarantine measures were imposed. To exacerbate what was already a difficult condition, global supply chain issues arose, which prompted management to double down on our efforts to remain true to our value proposition of the most complete all-in-one retailer of home improvement and finishing construction products.

The hard work did not go unrewarded as we generated record sales and income last year. In the face of seemingly endless headwinds from the pandemic and its ramifications, the team's passion to succeed was unwavering. We kept our focus on our key growth strategies.

We are well on our way to reach our 100-store by 2025 target. We opened an unprecedented ten (10) stores in 2021, nine depots, and one smaller format, Home Essentials. We have completely deployed our IPO funds in the first quarter of 2021 but have kept the company bank debt-free. Internally generated funds were substantial enough to cover capital expenditure of ₱2.16 billion for the year after the IPO funds were fully disbursed.

Net sales was at an all-time high ₱27.5 billion, up 21.6% year-on-year driven by a comparable sales growth of 12.1%. Luzon branches bounced back as these remained open despite the prolonged surge of Covid-19 cases. The depot format stores accounting for 97.4% of total net sales drove company-wide net sales growth with a 22.1% year-on-year rise and comparable sales growth of 12.3%. The Home Essentials format, meanwhile inched up by a modest 3.8%.

Last year, we were also able to re-launch our e-commerce platform after more than a year of working with our providers to upgrade our original site.

Prior to the re-launch, we already joined the marketplace boom and opened official shops in Lazada Mall for one of our exclusively distributed global brands and another for our select in-house and exclusive brands. We also partnered with a supplier of another global brand as the fulfillment arm of their own e-commerce platform. Our omni-channel initiatives are meant to be complementary to our brick-and-mortar operations and we shall continue to invest and harness the full potential of these platforms in enabling us to reach our ever-widening customer base.

To remain as the most complete all-in-one shop of home improvement and finishing construction products amid the burgeoning supply chain challenges last year, we reinvested part of our internally generated funds to ensuring the uninterrupted supply of goods. While this practical and opportune modification in our sourcing strategy had its own execution issues, it still yielded favorable results as evidenced by the expansion of our gross profit margin by 296 basis points to 37.3% for the year.

Gross profit jumped 32.0% to total ₱10.276 billion in 2021. The slight drop in the contribution of the exclusive and in-house products due to the slowdown in big-ticket projects was more than offset by the increase in the gross profit margin rate of the category.

Concomitant to our brick-and-mortar expansion efforts and the turnaround of our Luzon branches, the increased volume of transactions pushed net other income from suppliers and customers up by 14.6% to ₱320 million. Since all our branches generally remained open throughout the year, except for one, there was no rent concession from our lessors in 2021.

Consequent to the upsurge in the volume of business of existing stores and the addition of ten new branches, operating expenses, including lease-related interest expense, rose by 16.8% to amount to ₱7.202 billion for 2021. As a percentage to net sales, however, we note an improvement of 100 basis points from 27.2% to 26.2%.

By the end of the year, we were able to deliver record net income of ₱2.56 billion, a 77% hike amid an ongoing pandemic, albeit coming from a deceleration in 2020, proving our resiliency and agility to adapt to the changing market conditions. Well done to our tireless heroes – our frontliners and our support team!

Looking forward to 2022 and the next few years, we remain focused on our key growth drivers, store network expansion, and continued margin enhancement through product mix strategies. We remain committed to distributing excess cash to our shareholders through annual distribution of cash dividends. In 2021, we returned ₱492 million in cash through dividends. On February 23, 2022, the board of directors approved the distribution of ₱861 million in cash dividends, our highest so far and our fifth straight year of distributing dividends as we were approaching our fifth listing anniversary, which was on March 31, 2022.

I cannot thank enough our employees for powering us through 2021, our ever-reliable partner-suppliers with whom we share common strategic goals, our loyal and patient customers for continuing to patronize us and appreciating the hard work we put in to make their shopping experience as convenient and seamless as possible and you, our shareholders for your continued trust in our ability to deliver shareholder value growth consistently.



LORRAINE BELO-CINCOCHAN
Director, President and Chief Executive Officer

FOUNDER'S MESSAGE



The year 2021 was without its own challenges. The pandemic raged on, and the country was again placed in long periods of quarantine and mobility restrictions. The agility of Wilcon in adapting to the new operating realities, however, enabled us to turn in a stellar performance for the year.

We reimagined how we would operate to deliver the same excellent customer service in a different environment and quickly pivoted to it in 2020, continuously updating and enhancing product offerings, systems, and processes all throughout 2021.

Our outstanding performance in 2021 is a testament to the commitment of our customer experience heroes and support teams to our values, particularly to excellence in customer experience, customer delight, innovation, and leadership.

As we enter our 45th year as a business this 2022, we continue to focus on our strategic growth plans to fulfill our mission. We are well on our way to reaching our 100-strong store network by the end of 2025 as we ended 2021 with 73 branches. This thrust is anchored on our confidence in our market's resiliency and that their desire to build, improve and refine their homes for a sustainable and comfortable life remains unchanged.

Our excitement and passion to be the preferred partner of all our stakeholders in building big ideas continues.

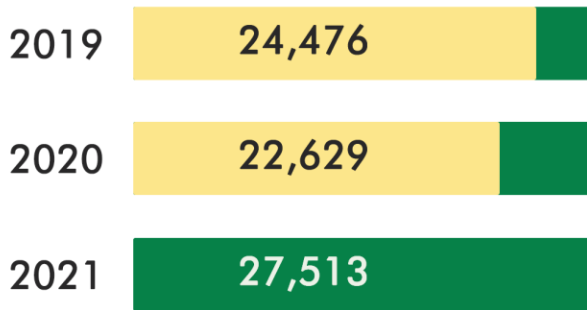
A handwritten signature in black ink, appearing to read 'William T. Belo'. The signature is fluid and cursive, written over a white background.

WILLIAM T. BELO
Founder, Chairman Emeritus

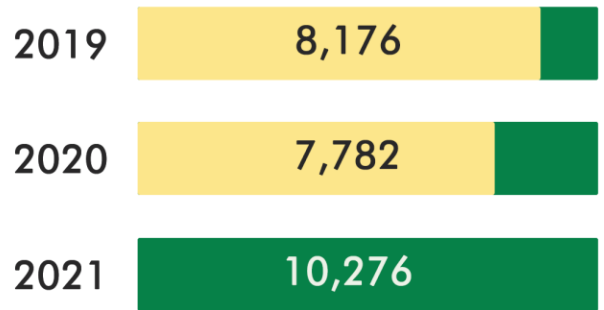
FINANCIAL HIGHLIGHTS

(IN PHP MILLIONS)

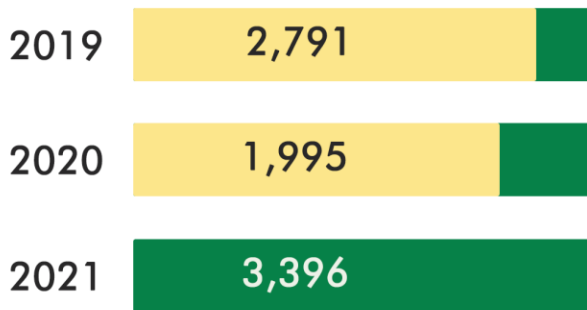
NET SALES



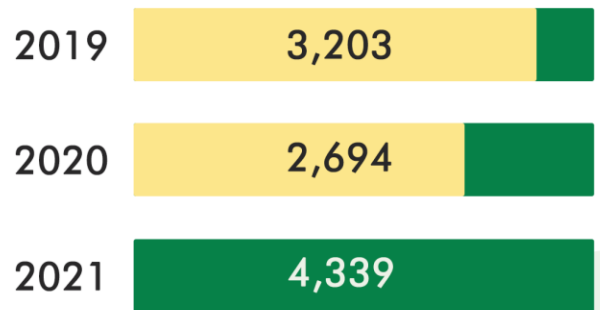
GROSS INCOME



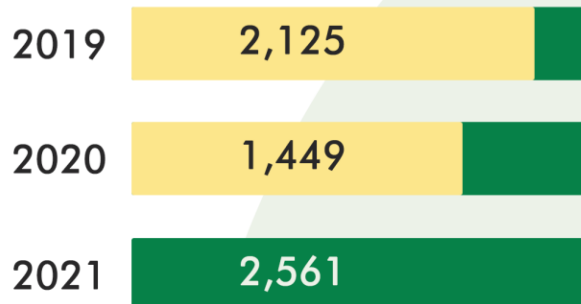
EBIT



EBITDA



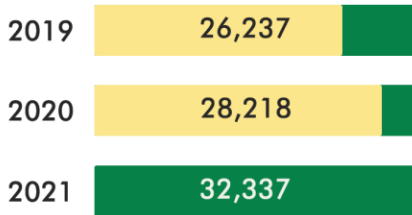
NET INCOME



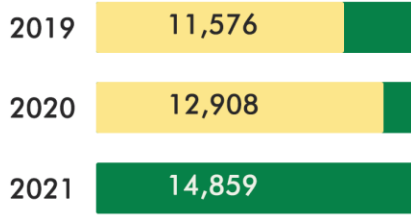
AS AT 31 DECEMBER

(IN PHP MILLIONS)

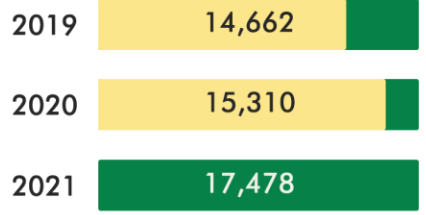
TOTAL ASSETS



TOTAL LIABILITIES

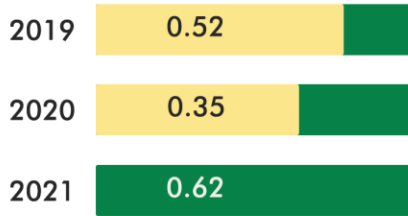


TOTAL STOCKHOLDERS' EQUITY

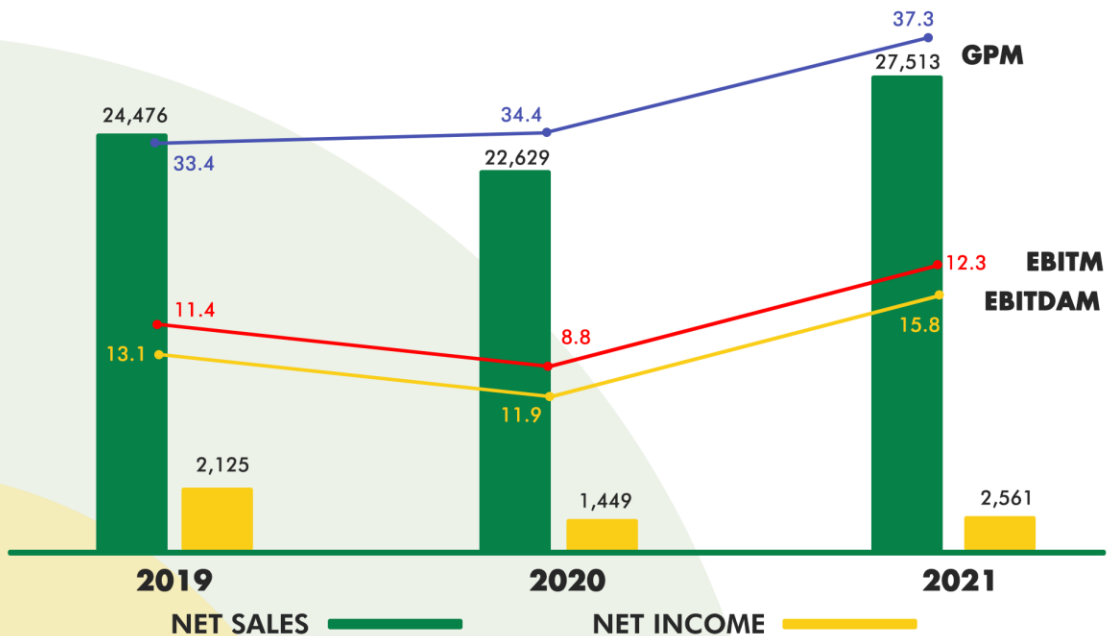
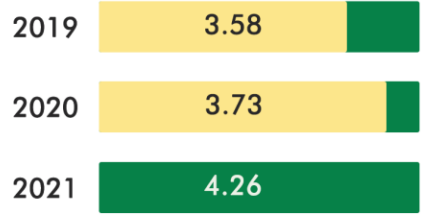


PER SHARE

BASIC EARNINGS



BOOK VALUE



Note: For EBIT and EBITDA, ROU depreciation and interest expense charged on lease liability were considered as rent expense for 2019, 2020 and 2021



**MANAGEMENT'S
DISCUSSION & ANALYSIS**

RESULTS OF OPERATIONS FOR YEAR ENDED DECEMBER 31, 2021 COMPARED WITH THE YEAR ENDED DECEMBER 31, 2020

The Company recorded net income of ₱2,561 million for the year 2021, up by 76.8% or ₱1,113 million from the ₱1,449 million reported in 2020 with net margins of 9.3% and 6.4%, 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 and income tax expense.

Net Sales

Net sales for the year 2021, amounted to ₱27,513 million, an increase of 21.6% or ₱4,884 million from last year. The increase was driven by comparable sales, which grew by 12.1% traced mainly to the increase in the number of transactions particularly in branches located in Luzon.

In March 2020, at the outset of the pandemic, all Luzon branches were closed for two months in compliance with the quarantine rules imposed by the Philippine government to control the spread of the Covid-19 disease. In 2021, except for sporadic one-day closure of a few stores in view of typhoons or localized pandemic-related lockdowns, all branches remained operational throughout the year despite surges in Covid-19 cases and imposition of stricter quarantine measures. All stores remained open when stricter quarantine measures were imposed particularly in Metro Manila, nearby provinces and bigger cities in Visayas and Mindanao from the last week of March until the end of April and from August to mid-October.

The balance of the increase was contributed by below one-year sales of new stores. The Company opened ten (10) new branches in 2021, nine (9) depot format stores and one (1) smaller format, Home Essentials.

On a per format basis, sales from the depot-format stores, which comprised 97.4% of total net sales, grew by 22.1% or ₱4,851 million to ₱26,792 million from the ₱21,941 million net sales in 2020. Comparable sales growth (same store sales growth) reached 12.3%, contributing 91.9% of the total net sales increase of the format. Meanwhile, sales from new depots comprised 8.1% of the format's net sales growth.

The smaller format "Home Essentials", recording net sales of ₱530 million accounting for 1.9% of total net sales, likewise reported a total and comparable sales growth of 3.8% as at December 31, 2021 from the prior year's ₱510 million. The latest Home Essentials branch was opened in the fourth quarter of 2021.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱192 million, increasing by 7.9% or ₱14 million year-on-year.

Gross Profit

Gross profit grew by 32.0% or ₱2,494 million from the 2020 level of ₱7,782 million to close at ₱10,276 million for the year for a gross profit margin of 37.3%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 296 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 49.5% from 50.9% in the same period in 2020.

Operating Expenses

Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million mainly due to lease term changes and increase in the variable component of the leases.

Interest Expense

Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 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 year ended December 31, 2021 amounted to ₱351 million, decreased by 19.4% or ₱85 million from prior year's ₱435 million. Other income consists of:

1. Rent concession in 2020 from lessors related to leases of land and buildings resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱101 million upon applying the practical expedient of PFRS 16;
2. Interest income of ₱29 million, which decreased from the prior period balance of ₱55 million as investible funds particularly from IPO proceeds continued to be deployed for store network expansion. The IPO proceeds were fully utilized as at December 31, 2021;

3. Rent income of ₱61 million, rose by 42.6% 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 during the year; and

4. Net other income from trade and other suppliers amounting to ₱259 million, up by 9.5% or ₱22.6 million from 2020. Net other income is comprised of share of 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 December 31, 2021 reached ₱4,339 million, or 15.8% of net sales, rising by 61.1% from the ₱2,694 million, or 11.9% of net sales, recorded as of December 31, 2020.

2. EBIT for the year 2021 is ₱3,396 million or 12.3% of net sales, growing by 70.2% from ₱1,995 million, or 8.8% 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 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 million incurred during the same period last year. The increase is attributed to:

1. Higher taxable income in 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 December 31, 2021

Liquidity

Cash and cash equivalents and short-term investments totaled ₱2,342 million, 49.2% or ₱2,269 million drop from the balance as at December 31, 2020 as the Company continued to construct new store buildings and warehouses. Nonetheless, current ratio improved from 1.89:1.00 to 1.94:1.00.

Capital Expenditure

The Company's capital expenditure totaled ₱2,161 million during the year 2021, the bulk of which was spent on the construction of new stores and warehouses.

Capital Resources

The Company continue 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	2021	2020
Sales	27,513,328,310	22,628,883,188
EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense ¹	3,396,006,908	1,994,872,196
EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense ²	4,339,174,272	2,694,079,493
EBIT Margin - Treating Interest on Lease Liability as Rent Expense ³	12.34%	8.82%
EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense ⁴	15.77%	11.91%
Return on Equity Ratio ⁵	14.66%	9.46%
Current Ratio ⁶	1.94	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 December 31, 2021 and December 31, 2020

1. Aggregate cash and short-term investments decreased by ₱2,269 million or 49.2% from ₱4,611 million at the close of 2020 to ₱2,342 million as at December 31, 2021, traceable primarily to advances made to suppliers, capital expenditure, payment of dividends, lease and income tax.

2. Trade and other receivables totaled ₱166 million as at December 31, 2021, 47.2% or ₱149 million lower than the ₱315 million balance as at December 31, 2020. The decrease was mainly due to the increased collection of trade receivables.

3. Advance payments to suppliers, comprising of advance payments to trade and non-trade suppliers, increased by ₱1,790 million or 1,770.8% from ₱101 million balance as at December 31, 2020. The increase was mainly due to the rise in advance payments on purchases of merchandise inventory.

4. Merchandise Inventories increased by ₱3,184 million or 36.6% from ₱8,692 million at the close of 2020 to ₱11,876 million as at December 31, 2021 due mainly to increase in purchases.

5. Other Current Assets increased by ₱242 million or 36.1% from ₱671 million at the close of 2020 to ₱913 million as at December 31, 2021 due mainly to prepayments, input tax from purchases and increase in supplies.

6. Property and equipment increased by ₱1,185 million or 17.5% from ₱6,757 million at the close of 2020 to ₱7,942 million as at December 31, 2021 due mainly to capital expenditures related to store network expansion.

7. Net deferred tax assets decreased by ₱40 million or 9.5% from ₱414 million at the close of 2020 to ₱375 million as at December 31, 2021 due mainly to the tax effect of the application of CREATE Law with new tax rate of 25%.

8. Other Noncurrent Assets increased by ₱28 million or 7.4% from ₱376 million at the close of 2020 to ₱404 million as at December 31, 2021 due mainly to licenses and software acquisition.

9. Current liabilities amounted to ₱8,880 million as at December 31, 2021, up by 16.5% or ₱1,258 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.

10. Non-current liabilities totaled ₱5,979 million, higher by 13.1% or ₱693 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 year ended December 31, 2021 amounted to ₱27,513 million, 21.6% or ₱4,884 million higher than the ₱22,629 million generated during the same period in 2020.

2. Gross profit increased by 32.0% to ₱10,276 million for the period from the ₱7,782 million level for the same period in 2020, mainly driven by the increase in sales and gross profit margin.

3. Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million

4. Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 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.

5. The Company's income tax expense increased by 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 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.

Results of Operations for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020

Net Sales

The Company recorded net sales of ₱7,465 million for the three-month period ended December 31, 2021, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020. The increase is mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.

Sales from the depot-format stores contributed the majority of total net sales comprising 97.2% or ₱7,256 million for the fourth quarter of 2021, up by 9.3% or ₱616 million from the ₱6,641 million net sales for the fourth quarter of 2020. The depot's same store sales growth is 0.7%.

The smaller format "Home Essentials", recording net sales of ₱139 million accounting for 1.9% of net sales, reported a decline of 7.8% or ₱12 million during the fourth quarter of 2021 from prior year's same period level of ₱151 million.

The remaining 0.9% was accounted for by project sales or sales to major developers, amounting to ₱70 million, increasing by 43.6% or ₱21 million from prior year's same period level of 2020 of ₱48 million.

The Company opened three (3) new depots located in Visayas and Mindanao and one (1) Home Essentials in Central Luzon during the quarter.

Gross Profit

Gross profit closed at ₱2,844 million, resulting in a gross profit margin of 38.1% for the fourth quarter of 2021 from the ₱2,346 million level during the same period in 2020. Sales of exclusive and in-house products accounted for 50.1% of total net sales for the period versus 49.8% in the same period in 2020.

Operating Expenses

Operating expenses increased to ₱1,914 million during the fourth quarter of 2021, up 17.8% or ₱289 million from the ₱1,625 million during the same period in 2020. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.

Interest Expense

Interest expense during the fourth quarter of 2021 and 2020 amounted to ₱117 million and ₱112 million, respectively. The ₱5 million increase represents non-cash interest charged on leased liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

Other income (Charges)

Other income (charges) during the fourth quarter of 2021 amounted to ₱108 million, down by 43.9% or ₱85 million from the ₱193 million generated in 2020 due to the recognition of the rent concession obtained from lessors related to leases of land and buildings, which resulted in the reduction in lease liabilities amounting to ₱101 million in 2020. The decrease was partly offset by the increase in net other 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 to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

1. EBITDA for the quarter ended December 31, 2021 totaled ₱1,170 million, or 15.7% of net sales, up by 18.3% or ₱181.2 million from the 2020 balance of ₱989 million, or 14.5% of net sales.

2. EBIT for the fourth quarter of 2021 is ₱917 million or 12.3% of net sales, up by 15.7% or ₱124 million higher from the prior year's same period level of ₱792 million, or 11.6% of net sales

Income Tax Expense (Benefit)

The Company's income tax expense decreased by 3.5% or ₱8.0 million to end at ₱229 million in 2021, versus ₱238 million incurred during 2020.

Income Statement for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020

1. Net sales for the fourth quarter ended December 31, 2021 amounted to ₱7,465 million, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020 mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.
2. Gross profit increased by 21.2% to ₱2,844 million for the period from the ₱2,346 million level for the same period in 2020, driven by the increase in sales and the expansion in gross profit margin.
3. Operating expenses increased to ₱1,914 million for the period, up by 17.8% or ₱289 million from the prior period's ₱1,625 million. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.
4. Interest expense increased to ₱117 million for the period, up by 4.5% or ₱5 million from the prior year's ₱112 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 period totaled ₱108 million, down by 43.9% or ₱85 million from the ₱193 million recorded in the same period of 2020 mainly due to the significant rent concession in 2020.

BOARD OF DIRECTORS



Bertram B. Lim

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



Lorraine Belo-Cincochan

is a Director, President and the Chief Executive Officer of Wilcon Depot, Inc. She has held various positions in the family business starting out as a trainee under her father who was then president of Wilcon. In 2000, she headed the company's IT department that resulted in the beginnings of the company's digital transformation journey of Wilcon's key processes. From 2003 to 2005, she was assigned to manage the daily operations of the first ever large format Wilcon Depot branch as a Manager-trainee where she gained real world experience in retail operations. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 became the Company's Executive Financial Officer, holding the position until March, 2016. In 2018, she was recognized as one of the 2018 Forbes Asia Emergent Women Honorees.



Mark Andrew Y. Belo

is a Director and EVP - Treasurer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. He served as the Chief Financial Officer of the Company from 2016 to March 2019. Under WC, he was Assistant Vice-President for Business Development from 2015 to March 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned in various positions under Wilcon Builders Supply, Inc. from July 2004 to August 2007. He is currently the President of Coral-Agri Venture Farm Inc. He graduated from the University of Asia & the Pacific in 2004 with a Bachelor's Degree in Industrial Economics.



Careen Y. Belo

is a Director and EVP - Chief Product Officer of the Company. She is concurrently a Director of WC, the Executive Vice President for Product Development of Coral-Agri Venture Farm Inc., Executive Officer of Crocodylus Porosus Phil Inc. and President of The Meatplace Inc. She held various positions in the business having been a Business Development Manager from 2004 to 2007 of WC, Marketing and Sales Assistant from 2007 to 2014 and Executive Financial Audit Manager from 2014 to March, 2016. Ms. Belo obtained her Bachelor of Science in Management from the University of Asia & the Pacific in 2005.

Ricardo S. Pascua



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

Rolando S. Narciso



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

Delfin "Jing" L. Warren



is an Independent Director of the Company since May 2017. He is the founder, main principal, and current Chairman of the TISA Group, a leading loyalty management company in the country. He was the former CEO of PT Darya-Varia Laboratoria, a major publicly listed pharmaceutical company in Indonesia under the First Pacific Group. He also held senior positions in various international companies such as First Pacific Commodities Holdings, Ltd., The Hibernia Bank of San Francisco, PT Indo Ayala Leasing (Indonesia), and Bancom Philippine Holdings, Inc. Jing obtained his Bachelor of Science in Chemical Engineering degree at De La Salle College, Manila in 1971. He was a former member of the Board of Trustees of De La Salle University and a former president of the De La Salle Alumni Association.

ADVISORY BOARD



William T. Belo

is the Chairman Emeritus of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the Chairman of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. In 2018, he was recognized as an Outstanding Thomasian Engineer, awarded as one of the People of the Year by People Asia and Patriarch of Home Building Retail by the Philippine Retailers Association. In 2019, he was given the UST Engineering Alumni Association Inc. Presidential Award and was recognized as The Manila Times Man of the Year of the Asia Leaders. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.



Rosemarie Bosch-Ong

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

OFFICERS



**Lorraine
Belo- Cincochan**
Director, President and
Chief Executive Officer



**Rosemarie
Bosch-Ong**
SEVP-Chief
Operating Officer



**Mark Andrew
Y. Belo**
Director, EVP -
Treasurer



**Careen
Y. Belo**
Director, EVP - Chief Product
Officer, CIO, CRO



**Atty. Arthur
R. Ponsaran**
Corporate
Secretary



**Atty. Sheila
P. Pasicolan - Camerino**
AVP - Corporate Lawyer,
Asst. Corporate Secretary,
Compliance Officer



**Grace
A. Tiong**
Vice President -
Human Resources



**Eden
M. Godino**
Vice President -
Product Development



**Michael
D. Tiong**
Vice President -
Global Sourcing



**Mary Jean
G. Alger**
Vice President -
Investor Relations



**Lauro
D.G. Francisco**
Chief Audit
Executive



**Keith
S. Chan**
Vice President -
Information Technology



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

On May 6, 2020, the Board of Directors of the Corporation approved the amendments to its Corporate Governance Manual in compliance with the Revised Corporation Code and related issuances.

The Board also approved the amendments to the By-laws of the Corporation in compliance with the Revised Corporation Code and was ratified by the stockholders during the annual stockholders' meeting held on September 21, 2020. The Securities and Exchange Commission approved the said amendments on March 2, 2021.

On February 19, 2021, the Company was recognized by the Institute of Corporate Directors (ICD) as one of the publicly-listed companies that performed well in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Assessment.

And in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission mandating all members of the Board of Directors and Key Officers of Publicly Listed Companies to attend Corporate Governance Training, the members of the Board as well as the officers of the Company on June 21, 2021, attended the corporate governance seminar

via Zoom Webinar, entitled "Embracing the Good Corporate Governance for Effective and Efficient Management" conducted by the Center for Training and Development, Inc.

Board Composition

The Board is composed of seven (7) directors, elected by the Company's stockholders on June 21, 2021, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Company's By-Laws. The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the Company's industry. The Board has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board is composed of the following:

Name	Directorship	Age	Date of First Election	No. of Years as Director
Bertram B. Lim	Chairman/Independent Director	84	22 May 2017	4
Ricardo S. Pascua	Independent Director	73	13 September 2016	5
Rolando S. Narciso	Independent Director	75	13 September 2016	5
Delfin L. Warren	Independent Director	71	22 May 2017	4
Lorraine Belo-Cincochan	Executive Director	42	30 March 2016	5
Mark Andrew Y. Belo	Executive Director	39	30 March 2016	5
Careen Y. Belo	Executive Director	38	30 March 2016	5

The Board oversees the development of and approves the Company's business objective and strategy, and monitors their implementation, in order to sustain the Company's long-term viability and strength. The Board Members act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders to ensure a high standard of best practice for the Company, its stockholders and other stakeholders.

Board Attendance

The Board of Directors had twenty-two (22) meetings held in 2021. The attendance of the members of the Board was duly reported to the SEC and made available on the Company's website. On December 15, 2021, the non-executive directors had a separate meeting with the external auditor and head of the internal audit without any executive present and no significant issues or matters had been discussed.

Board Performance Assessment

On January 20, 2022, the members of the Board conducted an annual board performance assessment. The objectives of the assessment are to evaluate and obtain inputs about the performance of the Board, its members and committees during the last twelve months – January 1, 2021 to December 31, 2021.

Board Training

On June 21, 2021, the members of the Board as well as the officers of the Company attended the corporate governance seminar via Zoom Webinar, entitled "Embracing the Good Corporate Governance for Effective and Efficient Management" conducted by the Center for Training and Development, Inc. This is in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission. This 4-hour annual CG training covered the following topics:

1. CREATE Law and its IRR;
2. Protection of Minority Stockholders
3. Strategic IT Governance; and
4. SEC/Corporate Governance Updates

Board Diversity

The Company has a Board Diversity Policy because it believes that a diverse Board better understands its customer base and the environment that the business operates in. This promotes different perspectives and ideas and mitigates groupthink to achieve optimal decision-making. Board diversity may refer to distinctions in age, ethnicity, culture, skills, competence, knowledge, gender, among other things.

The Company is committed to the following principles:

1. Recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in the attainment of its strategic objectives and maintaining a prudent corporate governance.

2. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge, and candidates will be considered against objective criteria, which the Board as a whole requires to be effective.

Board Independence

The Board is composed of four (4) independent directors. The chairman is also an independent director. The independent directors of the Company possess all the qualifications and none of the disqualification of a regular director. They are independent of the Management, substantial shareholdings and material relations whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment.

Board Committees

To address specific tasks and responsibilities and ensure optimal performance of the Board, the Board had organized seven (7) committees, namely the Executive Committee, the Corporate Governance Committee, the Audit Committee, the Board Risk Oversight Committee, Related Party Transactions Committee, Nomination Committee and the Compensation Committee. The members of the Committees are appointed by the Board annually.

Executive Committee

The Executive Committee is composed of five (5) members of which the Chairman of the Board is the ex-officio Chairman, and the President is the ex-officio Vice Chairman, and three (3) other members elected/designated by the Board.

For 2021, the Executive Committee is composed of the following members:

Chairman	Bertram B. Lim
Vice Chairman	Lorraine Belo-Cincochan
Members	Mark Andrew Y. Belo Caren Y. Belo Delfin L. Warren

Audit Committee

The Audit Committee's primary function is to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations. It is composed of three (3) independent directors. The chairman of the Audit Committee is an independent director. The members have adequate understanding and competence of the Company's financial management systems and environment particularly, in the areas of accounting, audit and finance.

The Audit Committee had five (5) meetings in 2021 particularly on February 24, April 28, July 27, October 26 and December 15, 2021 with 100% attendance in all meetings.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. It is composed of three (3) independent directors. The chairman of the Board Risk Oversight Committee is an independent director. The members of the committee have adequate and competent understanding and experience on risk management principles and practices, in addition to thorough knowledge of the Company's Business and industry in which it operates.

Related Party Transactions Committee

The Related Party Transactions Committee shall have the primary function of reviewing all material related party transactions (RPT). It is composed of three (3) independent directors. The chairman of the Related Party Transactions Committee is an independent director.

For 2021, the Audit Committee, Board Risk Oversight Committee and Related Party Transaction Committee are composed of the following members:

Chairman	Ricardo S. Pascua
Members	Rolando S. Narciso Delfin L. Warren

Corporate Governance Committee

The Corporate Governance Committee is composed of three (3) independent directors, including the Chairman. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. The Committee had two (2) meetings in 2021.

Nomination Committee

The Nomination Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. The Committee is composed of three (3) independent directors, including the Chairman. It shall promulgate the guidelines and criteria to govern the conduct of the nomination. The same shall be properly disclosed. The Company is allowed to engage the services of professional search firms or use other external sources of candidates when searching for candidates to the Board of Directors. The Nomination Committee had their meeting twice this year.

Remuneration and Compensation Committee

The Remuneration Compensation Committee is composed of three (3) independent directors, including the Chairman. The Remuneration and Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. Recommend a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the Company and evaluate and recommend to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

For 2021, the Corporate Governance Committee, Nomination Committee and Remuneration Committee are composed of the following members:

Chairman	Rolando S. Narciso
Members	Delfin L. Warren Ricardo S. Pascua

Board Remuneration

All directors attending physically in a board meeting receive a per diem of Forty Thousand Pesos (₱40,000.00) per meeting.

2021 REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The following activities were undertaken by the Audit Committee in 2021 in fulfillment of its primary duties and responsibilities and were reported to the Board:

Financial Reporting

- Reviewed the quarterly financial reports and unaudited financial statements prior to endorsement to the Board for its approval.
- Reviewed the interim annual financial statements and consequently the audited annual financial statements (during the first quarter of the succeeding year 2022) including Management's significant judgments and accounting estimates & adjustments.

Internal and External Audit Processes

- Reviewed the external auditor's report on the Company's audited 2021 financial statements and internal control observations and endorsed these to the Board for approval.
- Reviewed Company Management's endorsement to reappoint Reyes Tacandong & Company (RT&Co.) as external auditor for 2021 based on its performance and proposed audit fees, for concurrence by the Board and approval by the stockholders in the Annual Stockholders' Meeting.
- Reviewed and approved the 2021 interim and year-end External Audit Plan by RT&Co. that includes the audit team, scope of work & deliverables, audit approach, and the key risk areas.
- Reviewed the external auditor's updates on its audit of the Company's 2021 financial statements.
- Noted the Internal Audit Head's annual attestation on organizational independence, objectivity, the sound state of the Company's internal control and risk management, the absence of conflict of interest and of significant or material fraud.
- Reviewed and approved the 2021 Internal Audit Plan and Budget.
- Reviewed, discussed and evaluated Internal Audit's 2020 and 2021 quarterly and year-end accomplishment reports and audit findings, including the status of Company Management's actions to Internal Audit observations and recommendations.
- Conducted executive session separately with the external auditor and the Internal Audit Head (without the presence of any executive directors or members or representatives of Company Management).

Internal Control and Risk Management Processes

- Reviewed reports and updates on the Company's enterprise risk management.
- Evaluated the overall effectiveness of internal control system and risk management in the Company, based on the reasonable assurance provided by Senior Management, Internal Audit/ Chief Audit Executive, and the External Auditor. The Committee is generally satisfied with the systems, processes, and safeguards in place in the Company.

Compliance with Laws and Regulations

- Noted the representation by the Company's Compliance Officer and Senior Management of the absence of significant breach of laws and regulations or involvement in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability, as contained and disclosed in the Company's SEC Form 17-A 2021 Annual Report filed on March 1, 2022.

AWARD



OPERATIONAL EXCELLENCE AWARDS AUDIT, COMPLIANCE AND GOVERNANCE

The company was awarded with Excellence in Audit, Compliance and Governance by CXOCIETY at FutureCFO Excellence Awards 2022 last February 24, 2022 at Conrad Centennial Singapore.



AUDITED FINANCIAL STATEMENTS



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

BONAFID Accreditation No. 4/52
August 16, 2021, valid until August 15, 2022
SEC Accreditation No. 0207-10-2 (Group A)
August 29, 2019, valid until August 28, 2022

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Phone : +632 8 932 9100
Fax : +632 8 932 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

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AUDIT | TAX | CONSULTING

RSM

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.



Accounting for the Complete Recording and Valuation of Merchandise Inventories

Merchandise inventories, net of allowance for inventory write down and losses, amounted to ₱11,876.0 million as at December 31, 2021. The accounting for the complete recording and valuation of merchandise inventories is significant to our audit because merchandise inventories represent 37% of the total assets. Moreover, the Company also maintains around 60,000 stock keeping units (SKU) as at December 31, 2021. Due to the significant number of SKU, establishing the existence and completeness and determining the proper valuation of merchandise inventories require an extensive monitoring and high degree of judgment and estimation.

Our procedures included, among others, review of the design and implementation of key controls on inventory management, the observation of the conduct of the inventory count, test of inventory summarization, review of intervening transactions from date of inventory count to financial reporting date, review and test of inventory costing and the determination of the lower of cost or net realizable value of merchandise inventories.

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

Accounting for Recognition and Measurement of Right-of-Use Assets and Lease Liabilities

Right-of-use (ROU) assets and lease liabilities amounted to ₱6,427.9 million and ₱7,180.9 million as at December 31, 2021, respectively. The accounting for the recognition and measurement of ROU assets and lease liabilities is significant to our audit because ROU assets and lease liabilities represent 20% of total assets and 48% of total liabilities, respectively. There were also significant additions in 2021 amounting to ₱1,351.5 million and ₱1,337.3 million for ROU assets and lease liabilities, respectively, resulting from the Company's store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involve the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal option; and (c) determining the appropriate discount rate.

Our procedures include, among others, review of newly executed and amended lease agreements to assess whether the arrangement contains a lease to be recognized as additional or remeasurement of ROU assets and lease liabilities, and assessing the compliance of the Company with the required disclosures in the financial statements. We performed an assessment of the significant management judgment and estimates used in determining the ROU assets and lease liabilities through review of the significant provisions of the lease agreements. We assessed the reliability of the data used in the computation of the ROU assets and lease liabilities through inspection of the source documents. We assessed the reasonableness of incremental borrowing rates used if it approximates the rate that the Company would have to pay to borrow funds for purchase of similar asset with similar term and security. On a test basis, we also performed recalculation of the ROU assets and lease liabilities and assessed reasonableness of amortization on ROU assets and interest expense on lease liabilities.

Necessary disclosures are included in Note 2, *Summary of Significant Accounting Policies*, Note 3, *Significant Accounting Judgments, Estimates and Assumptions*, and Note 11, *Lease Commitments*.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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



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

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

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

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



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

REYES TACANDONG & Co.

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

February 23, 2022

Makati City, Metro Manila

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

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

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱1,542,790,565	₱1,854,893,411
Short-term investments	6	799,469,125	2,755,969,767
Trade and other receivables	7	166,326,457	315,112,318
Advance payments to suppliers	7	1,891,090,011	101,086,218
Merchandise inventories	8	11,875,962,618	8,692,127,615
Other current assets	9	912,987,760	670,615,142
Total Current Assets		17,188,626,536	14,389,804,471
Noncurrent Assets			
Property and equipment	10	7,942,305,897	6,757,351,004
Right-of-use assets	11	6,427,857,055	6,280,165,526
Net deferred tax assets	19	374,668,143	414,219,401
Other noncurrent assets	12	403,819,030	376,075,576
Total Noncurrent Assets		15,148,650,125	13,827,811,507
		₱32,337,276,661	₱28,217,615,978
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	₱7,260,116,310	₱5,578,277,870
Income tax payable		217,814,930	205,319,302
Current portion of lease liabilities	11	1,401,610,716	1,837,560,851
Current portion of long-term debt	14	—	20,000
Total Current Liabilities		8,879,541,956	7,621,178,023
Noncurrent Liabilities			
Lease liabilities - net of current portion	11	5,779,377,451	4,949,331,695
Net retirement liability	15	199,953,209	337,412,956
Total Noncurrent Liabilities		5,979,330,660	5,286,744,651
Total Liabilities		14,858,872,616	12,907,922,674
Equity			
Capital stock	16	4,099,724,116	4,099,724,116
Additional paid-in capital	16	5,373,738,427	5,373,738,427
Other comprehensive income		99,770,970	573,542
Retained earnings		7,905,170,532	5,835,657,219
Total Equity		17,478,404,045	15,309,693,304
		₱32,337,276,661	₱28,217,615,978

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2021	2020	2019
NET SALES		₱27,513,328,310	₱22,628,883,188	₱24,476,094,604
COST OF SALES	8	(17,237,597,985)	(14,847,160,308)	(16,300,223,396)
GROSS INCOME		10,275,730,325	7,781,722,880	8,175,871,208
OPERATING EXPENSES	17	(6,731,570,788)	(5,738,019,171)	(5,395,669,570)
INTEREST EXPENSE	14	(470,071,898)	(429,019,510)	(300,371,698)
OTHER INCOME - Net	18	350,781,754	435,322,255	462,750,174
INCOME BEFORE INCOME TAX		3,424,869,393	2,050,006,454	2,942,580,114
INCOME TAX EXPENSE (BENEFIT)	19			
Current		856,849,114	656,279,581	964,287,588
Deferred		6,540,072	(55,116,906)	(146,322,479)
		863,389,186	601,162,675	817,965,109
NET INCOME		2,561,480,207	1,448,843,779	2,124,615,005
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item not to be reclassified to profit or loss -</i>				
Remeasurement gain (loss) on retirement liability, net of deferred income tax	15	99,197,428	(59,178,663)	(116,428,759)
<i>Item to be reclassified to profit or loss -</i>				
Unrealized gain (loss) on fair value changes of investment in retail treasury bond	6	-	(3,523,133)	96,802,027
		99,197,428	(62,701,796)	(19,626,732)
TOTAL COMPREHENSIVE INCOME		₱2,660,677,635	₱1,386,141,983	₱2,104,988,273
BASIC AND DILUTIVE EARNINGS PER SHARE	22	₱0.62	₱0.35	₱0.52

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2021	2020	2019
CAPITAL STOCK	16	₱4,099,724,116	₱4,099,724,116	₱4,099,724,116
ADDITIONAL PAID-IN CAPITAL		5,373,738,427	5,373,738,427	5,373,738,427
OTHER COMPREHENSIVE INCOME				
Cumulative Remeasurement Gains on Retirement Liability				
Balance at beginning of year	15	573,542	59,752,205	176,180,964
Remeasurement gain/(loss), net of deferred income tax		99,156,461	(59,178,663)	(116,428,759)
Effect of change in income tax rate		40,967	-	-
Balance at end of year		99,770,970	573,542	59,752,205
Cumulative Unrealized Gain on Fair Value Changes of Investment in Retail Treasury Bond				
Balance at beginning of year		-	3,523,133	(93,278,894)
Unrealized gain (loss)	6	-	(3,523,133)	96,802,027
Balance at end of year		-	-	3,523,133
		99,770,970	573,542	63,275,338
RETAINED EARNINGS				
Balance at beginning of year		5,835,657,219	5,124,763,781	3,656,104,636
Net income		2,561,480,207	1,448,843,779	2,124,615,005
Cash dividends	16	(491,966,894)	(737,950,341)	(655,955,860)
Balance at end of year		7,905,170,532	5,835,657,219	5,124,763,781
		₱17,478,404,045	₱15,309,693,304	₱14,661,501,662

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱3,424,869,393	₱2,050,006,454	₱2,942,580,114
Adjustments for:				
Depreciation and amortization	10	2,146,944,463	1,820,548,832	1,133,175,160
Interest expense	14	470,071,898	429,019,510	300,371,698
Retirement benefits	15	55,838,714	44,909,067	23,088,535
Interest income	5	(28,862,925)	(55,135,122)	(151,484,892)
Provision for (reversal of allowance):				
Inventory write-down and losses	8	28,813,123	-	(33,337,395)
Impairment losses on receivables	7	(8,125,620)	15,718,838	11,768,506
Rent concession	11	(1,863,170)	(100,926,407)	-
Gain on sale of:				
Property and equipment		(217,204)	(54,911)	-
Investment in retail treasury bond	6	-	-	(1,611,403)
Operating income before working capital changes		6,087,468,672	4,204,086,261	4,224,550,323
Decrease (increase) in:				
Trade and other receivables		153,295,410	48,708,521	(167,209,742)
Advance payments to suppliers		(1,790,003,793)	(56,775,154)	16,542,641
Merchandise inventories		(3,212,648,126)	825,409,513	(2,153,143,193)
Other current assets		(305,802,765)	(9,921,590)	(202,453,628)
Increase in trade and other payables		1,681,838,440	48,135,690	1,677,224,400
Net cash generated from operations		2,614,147,838	5,059,643,241	3,395,420,801
Income tax paid		(795,069,130)	(688,174,095)	(802,776,612)
Contributions to retirement plan	15	(61,089,848)	(67,687,961)	(32,192,264)
Interest received from cash in banks		976,038	1,678,673	1,365,854
Retirement benefits paid	15	-	-	(1,584,356)
Net cash provided by operating activities		1,758,964,898	4,305,459,858	2,560,233,423
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(2,115,836,969)	(2,465,873,741)	(2,618,466,105)
Computer software	12	(44,739,501)	(37,118,258)	(30,334,944)
Decrease (increase) in:				
Short-term investments		1,956,500,642	(2,139,479,457)	(616,490,311)
Advances to contractors		5,627,520	295,155,343	(63,242,424)
Other noncurrent assets		(1,249,515)	(4,531,346)	(40,558,137)
Interest received from investments		31,502,959	69,507,372	157,391,546
Net proceeds from:				
Disposal of property and equipment		549,960	200,000	-
Maturity and disposal of investment in retail treasury bond	4	-	2,250,000,000	751,611,403
Net cash used in investing activities		(167,644,904)	(2,032,140,087)	(2,460,088,972)

(Forward)

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	Note	Years Ended December 31		
		2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Lease liabilities	11	(P1,411,435,484)	(P1,142,517,417)	(P824,218,626)
Cash dividends	16	(491,966,894)	(737,950,341)	(655,955,860)
Long-term debt before interest	14	(20,000)	–	–
Interest on long-term debt		(462)	(913)	(1,178)
Cash used in financing activities		(1,903,422,840)	(1,880,468,671)	(1,480,175,664)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(312,102,846)	392,851,100	(1,380,031,213)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,854,893,411	1,462,042,311	2,842,073,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	P1,542,790,565	P1,854,893,411	P1,462,042,311

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 ultimate parent company is LIAM ROS HOLDINGS INC., a holding company incorporated in the Philippines.

On March 31, 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.

The financial statements of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on February 23, 2022, as reviewed and recommended for approval by the Audit Committee on the same date.

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.

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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 discussed in the foregoing.

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

- Note 6, *Investments*
- Note 15, *Retirement Plan*
- Note 24, *Fair Value of Financial Instruments*

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amended PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021*.

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In 2021, PFRS 16 was amended to allow lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

The adoption of the amended PFRS resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱1.9 million.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods 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 applied the amendments.
- 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
 - Amendment 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.

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Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting year; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting year; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

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 December 31, 2021 and 2020, the Company does not have financial assets measured at FVPL.

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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 December 31, 2021 and 2020, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to 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 are 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 December 31, 2021 and 2020, the Company has no investments classified and measured at FVOCI.

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Impairment. The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not measured at FVPL and financial assets at amortized cost. 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 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.

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.

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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 December 31, 2021 and 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 December 31, 2021 and 2020, the long-term debt, trade and other payables and lease liabilities and (excluding statutory liabilities and unearned revenue) are included in this category.

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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 amount 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.

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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 any reversals of write-down of inventories arising from an increase in net realizable value is 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), input VAT, materials and supplies, prepaid expenses, 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.

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.

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.

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.

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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 recognized as part of “Building and Leasehold improvements” 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 amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount 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.

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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.

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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 gains (losses) on fair value changes of investment in RTB and cumulative rereasurement 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, *Revenue from Contracts with Customers*, 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.

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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.

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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; and
- 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; and
- 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; and
- 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.

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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 rewards 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.

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.

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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. 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 the 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.

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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.

All the existing Company leases, except for short-term lease on transportation equipment and leases on land and buildings with less than 12 months term qualify 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 recognition of ROU assets and lease liabilities.

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 4.31% 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 ₱470.1 million, ₱429.0 million and ₱300.4 million in 2021, 2020 and 2019, respectively. Amortization on ROU assets amounted to ₱1,203.8 million, ₱1,121.3 million and ₱721.3 million in 2021, 2020 and 2019, respectively (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 ₱147.1 million, ₱116.8 million and ₱331.8 million in 2021, 2020 and 2019, respectively (see Note 11).

As at December 31, 2021 and 2020, ROU assets amounted to ₱6,427.9 million and ₱6,280.2 million, respectively (see Note 11).

As at December 31, 2021 and 2020, lease liabilities amounted to ₱7,181.0 million and ₱6,786.9 million, respectively (see Note 11).

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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 ₱61.0 million, ₱42.8 million and ₱30.4 million in 2021, 2020 and 2019, 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.

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

The investment was valued using the active quoted price. The investment has matured on April 11, 2020 and the proceeds from maturity amounted to ₱2,269.1 million that include interest income earned until maturity amounting to ₱19.1 million (see Note 6).

Assessing the Impairment of Trade and Other Receivables. The Company is using the simplified approach in measuring ECL based on lifetime and 12-month expected credit losses on its trade and other receivables, respectively. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net reversal for impairment losses recognized in 2021 amounted to ₱8.1 million, while provision recognized amounted to ₱15.7 million and ₱11.8 million in 2020 and 2019, respectively (see Note 7).

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

The carrying amount of trade and other receivables (excluding advances to officers and employees) amounted to ₱149.0 million and ₱283.8 million as at December 31, 2021 and 2020, respectively (see Note 7). Allowance for impairment losses amounted to ₱56.5 million and ₱64.6 million as at December 31, 2021 and 2020, respectively (see Note 7).

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Assessing the 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 in 2021, 2020 and 2019.

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

	Note	2021	2020
Cash and cash equivalents	5	₱ 1,533,316,737	₱ 1,822,417,468
Short-term investments	6	799,469,125	2,755,969,767
Security deposits	12	150,805,498	150,319,561
Electricity deposits	12	62,302,471	55,904,507
Container deposits	9	13,782,800	8,010,715
		₱2,559,676,631	₱4,792,622,018

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 the 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 ₱ 11,876.0 million and ₱8,692.1 million as at December 31, 2021 and 2020, respectively (see Note 8). Provision for inventory write-down and losses amounted to ₱28.8 million and nil in 2021 and 2020 respectively, while reversal recognized in 2019 amounted to ₱33.3 million (see Note 8).

Allowance for inventory write-down and losses amounted to ₱126.3 million and ₱97.5 million as at December 31, 2021 and 2020 respectively (see Note 8).

Estimating the 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. As at December 31, 2021 and 2020, there is no change in the estimated useful lives of property and equipment and computer software.

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The carrying amount of depreciable property and equipment and computer software are as follows:

	Note	2021	2020
Property and equipment*	10	₱7,218,648,165	₱5,464,437,041
Computer software	12	146,059,668	113,938,210
		₱7,364,707,833	₱5,578,375,251

*Excluding construction in progress amounting to ₱723.7 million and ₱1,292.9 million as at December 31, 2021 and 2020, respectively.

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

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. Recoverable amount represents the value in use, determined as the present value of estimated future cash flow expected to be generated from the continued use of the assets.

The estimated cash flow is projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit to which the assets belong.

There were no indications that the carrying amount of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2021, 2020 and 2019.

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

	Note	2021	2020
Property and equipment	10	₱7,942,305,897	₱6,757,351,004
ROU assets	11	6,427,857,055	6,280,165,526
Advance payments to suppliers	7	1,891,090,011	101,086,218
Input VAT (including deferred input VAT)	9, 12	604,100,084	396,846,644
Materials and supplies	9	209,259,229	198,943,033
Computer software	12	146,059,668	113,938,210
		₱17,220,671,944	₱13,848,330,635

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Determining the 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 ₱55.8 million, ₱44.9 million and ₱23.1 in 2021, 2020 and 2019, respectively (see Note 15).

Net retirement liability amounted to ₱200.0 million and ₱337.4 million as at December 31, 2021 and 2020, respectively (see Note 15).

Assessing the 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.

Net deferred tax assets amounted to ₱374.7 million and ₱414.2 million as at December 31, 2021 and 2020, respectively (see Note 19).

4. Initial Public Offering

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 1 and 16).

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.

Details of unapplied proceeds from the IPO are as follows:

	2021	2020
Cash in designated bank accounts for offering proceeds	₱101,350,085	₱23,159,164
Disbursements for store network expansion	(101,350,085)	-
Money market placements	-	250,069,413
Funds from various regular bank accounts	-	(171,878,492)
	₱-	₱101,350,085

The investment in RTB with a face value amounting to ₱2,250.0 million matured on April 11, 2020. The Company's proceeds amounting to ₱2,269.1 million, which includes accumulated interest of ₱19.1 million, were used for the store network expansion project (see Note 6).

Interest income from investment in RTB amounted to ₱19.1 million and ₱95.6 million in 2020 and 2019, respectively (see Note 5).

5. Cash and Cash equivalents

Details of this account are as follows:

	2021	2020
Cash on hand	₱9,473,828	₱32,475,943
Cash in banks	1,076,904,737	1,321,417,468
Cash equivalents	456,412,000	501,000,000
	₱1,542,790,565	₱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% to 1.5%.

Details of interest income are as follows:

	Note	2021	2020	2019
Short-term investments	6	₱24,283,686	₱23,869,491	₱2,158,872
Cash and cash equivalents		4,579,239	12,140,631	53,760,451
Investment in RTB	6	-	19,125,000	95,565,569
	18	₱28,862,925	₱55,135,122	₱151,484,892

6. Investments

Short-term Investments

Short-term investments amounting to ₱799.5 million and ₱2,756.0 million as at December 31, 2021 and 2020, respectively, represent money market placements, which bears interest from 1.27% to 1.60%.

Interest income from these investments amounted to ₱24.3 million, ₱23.9 million and ₱2.2 million in 2021, 2020 and 2019, respectively (see Note 5).

Investment in RTB

Investment in RTB, which was classified as financial asset at FVOCI, amounting to ₱2,253.5 million as at December 31, 2019 at 4.25% matured on April 11, 2020. The total proceeds amounted to ₱2,269.1 million (see Note 4).

Fair value changes of investment in RTB amounted to unrealized loss of ₱3.5 million in 2020, respectively, while unrealized gain of ₱96.8 million in 2019.

In 2019, portion of investment in RTB amounting to ₱750.0 million was sold for ₱751.6 million that resulted to gain on sale amounting to ₱1.6 million.

Interest income earned from investment in RTB amounted to ₱19.1 million and ₱95.6 million in 2020 and 2019, respectively (see Note 5).

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7. Trade and Other Receivables

Details of this account are as follows:

	Note	2021	2020
Trade:			
Third parties		₱139,962,542	₱250,754,008
Related parties	21	2,144,144	1,882,426
Advances to officers and employees		17,340,363	31,328,696
Rent receivables	11	8,599,991	18,475,706
Accrued interest		197,499	3,813,570
Others		54,563,868	73,465,482
		222,808,407	379,719,888
Allowance for impairment losses		(56,481,950)	(64,607,570)
		₱166,326,457	₱315,112,318

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

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.

Others mainly pertain to marketing support granted by suppliers.

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

	2021	2020	2019
Balance at beginning of year	₱64,607,570	₱75,217,902	₱63,449,396
Reversal	(21,315,583)	–	–
Provision	13,189,963	15,718,838	11,768,506
Write-off	–	(26,329,170)	–
Balance at end of year	₱56,481,950	₱64,607,570	₱75,217,902

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

Advance Payments to Suppliers

Advance payments to suppliers which pertain to advance payments on purchases of merchandise inventories and other goods and services amounted to ₱1,891.1 million and ₱101.1 million as at December 31, 2021 and 2020, respectively. Corresponding goods will be substantially delivered on the first quarter of the following year. Advance payments to suppliers amounting to ₱101.1 million, included as part of "Trade and other receivables" account as at December 31, 2020 was reclassified and presented as "Advance payments to suppliers" to conform with the 2021 presentation.

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8. Merchandise Inventories

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

	2021	2020
At cost	₱11,843,635,801	₱8,649,939,664
At NRV	32,326,817	42,187,951
	₱11,875,962,618	₱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 ₱158.6 million and ₱139.7 million as at December 31, 2021 and 2020, respectively.

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

	2021	2020	2019
Beginning of year	₱97,489,151	₱97,489,151	₱130,826,546
Provision	28,813,123	-	-
Reversal	-	-	(33,337,395)
Balance at end of year	₱126,302,274	₱97,489,151	₱97,489,151

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 ₱17,237.6 million, ₱14,847.2 million and ₱16,300.2 million in 2021, 2020 and 2019, 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:

	2021	2020
Current deferred input VAT	₱321,294,934	₱343,895,227
Input VAT	245,234,762	9,746,644
Materials and supplies	209,259,229	198,943,033
Prepaid expenses	123,416,035	110,019,523
Container deposits	13,782,800	8,010,715
	₱912,987,760	₱670,615,142

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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:

	2021					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
Cost						
Balance at beginning of year	₱4,421,664,971	₱1,412,666,480	₱998,833,636	₱46,530,839	₱1,292,913,963	₱8,172,609,889
Additions	—	197,469,425	—	940,419	1,917,427,125	2,115,836,969
Reclassifications	2,148,847,066	49,520,908	288,315,382	—	(2,486,683,356)	—
Disposal	—	—	—	(884,919)	—	(884,919)
Balance at end of year	6,570,512,037	1,659,656,813	1,287,149,018	46,586,339	723,657,732	10,287,561,939
Accumulated Depreciation and Amortization						
Balance at beginning of year	469,435,977	644,621,872	276,961,742	24,239,294	—	1,415,258,885
Depreciation and amortization	356,589,986	262,086,075	302,973,758	8,897,501	—	930,549,320
Disposal	—	—	—	(552,163)	—	(552,163)
Balance at end of year	826,025,963	906,709,947	579,935,500	32,584,632	—	2,345,256,042
Carrying Amount	₱5,744,486,074	₱752,946,866	₱707,213,518	₱14,001,707	₱723,657,732	₱7,942,305,897
	2020					Total
Cost	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
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 Amount	₱3,952,228,994	₱768,044,608	₱721,871,894	₱22,291,545	₱1,292,913,963	₱6,757,351,004

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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 2022.

As at December 31, 2021 and 2020, the amount of contractual commitment related to the construction in progress amounted to ₱630.3 million and ₱642.1 million, respectively.

Depreciation and amortization are summarized below:

	Note	2021	2020	2019
ROU assets	11	₱1,203,777,100	₱1,121,341,535	₱721,331,179
Property and equipment		930,549,320	689,744,777	404,259,816
Computer software	12	12,618,043	9,462,520	7,584,165
	17	₱2,146,944,463	₱1,820,548,832	₱1,133,175,160

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

	2021	2020	2019
Property and equipment	₱376,026,145	₱181,584,118	₱73,372,335
ROU assets	261,298,431	244,207,456	–
	₱637,324,576	₱425,791,574	₱73,372,335

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 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 ₱150.8 million and ₱150.3 million as at December 31, 2021 and 2020, respectively (see Note 12).

Amounts recognized in profit and loss:

	Note	2021	2020	2019
Amortization on ROU assets	10	₱1,203,777,100	₱1,121,341,535	₱721,331,179
Interest on lease liabilities	14	470,071,458	429,018,646	300,370,584
Rent expense	17	147,069,899	116,777,063	331,775,281
Rent concession	18	(1,863,170)	(100,926,407)	–
		₱1,819,055,287	₱1,566,210,837	₱1,353,477,044

Rent expense in 2021, 2020 and 2019 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:

		2021					2020						
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total						Total
Cost													
Balance at beginning of year		P4,943,242,213	P2,616,597,530	P361,379,636	P162,704,797	P38,914,064	P8,122,838,240						P8,122,838,240
Additions		1,089,899,600	261,569,028	-	-	-	1,351,468,628						
Balance as at end of year		6,033,141,813	2,878,166,558	361,379,636	162,704,797	38,914,064	9,474,306,868						
Amortization													
Balance at beginning of year		516,793,098	1,067,803,338	147,793,002	75,692,997	34,590,278	1,842,672,713						
Amortization	10	393,068,876	674,779,464	98,956,617	32,648,357	4,323,786	1,203,777,100						
Balances as at end of the year		909,861,974	1,742,582,802	246,749,619	108,341,354	38,914,064	3,046,449,813						
Carrying Amount		P5,123,279,839	P1,135,583,756	P114,630,017	P54,363,443	P-	P6,427,857,055						
Cost													
Balance at beginning of year		P3,480,129,245	P2,066,847,254	P347,168,152	P48,742,662	P38,914,064	P5,981,801,377						
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													
Balance at beginning of year		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 Amount		P4,426,449,114	P1,548,794,192	P213,586,634	P87,011,800	P4,323,786	P6,280,165,526						

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Movements in the lease liabilities are presented below:

	Note	2021	2020
Balance at beginning of year		₱6,786,892,546	₱5,486,482,205
Additions		1,337,322,817	2,114,835,519
Payments		(1,411,435,484)	(1,142,517,417)
Interest expense		470,071,458	429,018,646
Rent concession	18	(1,863,170)	(100,926,407)
Balance at end of year		7,180,988,167	6,786,892,546
Current portion		1,401,610,716	1,837,560,851
Noncurrent portion		₱5,779,377,451	₱4,949,331,695

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

	2021	2020
Less than one year	₱1,031,209,851	₱1,352,199,267
Between one and five years	3,077,044,641	2,817,510,039
More than five years	6,648,804,887	6,123,678,243
	₱10,757,059,379	₱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 ₱61.0 million, ₱42.8 million and ₱30.4 million in 2021, 2020 and 2019, respectively (see Note 18). Rent receivables amounted to ₱8.6 million and ₱18.5 million as at December 31, 2021 and 2020, respectively (see Note 7).

12. Other Noncurrent Assets

Details of this account are as follows:

	Note	2021	2020
Security deposits	11	₱150,805,498	₱150,319,561
Computer software		146,059,668	113,938,210
Electricity deposits		62,302,471	55,904,507
Noncurrent deferred input VAT		37,570,388	43,204,773
Advances to contractors		7,081,005	12,708,525
		₱403,819,030	₱376,075,576

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Movements of computer software are as follows:

	Note	2021	2020
Cost			
Balance at beginning of year		₱140,808,567	₱103,690,309
Additions		44,739,501	37,118,258
Balance at end of year		185,548,068	140,808,567
Accumulated Amortization			
Balance at beginning of year		26,870,357	17,407,837
Amortization	10	12,618,043	9,462,520
Balance at end of year		39,488,400	26,870,357
Carrying Amount		₱146,059,668	₱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 December 31, 2021 and 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	2021	2020
Trade:			
Third parties		₱6,043,676,240	₱4,273,047,618
Related parties	21	7,088,979	133,518,034
Nontrade:			
Third parties		394,471,809	357,039,860
Related parties	21	3,848,685	2,393,422
Accrued expenses:			
Salaries and wages		155,698,950	86,634,288
Outside services		77,016,582	41,715,970
Utilities		33,061,845	13,370,680
Construction costs		11,702,641	260,451,638
Others		25,590,800	9,099,601
Advances from customers		304,604,500	253,273,996
Unearned revenue		119,228,278	98,048,696
Statutory payables		84,127,001	49,684,067
		₱7,260,116,310	₱5,578,277,870

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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 amounted to ₱20,000 represented loans that matured in August 2021 and bears interest ranging from 2.25% to 6.00% in 2021 and 2020.

Details of interest expense follows:

	Note	2021	2020	2019
Lease liabilities	11	₱470,071,458	₱429,018,646	₱300,370,584
Long-term debt		440	864	1,114
		₱470,071,898	₱429,019,510	₱300,371,698

As at 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 those presented in the statements of cash flows and no noncash financing activity in 2021, 2020 and 2019.

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, 2021.

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

	2021	2020	2019
Current service cost	₱43,665,337	₱32,227,506	₱15,323,307
Interest expense	20,388,796	20,752,521	15,068,537
Interest income	(8,215,419)	(8,070,960)	(7,303,309)
	₱55,838,714	₱44,909,067	₱23,088,535

The cumulative remeasurement gains recognized in other comprehensive income follows:

	2021		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱819,346	₱245,804	₱573,542
Remeasurement gain	132,208,613	33,052,153	99,156,461
Effect of change in income tax rate	-	(40,967)	40,967
Balance at end of year	₱133,027,959	₱33,256,990	₱99,770,970

	2020		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱85,360,293	(₱25,608,088)	₱59,752,205
Remeasurement loss	(84,540,947)	25,362,284	(59,178,663)
Balance at end of year	₱819,346	₱245,804	₱573,542

	2019		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱251,687,091	(₱75,506,127)	₱176,180,964
Remeasurement loss	(166,326,798)	49,898,039	(116,428,759)
Balance at end of year	₱85,360,293	(₱25,608,088)	₱59,752,205

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

	2021	2020
Present value of defined benefit obligation	₱446,915,632	₱521,452,584
Fair value of plan assets	(246,962,423)	(184,039,628)
	₱199,953,209	₱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 discount rate assumption is based on market yields as of October 26, 2021.

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

	2021	2020
Balance at beginning of year	P 521,452,584	P397,557,876
Remeasurement loss (gain):		
Changes in financial assumptions	(91,884,507)	91,062,038
Changes in demographic assumptions	(40,929,121)	(5,763,233)
Experience	3,165,599	(10,849,886)
Current service cost	43,665,337	32,227,506
Interest expense	20,388,796	20,752,521
Benefits paid	(8,943,056)	(3,534,238)
Balance at end of year	P446,915,632	P521,452,584

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

	2021	2020
Balance at beginning of year	P184,039,628	P121,906,972
Contributions	61,089,848	67,687,961
Interest income	8,215,419	8,070,960
Remeasurement gain (loss)	2,560,584	(10,092,027)
Benefits paid	(8,943,056)	(3,534,238)
Balance at end of year	P246,962,423	P184,039,628

The benefits paid for the year ended December 31, 2021 and 2020 are paid out of the Company's retirement plan.

Details of plan assets are as follows:

	2021	2020
Cash and cash equivalents	2.24%	21.75%
Equity instruments	15.30%	5.33%
Debt instruments - government bonds	27.52%	28.14%
Debt instruments - other bonds	12.26%	5.13%
Unit investment trust funds	18.16%	27.50%
Mutual funds	4.25%	4.11%
Loans	11.84%	11.41%
Others	8.43%	-3.37%
	100.00%	100.00%

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

	2021	2020
Discount rate	5.25%	3.91%
Annual salary increase rate	4.00%	4.00%

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Sensitivity analysis on retirement liabilities is as follows:

	Basis Points	Amount
Discount rate	+100	(₱54,388,537)
	-100	66,180,151
Salary rate	+100	66,354,040
	-100	(55,463,895)
Turnover rate	–	175,009,979

As at December 31, 2021 and 2020, the expected future benefits payments are as follows:

Year	2021	2020
2022	₱69,359,897	₱60,841,479
2023	5,602,007	12,496,434
2024	10,272,324	5,159,021
2025	14,515,496	9,815,856
2026	15,143,362	14,129,428
2027 to 2031	105,315,710	97,369,521
	₱220,208,796	₱199,811,739

16. Equity

Details of capital stock as at December 31, 2021 and 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 March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 1 and 4). Net additional paid-in capital amounted to ₱5,373.7 million.

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

On March 6, 2019, the Company's BOD approved the declaration of a regular cash dividend of ₱0.11 per share and a special cash dividend of ₱0.05 per share, or a total of ₱0.16 per share equivalent to ₱656.0 million to stockholders on record date of March 12, 2019 and payment date of April 16, 2019.

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.

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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:

	Note	2021	2020	2019
Depreciation and amortization	10	₱2,146,944,463	₱1,820,548,832	₱1,133,175,160
Salaries, wages and employee benefits		1,369,296,922	1,146,448,905	1,025,194,474
Outsourced services		963,813,732	860,823,857	937,715,238
Trucking services		586,566,083	456,297,193	546,354,505
Utilities		535,291,426	419,641,349	514,837,851
Taxes and licenses		298,352,320	311,898,040	239,927,975
Credit card charges		209,014,407	175,511,886	199,916,867
Rent	11	147,069,899	116,777,063	331,775,281
Repairs and maintenance		136,823,558	91,955,590	95,844,359
Supplies		111,162,284	91,283,115	94,899,773
Advertising and promotions		70,685,508	48,097,754	115,177,281
Postage, telephone and telegraph		37,675,591	33,793,393	35,185,183
Donations and contributions		20,550,474	73,063,471	11,676,935
Professional fees		15,395,075	10,825,627	9,639,425
Transportation and travel		12,840,557	13,161,071	27,032,030
Others		70,088,489	67,892,025	77,317,233
		₱6,731,570,788	₱5,738,019,171	₱5,395,669,570

Other expenses include director's fees, fuel and oil, insurance expense, net provision for impairment losses on receivables, loss on direct write-off of receivable and other operating costs.

18. Other Income

Details of this account are as follows:

	Note	2021	2020	2019
Supplier support and other fees		₱186,791,110	₱168,436,873	₱174,016,826
Delivery fees and other customer charges		72,249,769	68,046,684	106,839,525
Rent	11	61,014,780	42,777,169	30,408,931
Interest	5	28,862,925	55,135,122	151,484,892
Rent concession	11	1,863,170	100,926,407	–
		₱350,781,754	₱435,322,255	₱462,750,174

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.

19. Income Tax

The current income tax expense represents regular corporate income tax (RCIT).

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

	2021	2020	2019
Income tax expense at statutory rate	₱856,217,348	₱615,001,936	₱882,774,034
Adjustment due to change in tax rate	14,387,569	-	-
Income tax effects of:			
Interest income already subjected to final tax	(7,215,731)	(16,540,537)	(45,445,468)
Nondeductible expenses	-	2,701,276	5,283,933
Offer and other deductible expenses	-	-	(24,647,390)
	₱863,389,186	₱601,162,675	₱817,965,109

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the RCIT rate from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax rate (MCIT) was changed from 2% to 1% of gross income for a period of three years starting July 1, 2020.

The approval of CREATE, however, is considered a non-adjusting event for financial reporting purposes as at and for the year ended December 31, 2020. 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.

The effect of the reduction of income tax rates was recognized in 2021. Details are as follows:

	Amount
Current income tax expense in 2021	₱911,539,079
Effect of change in income tax rate	(54,689,965)
Current income tax expense as presented in the statements of comprehensive income	₱856,849,114

In addition, net deferred tax assets as at December 31, 2021 were reduced by ₱69.0 million as a result of the change in income tax rate.

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

	2021	2020
Deferred tax assets:		
Lease liabilities, net of ROU assets	₱226,375,823	₱204,729,554
Retirement liability	57,339,824	109,587,547
Allowance for inventory write-down and losses	31,575,568	29,246,745
Unearned revenue from loyalty program	24,392,051	26,111,563
Allowance for impairment of refundable cash bonds	20,852,483	25,022,980
Allowance for impairment losses on receivables	14,120,488	19,382,271
Unrealized foreign exchange loss	11,906	138,741
	₱374,668,143	₱414,219,401

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Deferred income tax expense (benefit) is recognized as follows:

	Note	2021	2020
Through profit or loss		₱407,925,133	₱414,465,205
Through other comprehensive income	15	(33,256,990)	(245,804)
		₱374,668,143	₱414,219,401

20. Commitments and Contingencies

Agreements with Importing Suppliers

Purchases from certain importing suppliers are subject to rebates based on an agreed percentage of sales from goods purchased.

Contingencies

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

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

Related Party	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2021	₱3,633,102	₱708,602,166	₱225,383,666	₱-
	2020	716,154	752,083,415	226,782,386	413,951
	2019	586,410	801,765,333	218,990,105	1,721,366
Entities under Common Control	2021	228,540	1,037,144,897	192,195,070	10,904,283
	2020	25,945,405	1,337,715,542	168,983,561	135,408,171
	2019	17,023,715	1,298,103,203	114,456,988	151,805,162
Stockholders	2021	1,064,963	54,999,457	10,181,764	33,381
	2020	1,090,028	30,770,060	10,567,619	108,931
	2019	530,625	19,528,996	8,786,372	10,031
	2021	₱4,926,605	₱1,800,746,520	₱427,760,500	₱10,937,664
	2020	27,751,587	2,120,569,017	406,333,566	135,931,053
	2019	18,140,750	2,119,397,532	342,233,465	153,536,559

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Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱33.5 million and ₱41.4 million as at December 31, 2021 and 2020, respectively (see Note 7) and security deposits and advance rent (included as part of “Other current assets” or “Other noncurrent assets”) aggregating ₱394.3 million and ₱364.9 million as at December 31, 2021 and 2020, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2021, 2020 and 2019.

Amounts owed to related parties consist of trade and other payables aggregating ₱10.9 million and ₱135.9 million as at December 31, 2021 and 2020, respectively (see Note 13).

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

- a. 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 ₱446.8 million, ₱406.9 million and ₱297.0 million in 2021, 2020 and 2019, respectively, while amortization of ROU assets amounted to ₱1,139.3 million, ₱1,030.0 million and ₱712.2 million in 2021, 2020 and 2019, respectively. Total lease payments, including payments on lease liabilities, amounted to ₱1,401.8 million, ₱1,030.3 million and ₱966.7 million in 2021, 2020 and 2019, respectively.

Rent expense from related parties amounted to ₱71.8 million, ₱71.4 million and ₱245.7 million in 2021, 2020 and 2019, respectively.

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

Purchases of goods and services from related parties aggregated ₱86.3 million, ₱553.8 million and ₱750.7 million in 2021, 2020 and 2019, respectively.

Sale of goods and services to related parties aggregated ₱4.9 million, ₱27.8 million and ₱18.4 million in 2021, 2020 and 2019, respectively.

- c. 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 ₱56.5 million, ₱58.5 million and ₱113.8 million in 2021, 2020 and 2019, respectively.

- d. 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.

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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 in 2021, 2020 and 2019.

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

	2021	2020	2019
Short-term employee benefits	₱203,577,216	₱126,184,332	₱107,854,466
Retirement benefits	10,236,392	6,178,419	2,984,865
	₱213,813,608	₱132,362,751	₱110,839,331

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	2021	2020	2019
Net income	₱2,561,480,207	₱1,448,843,779	₱2,124,615,005
Divided by the weighted average number of outstanding shares	4,099,724,116	4,099,724,116	4,099,724,116
	₱0.62	₱0.35	₱0.52

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 officers and employees), security, electricity and container deposits, refundable cash bonds, trade and other payables (excluding statutory liabilities and unearned revenue), 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 when counterparties fail to discharge their contractual obligations. Receivables are monitored on an ongoing basis with the result that the Company's exposure to possible losses is not significant.

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

	2021	2020
Cash in banks and cash equivalents	₱1,533,316,737	₱1,822,417,468
Short-term investments	799,469,125	2,755,969,767
Trade and other receivables*	205,468,044	348,391,192
Security deposits	150,805,498	150,319,561
Refundable cash bonds	83,409,934	83,409,934
Electricity deposits	62,302,471	55,904,507
Container deposits	13,782,800	8,010,715
	₱2,848,554,609	₱5,224,423,144

*Excluding advances to officers and employees amounting to ₱17.3 million and ₱31.3 million as at December 31, 2021 and 2020, respectively.

The Company does not have major concentration of credit risk.

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

	2021					Total
	Neither Past Due Nor Impaired	Past Due but not Impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than Three Years		
Cash in banks and cash equivalents	₱1,533,316,737	₱-	₱-	₱-	₱-	₱1,533,316,737
Short-term investments	799,469,125	-	-	-	-	799,469,125
Trade and other receivables*	45,986,991	65,869,364	48,531,289	45,080,400	-	205,468,044
Security deposits	150,805,498	-	-	-	-	150,805,498
Refundable cash bonds	-	-	-	83,409,934	-	83,409,934
Electricity deposits	62,302,471	-	-	-	-	62,302,471
Container deposits	13,782,800	-	-	-	-	13,782,800
	₱2,605,663,622	₱65,869,364	₱48,531,289	₱128,490,334	₱-	₱2,848,554,609

*Excluding advances to officers and employees aggregating ₱17.3 million.

	2020					Total
	Neither Past Due Nor Impaired	Past Due but not Impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than Three Years		
Cash in banks and cash equivalents	₱1,822,417,468	₱-	₱-	₱-	₱-	₱1,822,417,468
Short-term investments	2,755,969,767	-	-	-	-	2,755,969,767
Trade and other receivables*	105,771,212	134,525,206	71,151,883	36,942,891	-	348,391,192
Security deposits	150,319,561	-	-	-	-	150,319,561
Refundable cash bonds	-	-	-	83,409,934	-	83,409,934
Electricity deposits	55,904,507	-	-	-	-	55,904,507
Container deposits	8,010,715	-	-	-	-	8,010,715
	₱4,898,393,230	₱134,525,206	₱71,151,883	₱120,352,825	₱-	₱5,224,423,144

*Excluding advances to officers and employees aggregating ₱31.3 million.

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

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.

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

	2021				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but Less than Five Years	Total
Trade and other payables*	P-	P5,792,560,380	P1,214,603,895	P60,787,195	P7,067,951,470
Lease liabilities	-	378,277,191	723,421,768	3,006,555,533	4,108,254,492
	P-	P6,170,837,571	P1,938,025,663	P3,067,342,728	P11,176,205,962

*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating P203.4 million.

	2020				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but Less than Five Years	Total
Trade and other payables*	P-	P4,928,173,976	P449,530,494	P52,840,637	P5,430,545,107
Lease liabilities	-	341,006,330	1,011,192,937	2,817,510,039	4,169,709,306
Short-term debt	-	-	20,000	-	20,000
	P-	P5,269,180,306	P1,460,743,431	P2,870,350,676	P9,600,274,413

*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating P147.7 million.

As at December 31, 2021 and 2020, the Company's cash and cash equivalents and net operating cash flows that will be generated are sufficient to cover payments due on its financial liabilities and the cost of all firm orders due in the next financial year.

Interest Rate Risk. Interest rate risk 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.

The following table illustrates the sensitivity of the Company's profit or loss to a reasonably possible change in the interest rates of its cash in banks and cash equivalents, short-term investments and investment in RTB with all other variables held constant.

	2021		2020	
	+/-%	Effect on Profit or Loss	+/-%	Effect on Profit or Loss
Short-term investments	0.36%	(P40,470)	0.27%	(P107,441)
Cash equivalents	0.36%	26,334	0.26%	52,817

The changes in interest rates used in the analysis of cash equivalents, short-term investments and investment in RTB are based on the average volatility in interest rates of the said investments in the past 12 months.

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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:

	2021	2020
Total debt	₱14,858,872,616	₱12,907,922,674
Total equity	17,478,404,045	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 table below presents a comparison by category of carrying amounts and fair values of the financial instruments:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱1,542,790,565	₱1,542,790,565	₱1,854,893,411	₱1,854,893,411
Short-term investments	799,469,125	799,469,125	2,755,969,767	2,755,969,767
Trade and other receivables*	148,986,094	148,986,094	283,783,622	283,783,622
Security deposits	150,805,498	114,728,222	150,319,561	120,531,869
Electricity deposits	62,302,471	62,302,471	55,904,507	55,904,507
Container deposits	13,782,800	13,782,800	8,010,715	8,010,715
	₱2,718,136,553	₱2,682,059,277	₱5,108,881,583	₱5,079,093,891
Financial Liabilities				
Trade and other payables**	₱7,067,771,269	₱7,067,771,269	₱5,430,545,104	₱5,430,545,104
Lease liabilities	7,180,988,167	8,798,595,141	6,786,892,546	7,553,707,973
Long-term debt	-	-	20,000	20,000
	₱14,248,759,436	₱15,866,366,410	₱12,217,457,650	₱12,984,273,077

*Excluding advances to officers and employees aggregating ₱17.3 million and ₱31.3 million as at December 31, 2021 and 2020, respectively.

**Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱203.4 million and ₱147.7 million as at December 31, 2021 and, 2020, respectively.

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

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, 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.

- 45 -

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.



SUSTAINABILITY REPORT

BUILDING BIG IDEAS

Better

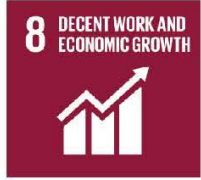


2021 SUSTAINABILITY REPORT

COMPANY INFORMATION

Sustainability is built into the business of Wilcon. We have been in the industry for 44 years, growing from a humble 60-square-meter shop into the Philippines’ leading home improvement and construction supplies retailer. We achieved this because we understand that a sustainable and comfortable life is the dream of every Filipino family, and we made it our mission to support this aspiration.

With growth and development, dreams and aspirations get bigger. We are committed to contributing the best expertise, knowledge, resources, and skills to promote stronger, safer, and more sustainable homes and buildings for everyone as their lives improve through the long-lasting quality products and solutions we provide. We understand that as Wilcon continues to expand, we must manage our resources responsibly while sharing this growth with our different stakeholders, internal and external, and make sure these partnerships create value for everyone. Over these four decades, we have promoted the growth of our business and in effect cultivated the development and success of our employees within the company.



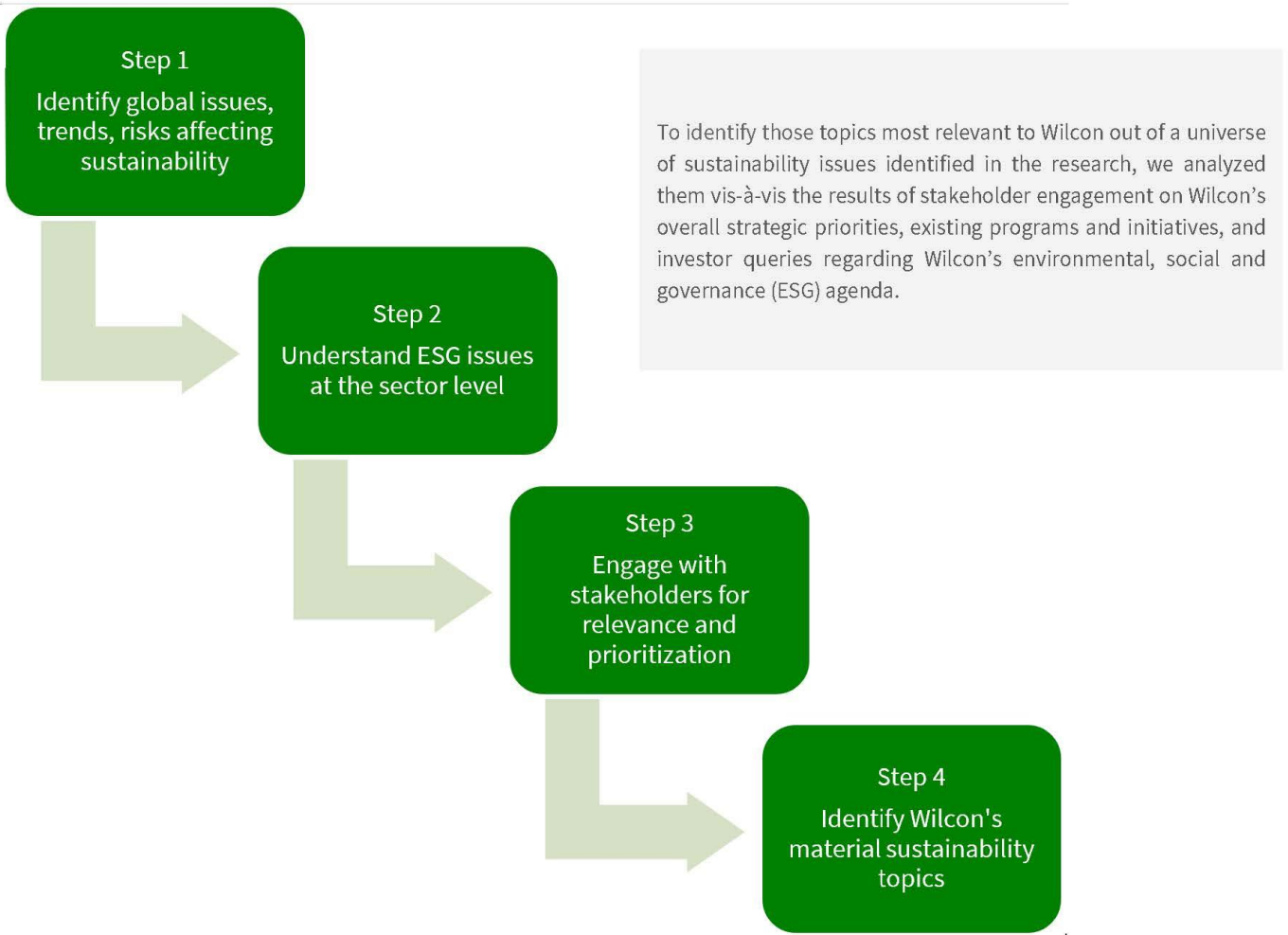
Company Information

Company details

Name of Organization	Wilcon Depot (PSE: WILCON)
Location of Headquarters	No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City
Location of Operations	See list of locations in Appendix A
Report Boundary: Legal entities included in this report	Wilcon Depot, Inc.
Business Model	2 retail formats – the depot store format and the home essentials store format, which are known under the trade names "Wilcon Depot" and "Wilcon Home Essentials", respectively.
Source: https://edge.pse.com.ph/companyInformation/form.do?cmpv_id=665	
Reporting Period	31 December 2021
Highest Ranking Person for this report	Lorraine Belo-Cincochan, President - CEO

UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

The Securities and Exchange Commission’s sustainability reporting requirement among publicly listed companies is an opportunity for Wilcon to take stock of everything that we have done to deliver on our commitment and find ways to build our big ideas better. In 2019, we undertook a rigorous two-month materiality process, which now allows us to focus our energies and resources on a sustainability agenda that is strategic to the business, promotes its growth, manages impacts and minimizes risks, and contributes to sustainable development.



Being an industry leader, we wanted to have a more comprehensive view of the sustainability pressures and drivers that shape our business. To ensure this, we conducted a four-step materiality process that covered:

A desktop review of key global drivers, trends and risks identified by international development organizations, multilateral agencies, global sustainability surveys, and sustainability ratings agencies, as well as sector-specific sustainability issues, including benchmarking against the performance of three sustainability leaders in retail and real estate; and

Nine sets of stakeholder interviews, covering internal (permanent employees from different departments of the business and members of senior leadership/C-suite) and external stakeholders (suppliers of varying business size and nature of operations) in terms of their relevant issues with, impacts of, and expectations from Wilcon.

OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS

Business expansion and creating shared value	Impacts of climate change on business performance	Impacts on local communities (job creation, CSR, infrastructure development)	Responsible sourcing	ECONOMIC	
Emissions from energy use and transport & delivery	Waste management	ENVIRONMENTAL			
People: Training, OHS & D&I	Customer satisfaction and protection (data privacy, H&S)	Technology strategy (big data, cyber security, and e-commerce)	Meaningful communications and market shaping	Ethics and compliance (governance of ESG at Board level, anti-corruption)	SOCIAL & GOVERNANCE



Wilcon’s assessment process resulted in the above list of sustainability topics that are material to the business and where we create the most impact. All these present Wilcon with opportunities for better and long-term value creation. Conversely, we understand that they may pose risks to the business if we do not monitor and manage our performance on these issues.

Thus, our materiality process provided us with the opportunity to identify the necessary management actions to begin to address the risks and take advantage of the opportunities they present. These are:

- Monitor and analyze markets and macro data to successfully anticipate changes and sufficiently respond to any development on these material topics, while continuing to provide more and varied choices to our customers;
- Provide company leaders and managers with more opportunities to be exposed to the external environment concerning material ESG impacts, and receive proper training to use the information and knowledge in their decision-making during planning and day-to-day operations;
- Provide adequate support to the human resources department to be able to continuously recruit, train, and deploy excellent personnel;
- Strengthen relationships with a strong core of suppliers that can be relied on to deliver up-to-date, relevant, and specifications-compliant products cost-effectively; and
- Provide sufficient lead time in our construction projects.

We look forward to improving our understanding and responses as we further embed sustainability into our strategy and operations. Thus we commit to the following next steps for a fuller picture of our sustainability journey ahead:

- Include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities in time for the next report in 2022;
- Establish a regular materiality review every 2 to 3 years under the governance of senior management; and
- Develop internal capacity to apply learnings from the materiality assessment in areas of our business and begin to measure our performance on these material topics.

OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilcon's economic growth relies on its ability to open new stores in strategic locations. This growth needs to create value not only for its shareholders but also for its employees, business partners, customers, and communities where we operate.



- Cost of construction and development
- Lack of qualified employees
- Lack of available contractors or construction personnel
- Securing government approvals, permits and licenses in a timely manner
- Significant competition from other more established businesses in new markets

- Increased profitability through new markets
- Growing preference for sustainable products
- Operational efficiencies and better use of resources like materials, energy, fuel, and water



Wilcon has to demonstrate its resilience in the face of risks from climate change

- Impacts on physical assets (e.g., flooding or construction delays from extreme weather), construction schedule, workforce productivity, reputation, and customer behavior and shopping seasonality, which affect our financial performance

- Ability to offer superior, more durable, more sustainable products that can withstand harsh weather conditions
- Position Wilcon as a partner in building and rebuilding
- Shape the market and educate them on the benefits of sustainable products



Wilcon's expansion into key fast-growing cities in areas outside Metro Manila creates jobs and stimulates infrastructure development and economic activities in these areas.

- Cultural differences can hamper acceptance of the brand and working relationship between store management and locally hired personnel
- Lack of acceptance from the communities in new store locations

- Local employment spurring economic growth in emerging cities
- Be recognized as an inclusive brand by the community through appropriate and meaningful marketing



Wilcon must ensure the quality, safety, and sustainability of the products and solutions it offers its customers. Addressing sustainability risks in products requires working with its suppliers in promoting a transparent, fair, and responsible supply chain.

- Non-availability of products that meet evolving customer preferences and Wilcon's quality standards
- Inaccurate forecasting of trends in customer behavior and preference and to respond to them in a timely manner
- Unmanaged or unchecked increases in price of more sustainable products and make them unaffordable

- Sustainability as a growing customer preference
- Offer products that are suitable and relevant to the market's taste
- Collaborations on innovations with suppliers to cast a wider sphere of positive impact



OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



EMISSIONS FROM ENERGY USE AND TRANSPORT AND DELIVERY

Wilcon's growth translates to more impacts on the environment, specifically emissions resulting from greater energy use and consumption of fuel for transport and delivery of products, while relying on external providers.

- Non-availability of feasible/ reasonably-priced/financially -sensible fossil-fuel substitutes
- Cost of technology, know-how and execution of efficiency promoting logistical processes and programs

- Use alternative power and fuel sources that are cost-effective in the long run
- Reduce carbon footprint

WASTE MANAGEMENT

Wilcon must be able to manage the waste it generates as it grows, specifically how it contributes to packaging waste, pollution, and toxicity.

- Accelerated price increase of new technology that will improve waste management efficiency that will be prohibitive to use by businesses
- Human resource skills available at reasonable cost to implement

- Foster product innovation using waste as possible raw material



OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilcon must ensure the development and empowerment of its employees by providing them opportunities for professional growth and economic well-being and protecting their rights in the workplace, including occupational health and safety.

-Availability of trainable and skilled human resource

-Cost of training

-Cost of new technology

-Become the preferred employer for the incoming generation of workforce



As customer preferences and buying patterns evolve, Wilcon must be able to continue to deliver superior quality products and solutions while providing excellent and reliable service.

-Reputational damage from threats to customer wellness and safety

-Leverage Wilcon's positioning for high quality customer shopping experience as differentiator



With big data shaping the growth of retail, Wilcon needs to ensure its ability to optimize its information technology systems to make operations more efficient and reach more customers while remaining proactive against potential systems failures and breaches of security.

-Reputational damage from data breaches and system failures

-Lags and operational delays from data breaches and system failures

-Market expansion without need to put up brick & mortar stores, decreasing capital outlay

-Requires less energy to operate and generates less waste

-Addresses possible shortfall in capable manpower



As industry leader, Wilcon is in a position to shape the industry and the market towards the adoption of more sustainable products, services, and business practices.

-Resistance from consumers to see value for money in sustainable products and services

-Address unmet needs through sustainable products and services

-Enter new customer segments



Increasing ESG regulation and greater expectations for business to contribute to sustainable development while ensuring value creation and long-term resilience require responsible leadership and adoption of sustainability at the Board level.

-Subject to fines for noncompliance to future regulations on ESG governance

-Establish a governance structure and management approach towards sustainability

-Ability to better respond to investor queries

ECONOMIC DATA

Economic Performance

Direct economic value generated and distributed (in Php)

	2020	2021
Direct economic value generated (Revenue)	23,064,205,443	27,864,110,064
Direct economic value distributed		
A. Operating costs	5,738,019,170	6,731,570,788
B. Employee wages and benefits	1,146,448,905	1,369,296,922
C. Payments to suppliers, other operating costs	21,364,314,920	27,202,407,825
D. Dividends given to stockholders and interest payments to loan providers	737,951,204	491,967,335
E. Taxes given to government	1,665,084,290	1,616,050,200
F. Investments to community	73,063,471	20,550,473

Becoming the Preferred Partner: Our Management Approach

Wilcon’s leadership in the home improvement and construction retail space is founded on its vision to become the preferred company in the industry for all its key stakeholders. We do this by differentiating our business, our product offerings, and our services through excellence, trustworthiness, and reliability.

We understand that we are in the business of offering innovative solutions. Thus, we have a strong and exclusive lineup of quality, value-priced in-house brands, as well as renowned international and local brands that meet our customers’ evolving needs. By being attuned and responsive to the accelerating changes in customer behavior and retail trends, we have revolutionized the home improvement and construction supply industry in the Philippines, taking it beyond the traditional hardware types to well-designed retail spaces and customer-centric business practices that enhance the customer shopping experience.

No. 1

Home improvement/
construction retail space

73

Stores nationwide

627

Suppliers

835,424

Members of Wilcon’s loyalty & rewards program

The Preferred Partner of Stakeholders

Wilcon’s thrust of differentiating our business, our product offerings and services through excellence, trustworthiness and reliability to realize our vision to become the preferred company in the industry for all of our key stakeholders has sustained and seen us through these past two challenging years of operating amid the COVID-19 pandemic.

In the second year of the pandemic, amid global supply chain challenges, we were again able to adapt and serve our customers as we have consistently maintained fair and mutually supportive relationships with our various suppliers.

Our core values shone through our response to this pandemic, hence we were able to likewise quickly adapt our operations to conform to the changed consumer behavior and constant shift in health protocols and restrictions. Our large, well-designed retail spaces and customer-centric business practices made us the home improvement store of choice by consumers.

Maintaining Sustainable Suppliers

Our long-standing, mutual-growth enabling relationship with our various suppliers has allowed us to continue to carry the same breadth and variety of product offerings. We were able to continue supporting suppliers with sustainable products in their offerings. We have dedicated store shelves for green products and regularly train our salespeople to help our customers select home improvement and construction supply solutions that deliver environment-friendly benefits, which has become a customer priority.

We have initiated our planning process for our Five-Year Sustainability Plan in the fourth quarter of 2021. We look forward to enhancing our collaboration with sustainable suppliers to grow our sustainable product offerings.

ECONOMIC DATA

Unwavering Commitment to Responsible Business

Our success in delivering acceptable financial results given the circumstances was partly a result of our steadfast commitment to responsible and ethical business practices. Corporate governance protects shareholder value and promotes transparency and accountability at the highest level of our business. They also protect our leadership position in the sector.

Our Revised Manual on Corporate Governance and Code of Business Conduct and Ethics guided Wilcon's directors, officers, and employees when dealing with our various stakeholders throughout the business. We have a zero-tolerance approach to bribery and corruption as reflected in our Anti-Bribery and Anti-Corruption Policy, which outlines in clear detail what constitutes bribery and corruption, how to raise concerns, monitoring and review systems including internal controls by the review committee, and the administration of penalties. The policy applies to all Wilcon employees and relevant third parties in all areas where we operate.

On February 19, 2021, the Company was given recognition by the Institute of Corporate Directors as one of the standout performers in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Assessment.

Wilcon also has a Related Party Transactions Charter and Committee to review and ensure proper oversight of all our material related-party transactions (RPT), which we define as RPTs that amount to 10% or higher of the company's total assets based on its latest audited financial statement. The committee promotes fairness, transparency, and independent reviews and audits, and ensures against conflicts of interest and misappropriation of resources, among others, to protect the long-term interest of our shareholders and the reputation of the company. The Committee consists of three independent directors and conducts an annual review of its performance.



ENVIRONMENT DATA

Environment Performance		
Energy consumption within the organization (in kWh)		
	2020	2021
Energy consumption (renewable sources)	4,619,099	10,173,138
Energy consumption (electricity)	47,251,479	62,517,150
Energy reduction of energy consumption (in kWh)		
Energy reduction (renewable sources)	4,619,099	10,173,138
Energy reduction (electricity)	47,251,479	62,517,150
Air emission disclosures (in Tonnes CO ₂ e)		
Scope 1 GHG emissions	786*	928
Scope 2 GHG emissions	33,653*	44,543
Total GHG emission	34,439*	45,471
Water consumption within the organization (in CBM)		
Water withdrawal	294,586	268,926
Water consumption	294,586	268,926
Water recycled and reused	0.00	0.00
Solid and hazardous waste generated (in kg)		
Recyclable (papers & scraps)	83,175	377,722
Landfilled	Not collected in 2020	Not collected in 2021
Hazardous waste generated	262,093	15,546
Hazardous waste transported	Not collected in 2020	Not collected in 2021
Environmental compliance		
Monetary fines for non-compliance (Php)	245,000**	153,990**
No. of monetary sanctions for non-compliance	0	0
No. of cases resolved through dispute resolution mechanism	0	0

Did you know?

Wilcon designed their buildings to maximize natural light, only turning on lights in the afternoon.

45,471

GHG Emission

Shift towards renewables: solar energy

Target: almost half of energy mix to come from solar

Environmental Performance: Building on Small Wins

While the Covid-19 disease raged on and worsened in 2021, scientists and governments were better equipped to deal with the disease, hence, quarantine measures were not as severe as it were at the onset of the pandemic. Wilcon was allowed to operate through all the mobility restriction levels.

We pursued our expansion plans and our branches that were shuttered for two months in 2020 were able to recover. This business recovery resulted in increased electricity consumption but the Company was able to resume the roll out of solar power to qualified branches. This resulted in a corresponding increase in energy consumption from renewable sources, which is equivalent to a reduction in electricity consumption.

We still have our focus set on the use of renewable energy and battery technology in our branches nationwide. Partnerships with sustainable suppliers and market shaping are also critical steps to take so that we expand the reach of our impacts beyond the branches and enable more sustainable living for our customers. We have commenced in 2021 the planning of more focused programs aligned with the strategies we have laid out to achieve the targets we have set to achieve in five years.

As we committed to develop and implement a more deliberate environment agenda. We continue to look forward to improving efficiencies in our operations for productivity and cost savings, taking advantage of opportunities in innovations in packaging and resource use, while addressing actual and potential negative impacts of our operations on our immediate environments and the planet.

*corrected
**late submission of supporting documents

ENVIRONMENT DATA

Shaping the Market Towards Green Solutions

Customers are becoming more conscious about the impacts of their lifestyles. Wilcon has been steadily expanding the green products it offers on its shelves to address this demand. The following are some of the sustainability features we highlight to make it easy for our customers to build and live better for the planet.

Water-saving fixtures: low flow, dual flush

Energy-efficient lighting: lower consumption, more light, longer life

Clean-air paint products: less polluting, no unpleasant smell

Circular economy: wood from renewable forests, recycled materials

As the pandemic has persisted in 2021, we have not resumed in full the support that we grant to different entities and organizations that promote the innovation of sustainable products and green spaces. We look forward to resume in full our journey and increase our engagement with our partner organizations.

Waste Reduced

We generated substantially higher recyclable materials in 2021 with the continued operation of our stores and the increase in the volume of business. We continued to partner with local government units for the sorting of any solid waste materials we generated. Programs such as the take-back program with several suppliers so that they can recycle or repurpose inventory that do not meet our quality standards or get inadvertently damaged and rejected to prevent them from ending up in our landfills resumed after a temporary suspension.

Highlight: Greening Our Branches

Our stores, because of their big formats, have intense energy requirements. To promote greater cost savings while minimizing our carbon footprint, Wilcon has started to roll out solar power solutions in 2016, including renewable energy into the energy mix of all our branches. We also use high-volume low-speed fans to minimize the use of air-conditioning while still making the branches comfortable for our customers and our staff. At the same time, our stores are designed to bring in as much natural light as possible and use forklifts that run on batteries rather than diesel. Below are the highlights of several in-store initiatives that make our operations more environment-friendly.

- 100% of branches to include solar power by 2024
- 36 branches with solar power systems
- 15 additional branches for installation of solar power systems by 2022



SOCIAL DATA

Employee Data		
Employee data	Female	Male
Employees by gender	1,395	1,586
Employee benefits (% who availed)	Female	Male
SSS	9.11%	10.69%
PhilHealth	3.89%	0.7%
Pag-ibig	15.67%	20.75%
Parental leaves:		
Maternity / Paternity Leave	8.03%	11.57%
Solo Parent	0.07%	0.00%
Magna Carta	0.07%	0.00%
Vacation leaves	41.54%	47.55%
Sick leaves	5.38%	5.17%
Medical benefits (aside from PhilHealth)	10.64%	6.63%
Housing assistance (aside from Pag-ibig)	0.77%	1.72%
Retirement fund (aside from SSS)	0.07%	0.07%
Further education support	0.00%	0.00%
Company stocks option	0.00%	0.00%
Telecommuting	9.59%	5.47%
Flexible-working hours	11.44%	6.04%
Employee training and development	Female	Male
Total training hours provided	128.5	128.5
Ave. training hours provided	22.06	22.06
Labor Management Relations		
% of employees covered in CBA		28%
Number of consultations conducted with employees concerning employee-related policies		3

47%

Female employee

53%

Male employee

46:54 Female:Male

Employee in Key Management Positions

8 DECENT WORK AND ECONOMIC GROWTH



Our People: Our Customer Experience Heroes

Wilcon recognizes that its people are its most valuable asset and hence we look out for their welfare in all aspects. Our people are frontliners. They provide excellent service while exposing themselves to the risk of Covid-19 infection. In the second year of the pandemic, we provided them and their families with free vaccines not only to provide assurance to our customers that our stores are safe places but to keep them and their families protected. We do this because it is management's responsibility to ensure duty of care and dignity of person, and maintain a culture of compassion all throughout our operations.

We also provided free testing kits or covered the cost of testing for workers experiencing symptoms or exposed to Covid-19 positive persons should their respective local government units were unable to expediently provide testing service.

We provided financial support to employees affected by natural disasters to help them re-build their homes.



We continued to implement work-from-home arrangements and continually re-configured our office spaces to conform to the social distance requirements. Central to our vision for our employees is our compensation and benefits program and Work Life Integration Program, both of which protect and promote our employees' advancement, productivity, fair treatment, physical and mental health, safety, and well-being.

SOCIAL DATA

Highlight: Learning and Development Uninterrupted

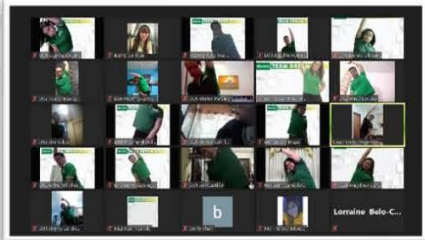
Continuous training is available to all employees to provide them the opportunity to lead and excel in the workplace and remain enthusiastic about delivering superior solutions. We are proud of the fact that 100% of store leadership and 95% enterprise-wide of management grew organically from the ranks.

Training and learning activities pivoted to pure online in 2020 and continued to be the training channel in 2021 albeit on-the-job functional training has resumed. Prior to the onset of the pandemic in 2020, we have already started rolling out our e-learning platform hence, our Training Team was able to quickly convert the rest of our learning modules into an online set up and has constantly updated and improved materials.

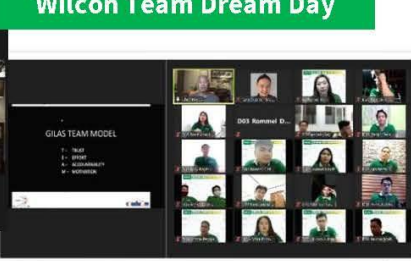
We provide online various technical training on the different products that we offer. We also provide skills training to equip our people so they can effectively carry out their respective functions such as sales, marketing and customer service skills. We provide as well values and character formation training in line with our wholistic development approach. We identify and develop high-potential employees into future company leaders through structured training programs on leadership and management.



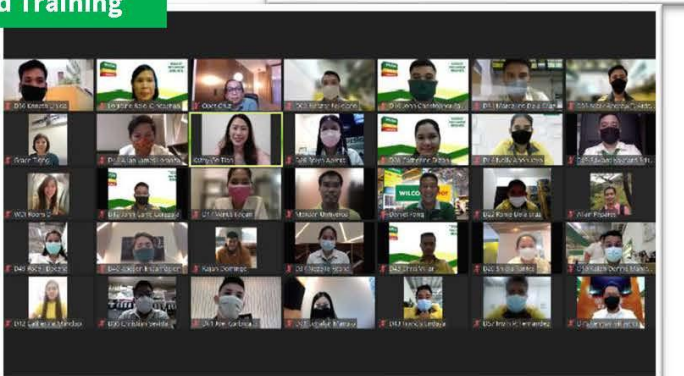
Wilcon Built to Conquer: Reboot, Recharge, Reignite



Wilcon Team Dream Day



Leadership Integrated Training



SOCIAL DATA

Workplace conditions, labor standards, and human rights	Female	Male
Safe Man-Hours	1,395	1,586
No. of work-related injuries	18	134
No. of work-related fatalities	0	0
No. of work related ill-health	0	0
No. of safety drills	1,314	
Labor Laws and Human Rights		
No. of legal actions or employee grievances involving forced or child labor	0	
Forced labor (y/n)	Y	
Child labor (y/n)	Y	
Human rights (y/n)	Y	
Supply Chain Management		
	Does Wilcon consider the following when accrediting suppliers	
Environmental Performance	Y	
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	



Health and Safety – The Paramount Consideration

Wilcon has been investing in creating safe stores and working spaces. We practice more stringent safety measures with our large and bulky moveable items, machine-powered lifts, and constant foot traffic, which can pose safety risks on our floor staff and customers. We continue to implement the following initiatives to help us minimize hazards and prevent injuries at the branches:

- A health and safety governance structure consisting of occupational health and safety officers and pollution officers;
- Safety assessment for product displays and regular checkup on equipment and stocks for safety and maintenance;
- Use of caution ropes and signages for warning zones;
- Procedures for immediate action should accidents occur and incident reporting;
- Personal protective equipment when constructing and installing solar panels; and
- Review and requirement of safety policies among contractors.

The COVID-19 pandemic added another layer to our health and safety protocols. We provided all the necessary tools, training and financial support to the exercise of equipping our people to be able to deliver the same excellent service throughout the changing protocols and health and safety regulations.

At the corporate level, we have trained first aiders and a company doctor who is available for daily and monthly checkups. Our company’s occupational health and safety manual is based on the Department of Labor and Employment’s requirements. To minimize the stresses on our employees associated with the heavy traffic in the metropolis, we now offer a compressed workweek with flexible working hours. We also have a private lactation area for breastfeeding mothers in the workplace.

SOCIAL DATA

Customer Management	
Customer Satisfaction	Score
Customer Survey	n/a
Health & Safety	Quantity
No. of substantiated complaints on products or services health and safety	0
No. of complaints addressed	0
Marketing & Labeling	Quantity
No. of substantiated complaints on marketing & labelling	0
No. of complaints addressed	0
Customer Privacy	Quantity
No. of substantiated complaints on customer privacy	0
No. of complaints addressed	0
No. of customers, users and account holders whose information is used for secondary purposes	0
Data Security	Quantity
No. of data breaches, including leaks, thefts and losses of data	0

Customer Satisfaction and Service Excellence in The New Normal

Customer behavior and preferences are shifting at an unprecedented pace, hastened by rapid technological innovations, growing environmental and social pressures, consolidation of competition, and increasing regulation. The COVID-19 pandemic accelerated this shift and may have even altered its course.

Our ability to maintain our status as industry leader and preferred partner depends on a strong commitment to deliver products and solutions of superior quality and provide excellent and reliable service to our customers consistently.

We have a strong track record of anticipating the needs of the market, and sourcing and developing products that meet these needs, allowing us to evolve over the past four decades. We were the first home improvement and construction supply store in the country to improve customer experience in our branches, departing from the traditional “hardware” type of stores and designing them to provide a comfortable atmosphere that enhances the shopping experience and to foster satisfaction and loyalty. Wilcon was also the first to proactively offer and highlight more sustainable products and solutions.

Innovation, customer satisfaction, and service excellence are the values that define our Customer Relationship Management (CRM) program. Our customers range from middle-income and high-income households to independent contractors and project developers. We have a CRM strategy with target, and monitoring and evaluation mechanisms. This includes a customer service platform available on our website, where customers can send queries, suggestions, comments or complaints.

We launched our e-commerce platform in 2019 and re-launched an enhanced, integrated platform in May, 2021. It is gradually gaining traction among our customers with site visits increasing month on month. We have also opened two shops in Lazada Mall offering select exclusive products and was the partner of choice by one of the top global brands we carry as the fulfilment arm of their e-commerce platform.



SOCIAL DATA

Our Broad Range of Products: Fit For Every Need

We have over 1,600 brands and products across different product categories translating to 60,000 SKUs that make it easy and convenient for our customers to find their home improvement and construction needs under just one roof.

- Plumbing and sanitary wares (bath and shower mixers, bath fillers, faucets, shower, water systems, bathtubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, water closet and other accessories)
- Hardware and tools products (door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools)
- Tiles/Flooring (locally made and imported tiles in various sizes and types such as ceramic, glass block, porcelain, and vinyl)
- Electrical and lighting (electrical accessories and supplies, lamps, wiring devices, LED and lights)
- Furniture, furnishings and houseware (furniture products found in the bedroom, dining, kitchen, living room, office, and outdoor; decorative items, organizers, wall hang decors, curtains, and blinds)
- Paints (a wide range of paints for different surface types)
- Appliances (air coolers, air conditioners, electric fans, entertainment appliances, kitchen appliances, washing machine, and vacuum cleaner)
- Building materials (building decors and supplies, ceiling and wall, floor and roofing)



Selected in-house brands of the Company

POZZI
BATHROOM SOLUTIONS

Käsch

Arte
CERAMICHE

VERONA
TILES

HEIM
HOME ESSENTIALS


SOL
CERAMICA

COMMUNITY DATA

Responsible and Reliable Member of Local Communities

As a home improvement and construction supplies retailer, our entry into provincial centers nationwide can mean that the local economies in these areas are primed for greater activity, which can indirectly lead to more infrastructure and more job opportunities. Our stakeholders agree that our expansion has the potential to decentralize growth and development and bring it outside the traditional urban centers.

This also means that with an expanded store network, we now become a member of various local communities that we aspire to mutually grow with. In this time of crisis, we were given the opportunity to serve more meaningfully the local communities we belong in.

We continue to be a reliable member of our various local communities extending assistance in times of natural disasters, giving financial support to aligned advocacies of the various local government units and agencies and to various civic and professional groups.

Some of the entities we provided support and assistance to were ABS-CBN Foundation, Philippine Center for Entrepreneurship Foundation Inc., various local government units, agencies and some parishes.



Appendix B: List of Operations Location

	Branch Name	Location
1	ALABANG	8003 REAL ST., ALABANG ZAPOTE RD., ALMANZA UNO, LAS PIÑAS CITY
2	BALINTAWAK	1274 EDSA A. SAMSON, QUEZON CITY
3	LIBIS	90 E. RODRIGUEZ JR. AVE., BRGY. UGONG NORTE, DISTRICT 3, QUEZON CITY
4	MAKATI	2212 CHINO ROCES AVE., SAN LORENZO, MAKATI CITY
5	QUIRINO	L119 C-1 MINDANAO AVE., TALIPAPA, QUEZON CITY
6	FILINVEST	L1 B29 ALABANG ZAPOTE RD. COR. BRIDGEWAY AVE., FILINVEST CORPORATE CITY, ALABANG, MUNTINLUPA CITY
7	MEXICO	GAPAN-OLONGAPO ROAD, LAGUNDI, MEXICO, PAMPANGA
8	SUCAT	DR. A. SANTOS AVENUE, SAN DIONISIO, PARAÑAQUE CITY
9	FAIRVIEW	16 COMMONWEALTH AVE., BRGY. COMMONWEALTH, QUEZON CITY
10	TARLAC	MC ARTHUR HIGHWAY, SAN RAFAEL, TARLAC CITY
11	DAU	MC ARTHUR HI-WAY, DAU, MABALACAT, PAMPANGA
12	SAN FERNANDO	FREEWAY STRIP OLONGAPO-GAPAN ROAD, DOLORES CITY OF SAN FERNANDO, PAMPANGA
13	CALAMBA	NATIONAL ROAD, BRGY. HALANG, CALAMBA CITY, LAGUNA
14	BATANGAS	LOT 2687-A DIVERSION ROAD, ALANGILAN, BATANGAS CITY
15	TAYTAY	MANILA EAST ROAD, BRGY. SAN JUAN, TAYTAY, RIZAL
16	ANTIPOLO	MARCOS HIGHWAY, BRGY. MAYAMOT, ANTIPOLO CITY, RIZAL
17	BALIUAG	KM. 48 DRT HIGHWAY, BRGY. TARCAN, BALIWAG, BULACAN
18	DASMARIÑAS	GOVERNOR'S DRIVE, PALIPARAN 1, DASMARIÑAS CITY, CAVITE
19	LAOAG	AIRPORT ROAD, BRGY. 50, BUTTONG, LAOAG CITY
20	MANDAUE	U.N. AVENUE, UMAPAD, MANDAUE CITY, CEBU
21	TALISAY	LOT 2359, LAWA-AN II, TALISAY CITY, CEBU
22	KAWIT	CENTENNIAL ROAD, MAGDALO, PUTOL, KAWIT, CAVITE
23	VALENZUELA	292 MC ARTHUR HI-WAY, DALANDANAN, VALENZUELA CITY
24	SAN PABLO	DOÑA MARIA VILLAGE PHASE 2, BRGY. BAGONG BAYAN, SAN PABLO CITY, LAGUNA
25	VILLASIS	NATIONAL HIGHWAY, BRGY. BACAG, VILLASIS, PANGASINAN
26	QUEZON AVE.	24 QUEZON AVE., LOURDES, QUEZON CITY
27	DAVAO	MC ARTHUR HIGHWAY, MATINA, DAVAO CITY
28	IT HUB	PASONG TAMO EXTENSION, BRGY. BANGKAL, MAKATI CITY
29	MOLINO	BACOR BOULEVARD, BRGY. MAMBOG IV, CITY OF BACOR
30	STA. ROSA	TAGAYTAY ROAD, BRGY. PULONG, STA. CRUZ, STA. ROSA, LAGUNA
31	CDO	ZONE 5, BRGY. CUGMAN, CAGAYAN DE ORO CITY
32	BACOLOD	MATAB-ANG TALISAY CITY, NEGROS OCCIDENTAL
33	BUTUAN	BRGY. BAAN, KM. 3, BUTUAN CITY
34	CABANATUAN	LOT 2040-C-3-B & Lot 2040-C-4, SUMACAB ESTE, MAHARLIKA HIGHWAY, PUROK 6, SUMACAB ESTE, CABANATUAN CITY
35	ILOILO	NORTH DIVERSION ROAD, BRGY. DUNGON-B, JARO, ILOILO CITY
36	TACLOBAN	PUROK SANTOL, BRGY. 80 MARASBARAS, TACLOBAN CITY, LEYTE

Appendix B: List of Operations Location (cont.)

	Branch Name	Location
37	SILANG	PUROK 9, BRGY. LALAAN II, SILANG, CAVITE CITY
38	ZAMBOANGA	LOT 2235C I-A BOALAN, ZAMBOANGA CITY
39	NAGA	BRGY. DEL ROSARIO, NAGA CITY
40	LIPA	BRGY. BUGTONG NA PULO, LIPA BATANGAS
41	PANACAN, DAVAO	BRGY. PANACAN VALLE VERDE, BUNAWAN, DAVAO CITY
42	TAYABAS	BRGY. ISABANG, TAYABAS QUEZON
43	GEN. SANTOS	PALEN, BRGY. LABANGAL, GENERAL SANTOS CITY
44	PUERTO PRINCESA	BRGY. SICSICAN, PUERTO PRINCESA CITY, PALAWAN
45	GENERAL TRIAS	BRGY. SAN FRANCISCO, GENERAL TRIAS CITY, CAVITE
46	STA. BARBARA, ILOILO	LOT 506B BRGY. BOLONG OESTE, STA. BARBARA, ILOILO
47	OPOL, MISAMIS ORIENTAL	ZONE 2A BRGY. BARRA, OPOL, MISAMIS ORIENTAL
48	STO. TOMAS, BATANGAS	MAHARLIKA HIGHWAY, BRGY. STA. ANASTACIA, STO. TOMAS, BATANGAS
49	ANTIPOLO II	LOT 2-A BRGY. SAN ISIDRO CIRCUMFERENTIAL RD. ANTIPOLO CITY
50	CALUMPIT	BRGY. PIO CRUZCOSA, CALUMPIT, BULACAN
51	IGUIG, CAGAYAN	BRGY. BAYO, IGUIG, CAGAYAN VALLEY RD.
52	SAN JOSE, BULACAN	BRGY. TUNGKONG MANGGA, SAN JOSE DEL MONTE CITY, BULACAN
53	COMMONWEALTH II	MATANDANG BALARA CAPITOL, QUEZON CITY
54	ORMOC	BRGY. SAN ISIDRO, ORMOC CITY, LEYTE
55	ALBAY	BRGY. PEÑAFRANCIA, DARAGA, ALBAY
56	TAGUM, DAVAO	BRGY. CANOCOTAN, TAGUM, DAVAO DEL NORTE
57	CORDON, ISABELA	BRGY. MALAPAT, CORDON, ISABELA
58	PILA, LAGUNA	BRGY. STA. CLARA SUR, PILA, LAGUNA
59	AKLAN	BRGY. CALANGCANG, MAKATO, AKLAN
60	OLONGAPO	NATIONAL ROAD, BRGY. BARRETTO, OLONGAPO CITY, ZAMBALES
61	TAYTAY II	RIZAL AVE., ILOG PUGAD BRGY. SAN JUAN TAYTAY, RIZAL
62	CABUYAO, LAGUNA	BRGY. SALA, CABUYAO, LAGUNA
63	SORSOGON	BRGY. MACABOG, SORSOGON CITY, SORSOGON
64	MALAYBALAY, BUKIDNON	SAN JOSE, MALAYBALAY CITY, BUKIDNON
65	BOHOL	BRGY. BINGAG, DAUIS, BOHOL
66	ALIMALL	LG003/LG004 LOWER GRD FLR. ALIMALL II, ARANETA CENTER, SOCORRO, D3, CUBAO, QUEZON CITY
67	WCC	ANCHOR 1, 121 VISAYAS AVE., BAHAY TORO, QUEZON CITY
68	STA. MESA	425 PIÑA AVE., BRGY. 585 ZONE 057, SAMPALOC, MANILA
69	MINDANAO AVE.	L-5 B-7 MINDANAO AVE., BAHAY TORO I, QUEZON CITY
70	MUÑOZ	1066 EDSA, BAHAY TORO, QUEZON CITY
71	PASAY	16 C JOSE ST. COR. EDSA, MALIBAY, PASAY CITY
72	ILOILO	GROUND FLOOR UNIT A25-A26, FESTIVE WALK MALL, ILOILO BUSINESS PARK, MANDURRIA, ILOILO CITY
73	SAN FERNANDO	MC ARTHUR HIGHWAY, BRGY. SAN NICOLAS, SAN FERNANDO, PAMPANGA



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