WILCON

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

10 May 2018

SECURITIES and EXCHANGE COMMISSION
Pasay City, Philippines

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

PHILIPPINE STOCK EXCHANGE
6/F PSE Tower, BCG, Taguig City

Attention: **MR. JOSE VALERIANO B. ZUÑO III**
Head, Disclosure Department

Re: Preliminary Information Statement

Gentlemen:

Please see attached Preliminary Information Statement of **Wilcon Depot, Inc.,** in relation to its Annual Stockholders' Meeting to be held on 18 June 2018 at Ruby Ballroom, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Ortigas Center, Quezon City, Metro Manila.

All stockholders as of record date, 24 May 2018 are entitled to the notice and to a vote at the said meeting.

The following are the documents attached to SEC 20-IS:

1. Management Discussion and Analysis (Annex "A")
2. 2017 Audited Financial Statement (Annex "B")

Thank you.

Very truly yours,

SHEILA P. PASICOLAN-CAMERINO
Asst. Corporate Secretary

COVER SHEET

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S.E.C Registration No.

W	I	L	C	O	N		D	E	P	O	T		I	N	C	.		D	O	I	N	G			
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A	N	D		W	I	L	C	O	N		H	O	M	E		E	S	S	E	N	T	I	A	L	S

(Company's Full name)

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

Atty. Sheila Pasicolan - Camerino
Contact Person

634-8387
Tel. No.

PRELIMINARY INFORMATION STATEMENT

2	0	-	I	S

FORM TYPE

Secondary License, (if applicable type)

Dept. requiring this doc

N/A
Amended Articles number

Total stockholders

Domestic **Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. 10 May 2018
   Date of Report

2. SEC Identification Number - CS201524712   3. BIR Tax Identification No. - 009-192-878

4. WILCON DEPOT, INC.doing business under the name and style of WILCON DEPOT and WILCON HOME ESSENTIALS
   Exact name of issuer as specified in its charter

5. QUEZON CITY, PHILIPPINES   (SEC Use Only)
   Province, country or other jurisdiction of incorporation   Industry Classification Code:

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

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

9. NOT APPLICABLE
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES	4,099,724,116

11. Indicate the item numbers reported herein: 1

Item. 9. Other Events

Please see attached Preliminary Information Statement.

SIGNATURES

Registrant	Atty. Sheila P. Pasicolan - Camerino
Title	Asst. Corporate Secretary
Signature	______________
Date	10 May 2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [   ] Definitive Information Statement

2. Name of Registrant as specified in its charter:

   WILCON DEPOT, INC.

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

   QUEZON CITY, PHILIPPINES

4. SEC Identification Number

   CS201524712

5. BIR Tax Identification Code

   009-192-878

6. Address of principal office: 90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY

   Postal Code: 1110

7. Registrant's telephone number, including area code: (02) 634 8387

8. Date, time and place of the meeting of security holders

   18 JUNE 2018, 8:00 AM, RUBY BALLROOM, 4TH FLOOR, CROWNE PLAZA MANILA GALLERIA, ORTIGAS AVENUE CORNER ASIAN DEVELOPMENT BANK AVENUE, ORTIGAS CENTER, QUEZON CITY, METRO MANILA.

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

   25 MAY 2017

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	4,099,724,116

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ✓ No ___

If yes, disclose the name of such Stock Exchange: PHILIPPINE STOCK EXCHANGE

The class of securities listed therein: COMMON SHARES

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

18 June 2018

Notice is hereby given that the annual meeting of the stockholders of WILCON DEPOT, INC. (the "Company") will be held on 18 June 2018 at 8:00 am at Ruby Ballroom, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Ortigas Center, Quezon City, Metro Manila.

The agenda of the meeting are as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 18 June 2017.
4. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2017.
5. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year.
6. Election of Board of Directors
7. Appointment of External Auditor
8. Consideration of such other matters as may properly come before the meeting.
9. Adjournment

A brief explanation of each agenda item which requires stockholder's approval is provided herein. Please refer to Appendix 1.

At the meeting please present some form of identification such as passport, driver's license, company I.D and certification from respective brokers. Only stockholders of record as at the close of business on 24 May 2018 are entitled to notice, and to vote at the meeting. The Stock and Transfer Books of the Corporation will be closed from 25 May 2018 to 18 June 2018.

The deadline for submission of proxies is on 8 June 2018. For your convenience a sample of a proxy is attached herein. For a corporation, its proxy must be accompanied by its corporate Secretary's sworn certification setting the corporate officer's authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of proxies will be on 13 June 2018 at the principal address at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City.

Registration starts at 7:00 am and will close exactly at 8:00 am. Only stockholders of record as of 24 May 2018 shall be entitled to vote.

By Authority of the Chairman

Arthur R.Ponsaran
Corporate Secretary

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the enclosed proxy form and submit the same on or before 8 June 2018 to the Office of the Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City, Metro Manila, Philippines. Thank you.

"Appendix 1"

BRIEF DISCUSSION OF THE AGENDA FOR STOCKHOLDERS' APPROVAL

Approval of the Minutes of the Annual Meeting of the Stockholders held on 19 June 2017.

The minutes of the meeting held on 19 June 2017 are available at the company's website www.wilcon.com.ph. Copies of the minutes will also be distributed to the stockholders before the meeting.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Presentation and Approval of Annual Report

The financial statements as of December 31, 2017 (FS) will be presented for approval by the stockholders. Prior thereto, the President-CEO, Ms. Lorraine Belo-Cincochan, will deliver a report to the stockholders on the performance of the company in 2017 and the outlook for 2018. The FS will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Ratification of All Acts of the Board and Management during the Preceding Year

Ratification by the stockholders will be sought for all the acts and the resolutions of the Board of Directors and board committees taken or adopted since the annual stockholders' meeting on 19 June 2017 to date. The acts and resolutions of the Board and its committees include approval of contracts, agreements, and transaction entered during the same period, projects and investments, treasury matters and acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Election of Board of Directors

In accordance with the By-laws, the Corporate Governance Manual, and pertinent SEC rules, any stockholder, including minority stockholders, may submit to the Nomination Committee nominations to the Board by 8 June 2018. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the

Information Statement and in the company website for examination by the stockholders.

Remarks: Directors shall be elected by plurality of vote at the annual meeting of the stockholders for the year at which quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many person as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number is shares shall equal, or by distributing such votes as the same principle among any number of candidates.

Appointment of External Auditor

The appointment of the external auditor, Reyes Tacandong & Co, for the ensuing year will be endorsed to the stockholders. The profile of the external auditor will be provided in the Information Statement and in the company website for examination by the stockholders.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Other Matters

The Chairman will inquire whether there are other relevant matters and concerns to be discussed.

Adjournment

Upon determination that there are no relevant matters to be discussed, the meeting will be adjourned on motion duly made and seconded.

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of **WILCON DEPOT, INC.** do hereby constitute and appoint ______________________ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders Meeting of WILCON DEPOT, INC. on **18 June 2018,** and thereat to vote upon all shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 4, and a "FOR" vote for proposals 1 through 3 as well as for proposal 6.

ITEM NO.	SUBJECT MATTER	ACTION		
		For	Against	Abstain
1	• Approval of Minutes of Previous Meeting			
2	• Approval of Annual Report			
3	• Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year			
4	• Election of Directors	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
5	*All nominees listed below 1. Bertram B. Lim (Independent) 2. Ricardo S. Pascua (Independent) 3 .Rolando S. Narciso (Independent) 4. Delfin L. Warren (Independent) 5.Lorraine Belo-Cincochan 6.Mark Andrew Y. Belo 7.Careen Y. Belo *Note:* *To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.*			
		For	Against	Abstain
6	• Appointment of Reyes Tacandong & Co. as external auditor			

In the absence of my proxy, this authority is hereby conferred upon the Presiding Officer of the meeting, provided that this proxy shall stand suspended where I am personally present thereat.

This proxy revokes and supersedes all previous proxies executed by me, and the power and authority herein granted shall be valid for said Stockholders Meeting and Adjournments thereof, unless earlier withdrawn by me with written notice filed with the Corporate Secretary of Wilcon Depot, Inc.

IN WITNESS WHEREOF, the undersigned has executed this PROXY this _____ of ___________ 2018 in ____________________.

____
Name and Signature of Stockholder/Authorized Signatory

Witnessed by: ____________________ ____________________

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

The annual stockholders meeting of Wilcon Depot, Inc. for the year 2018, has the following details:

Date: 18 June 2018

Time: 8:00 am

Place: Ruby Ballroom, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Ortigas Center, Quezon City, Metro Manila.

The approximate date on which this Information Statement and accompanying Proxy Forms shall be first sent or given to the stockholders on 25 May 2018 in accordance with the by-laws of the Company and the Securities and Regulation Code.

The principal office of the Company is at 90 E. Rodriguez Jr. Ave, Ugong Norte, Quezon City.

Item 2. **Dissenters' Right of Appraisal**

Any stockholder of the Corporation may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of this right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Corporation Code of the Philippines

There is no matter to be voted upon during the Annual Stockholders' Meeting that will trigger the exercise by a stockholder of his/her appraisal rights provided under the Corporation Code of the Philippines

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no matter to be acted upon in which any of the current and executive officers and those who will be nominated as directors during the meeting is involved or had a direct, indirect or substantial interest, other than election to office. Likewise, no director has informed the Company in writing of his/her opposition to any matter be acted upon.

Item 4. **Voting Securities and Principal Holders Thereof**

(a) The Corporation has 4,099,724,116 outstanding shares as of 30 April 2018.

(b) All stockholders of record as of 24 May 2018 are entitled to notice and to vote at Corporation's Annual Stockholders' Meeting on 18 June 2018.

(c) Section 2.8, Article II of the By-Laws of the Corporation states that, for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to receive payment of any dividend, or of making a determination of stockholders for any other purpose, the Board of Directors may provide that the stock and transfer books be closed for a stated period, but not to exceed, in any case, twenty five (25) days. If the stock and transfer books be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceding such meeting. In lieu of closing and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. Such date shall in no case be more than twenty five days prior to the date on which the particular action requiring such determination of stockholders is to be taken, except in instances where applicable rules and regulations provide otherwise.

Election of Directors

Section 2.7, Article II of the By-Laws of the Corporation states that at all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in –fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.

All proxies must be in the hands of the secretary not later than five (5) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least one (1) day prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.

Moreover, Section 3.2, Article III of the By-Laws of the Corporation states that the Board of Directors shall be elected during the regular meeting of stockholders and shall hold office for one (1) year and until their successor are elected and qualified.

Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of 30 April 2018.

Title of Class	Name and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	PCD Nominee Corporation	PDTC Participants and their clients *	Filipino	3,460,249,692	84.4%
Common	PCD Nominee	PDTC Participants	Non-Filipino	639,474,424	15.6%

	Corporation	and their clients			

***** *Wilcon Corporation, the parent company owns 2,680,317,916 common shares or 65.38%.*

Security Ownership of directors and executive officers as of April 30, 2018 is as follows:

Directors

Title of Class	Beneficial Owner	Position	Citizenship	Amount & nature of beneficial ownership	Direct (D) or Indirect (I)	% to Total Outstanding
Common	Bertram B. Lim	Chairman/ Independent Director	Filipino	1	D	0.00%
Common	Lorraine Belo-Cincochan	Director	Filipino	5,100,000	D	0.12%
Common	Mark Andrew Y. Belo	Director	Filipino	5,100,000	D	0.12%
Common	Careen Y. Belo	Director	Filipino	5,100,000	D	0.12%
Common	Ricardo S. Pascua	Independent Director	Filipino	1	D	0.00%
Common	Rolando S. Narciso	Independent Director	Filipino	1	D	0.00%
Common	Delfin L. Warren	Independent Director	Filipino	1	D	0.00%

Executive Officers

Title of Class	Beneficial Owner	Position	Citizenship	Amount & nature of beneficial ownership	Direct (D) or Indirect (I)	% to Total Outstanding
Common	William T. Belo	Chairman Emeritus	Filipino	5,099,995	D	0.12%
Common	Arthur R. Ponsaran	Corporate Secretary	Filipino	10,000	(I)	0.00%
Common	Sheila P. Pasicolan - Camerino	Asst. Corporate Secretary	Filipino	19,900	D	0.00%
Common	Rosemarie B. Ong	SEVP-COO	Filipino	1,069,401	D	0.03%
Common	Eden M. Godino	VP-Product Development	Filipino	267,500	D	0.00%

Common	Grace A. Tiong	VP-Human Resources	Filipino	148,700	D	0.00%
Common	Michael D. Tiong	VP-Global Operations	Filipino	148,700	D	0.00%

Voting trust holders of 5% or more

There is no person of group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement.

Changes in control

There have been no arrangements that have been resulted in a change of control of the Company during the period covered by this information statement.

Foreign ownership as of 30 April 2018

Total number of Non-Filipino/Foreign ownership as of 30 April 2018 is 639,474,424 common shares or 15.5980%.

Item 5. **Directors and Executive Officers**

The following are the incumbent directors of the Company:

Name	Age	Nationality	Position
Bertram B. Lim	80	Filipino	Chairman of the Board/Independent Director
Lorraine Belo-Cincochan	39	Filipino	Director and Chief Executive Officer
Mark Andrew Y. Belo	36	Filipino	Director and Chief Finance Officer
Careen Y. Belo	34	Filipino	Director and Chief Product Officer
Rolando S. Narciso	72	Filipino	Independent Director
Ricardo S. Pascua	69	Filipino	Independent Director
Delfin L.Warren	68	Filipino	Independent Director

The Board of Directors shall hold office for one (1) year and until their successors are elected and qualified.

As of this date, the following have been endorsed for election as directors at the Annual Stockholders Meeting:

- Lorraine Belo-Cincochan
- Mark Andrew Y. Belo
- Careen Y. Belo

Below are the profiles of the nominees for election as Directors of the Company at the Annual Stockholders' Meeting as of the date of this report.

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

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

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

Nomination and Election of Independent Directors:

As of this date, the following list of candidate for Independent Directors are as follows:

- Bertram B.Lim
- Rolando S. Narciso
- Ricardo S. Pascua
- Delfin L. Warren

<u>Independent Directors</u>

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

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 Seniior 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 major in Economics (Cum Laude) from the Ateneo de Manila University in 1969.

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

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

The following are the executive officers of the Company:

Name	Age	Nationality	Position
William T. Belo	72	Filipino	Chairman Emeritus
Arthur R. Ponsaran	75	Filipino	Corporate Secretary
Sheila Pasicolan-Camerino	31	Filipino	Asst. Corporate Secretary
Rosemarie B. Ong	59	Filipino	SEVP-COO
Eden M. Godino	41	Filipino	Vice President - Product Development
Grace A. Tiong	44	Filipino	Vice President - Human Resources
Michael D. Tiong	44	Filipino	Vice President – Global Operations

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

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

Sheila P. Pasicolan-Camerino is the in-house legal counsel of the Company and the Asst. Corporate Secretary of the Company and WC. She joined the Company in January 2016 after serving as a Senior Associate in Sycip Gorres Velayo and Co. from November 2014 to December 2015. Prior to her admission to the Philippine Bar in 2015, she served as a legal intern at the Office of the Solicitor General in 2013 and a technical assistant in the Office of the Presidential Assistant for Education of the Office of the President of the Philippines from 2009 to 2010. She completed Bachelor of Arts in History from University of the Philippines, Cum Laude and obtained a Master Degree in Philippine Studies in the same university. Ms. Pasicolan-Camerino completed her Bachelor of Laws in San Beda University in 2014.

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

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

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

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

Family Relationship

The Company's President, Lorraine Belo-Cincochan, Directors Mark Andrew Y. Belo and Careen Y. Belo are the children of William T. Belo, Chairman Emeritus of the Company.

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

Involvement in Legal Proceedings

As of date, to the best of Company's knowledge, there are no legal proceedings against the directors and executive offices of the Company within the categories described in SRC Rule 12, Part IV paragraph (A) (4).

Certain Relationship and Related Party Transactions

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

For a detailed discussion of the material related party transactions of the Company, please see note 20-Related Party Disclosures of the attached 2017 Audited Financial Statements of the Company.

Resignation of Directors

No Director has resigned from his office or declined to stand for re-election to the Board since the last meeting of the stockholders due to any dispute or disagreement in relation to the operations, procedures and policies of the Company.

Item 6. **Compensation of Directors and Executive Officers**

Executive Compensation

Below is the total annual compensation of the top 5 officers and other officers of the company for the year 2017 and projected compensation for 2018.

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

Projected for 2018

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

Compensation of Director

Standard Arrangements

All directors receive per diem of Twelve Thousand Five Hundred Pesos (₱12,500.00), per committee meeting and Twenty Five Thousand Pesos (₱25,000.00) per Board meeting.

Other arrangements

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

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Executive Officers of the Company are subject to policies of the company and labor laws. They are also entitled to receive retirement benefits in accordance with the retirement plan of the Company.

There is no arrangement with any executive officers to receive any compensation or benefit in case of change-in-control of the Company.

Item 7. **Independent Public Accountants**

The External Auditor of the Company is Reyes Tacandong & Co (RTCo). There has been no disagreements on any accounting and financial disclosures. The Company is compliant with SRC Rule 68, (3), (b), (iv), requiring the rotation of external auditors or engagement partners for a period of five (5) consecutive years.

The same accounting firm will be nominated for reappointment for current fiscal year at the annual stockholders' meeting. Representatives of RTCo. will be present at the annual stockholders' meeting to answer any queries with respect to matters for which their services were engaged by the Company.

Audit Fee

Name of auditor	2017 Audit Fee
Reyes Tacandong & Co.	₱3,600,000.00

Item 8. **Compensation Plans**

There is no other type of compensation plan as of this date and for the annual stockholders' meeting on 18 June 2018 there will be no compensation plan that will be taken up.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

Item 10. **Modification or Exchange of Securities**

There are no matters or actions to be taken up with respect to the modification or exchange of securities.

Item 11. **Financial and Other Information**

The Company incorporated by reference the following:

1. Management Discussions and Analysis of Plan Operations, attached as Annex "A"
2. 2017 Audited Financial Statements, attached as Annex "B"

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up with respect to merger, consolidations, acquisitions and similar matters.

Item 13. **Acquisition or Disposition of Property**

There are no matters or actions to be taken up with respect to the acquisition or disposition of property.

Item 14. **Restatement of Accounts**

There are no matters or actions to be taken up with respect to the restatement of accounts.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following matters will be submitted to the stockholders for their approval:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on 19 June 2017.
2. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2017.
3. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year.
4. Election of Board of Directors
5. Appointment of External Auditor

Item 16. **Matters Not Required to be Submitted**

No action is to be taken with respect to any matter, which is not required to be submitted to a cote of security holders.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

There are no matters or actions to be taken up in relation to the amendment of charters, bylaws or other documents.

Item 18. **Other Proposed Action**

Other than those matters mentioned above, there are no other proposed actions to be taken up during the annual stockholders' meeting.

Item 19. **Voting Procedures**

A stockholder may vote in person by proxy executed in writing by the stockholders or his duly authorized attorney-in-fact. All matters subject to vote in accordance with the law shall be decided by the majority vote of the stockholders present in person or by proxy and are entitled to vote thereat and provided a quorum is present.

Directors shall be elected by plurality of vote at the annual meeting of the stockholders for the year at which quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many person as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number is shares shall equal, or by distributing such votes as the same principle among any number of candidates.

PART II.

INFORMATION REQUIRED IN A PROXY FORM
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

Item 1. **Instructions**

The Proxy Form must be properly signed, dated and returned by the stockholder on or before 8 June 2018. The proxy form is not required to be notarized. Validation of proxies will be done at the Company's principal office on 13 June 2018 at 4:00 pm. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy and for proxies of beneficial owners or of those shares lodged with the Philippine Depository & Trust Corp, a certification from their respective brokers must be submitted. Validated proxies will be voted at the meeting in accordance with the instructions of the stockholders expressed.

Item 2. **Revocability of Proxy**

Proxies filed may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least one (1) day prior to the annual stockholders' meeting or by their personal presence at the meeting.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the Quezon City on ...., 2018.

WILCON DEPOT, INC.

By:

ARTHUR R. PONSARAN
Corporate Secretary

Annex "A"

Management's Discussion and Analysis

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

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

Net Sales

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

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

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

Cost of Sales

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

Operating Expenses

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

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

Interest Expense

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

Other income (Charges)

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

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

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

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

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

Income Tax Expense (Benefit)

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

Net Income

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

Financial Condition

Assets

Current Assets.

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

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

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

Noncurrent assets.

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

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

Liabilities

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

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

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

Equity

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

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

Net Sales

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

Cost of Sales

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

Operating Expenses

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

Interest Expense

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

Other Income (Charges)

For the period, the Company generated a net other income of ₱33.7 million consisting of rent income from gondola lightings, façade billboards and display windows, interest income and other income representing amounts charged to and from suppliers for the use of billboards, signage and other reimbursable costs.

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

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

Income Tax Expense (Benefit)

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

Net income

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

Financial Condition

Assets

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

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

Liabilities

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

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

Equity

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

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

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

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

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

Key Financial Performance Indicators

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

1 *Income before tax add interest expense*
2 *Income before tax add interest expense and depreciation and amortization*
3 *EBIT / Net Sales*
4 *Current Assets / Current Liabilities*

5 *Total Liabilities / Total Equity*
6 *EBITDA / Interest Expense*

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

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

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

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

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

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

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

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

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

Seasonal Aspect that has material effect on the financial statements.

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

Discussion on Compliance with leading practice on Corporate Governance

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

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

The Revised Manual on Corporate Governance was designed to define the framework of rules, systems and processes that governs the performance of the Board of Directors (the Board) and

Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

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

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

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

Annex "B"

SEC Registration Number

CS201524712

COMPANY NAME

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)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
wilcon@wilcon.com.ph	(02) 634-8387	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
146	June 19	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Mark Andrew Y. Belo	markbelo@wilcon.com.ph	(02) 634-8387	–

CONTACT PERSON'S ADDRESS

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

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

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

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
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Fax : +632 982 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, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2017 and 2016 and one-month period ended December 31, 2015, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

APR 16 2018

Accounting for the Complete Recording and Valuation of Merchandise Inventories

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

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

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

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

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

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

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

Other Information

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

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

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

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REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

April 11, 2018
Makati City, Metro Manila

APR 16 2018

WILCON

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

April 16, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Bertram B. Lim
Chairman of the Board

Lorraine Belo-Cincochan
President - CEO

Mark Andrew Y. Belo
Chief Financial Officer

WILCON

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APR 16 2018

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__ affiant(s) exhibiting to me their competent evidence of identity, as follows:

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

ATTY. RUBEN M. AZA[illegible]
Notary Public
Until December [illegible]
PTR. No. 95611[illegible]
Roll of Att[illegible]
IBP No. [illegible]

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WILCON

90 E. Rodriguez Jr. Ave., Ugong Norte Libis, Quezon City
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Fax: 636-2950, 636-1837
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"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

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

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

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Bertram B. Lim
Chairman of the Board

Lorraine Belo-Cincochan
President - CEO

APR 16 2018

Mark Andrew Y. Belo
Chief Financial Officer

WILCON

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APR 16 2018.

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

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Book No. 4
Series of 2018

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

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016

	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱3,016,815,150	₱638,072,093
Short-term investments	6	600,580,715	–
Trade and other receivables	7	552,025,050	422,593,586
Merchandise inventories	8	6,968,144,107	6,575,843,901
Other current assets	9	610,372,327	769,937,004
Total Current Assets		11,747,937,349	8,406,446,584
Noncurrent Assets			
Available-for-sale financial asset	6	2,996,946,620	–
Property and equipment	10	860,060,702	341,897,899
Net deferred tax assets	19	115,781,341	184,261,772
Other noncurrent assets	11	303,726,631	210,984,752
Total Noncurrent Assets		4,276,515,294	737,144,423
		₱16,024,452,643	₱9,143,591,007
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term debt	12	₱–	₱445,000,000
Current portion of long-term debt	13	155,000,000	278,461,539
Trade and other payables	14	3,491,311,355	3,619,679,500
Income tax payable		78,888,675	154,094,765
Total Current Liabilities		3,725,200,030	4,497,235,804
Noncurrent Liabilities			
Long-term debt - net of current portion	13	248,461,539	649,358,974
Net retirement liability	15	132,535,711	414,571,587
Total Noncurrent Liabilities		380,997,250	1,063,930,561
Total Liabilities		4,106,197,280	5,561,166,365
Equity			
Capital stock	16	4,099,724,116	2,705,817,916
Additional paid-in capital	16	5,373,738,427	–
Other comprehensive income (loss)		173,130,917	(9,640,325)
Retained earnings		2,271,661,903	886,247,051
Total Equity		11,918,255,363	3,582,424,642
		₱16,024,452,643	₱9,143,591,007

See accompanying Notes to Financial Statements.

APR 16 2018

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

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

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

See accompanying Notes to Financial Statements.

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

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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 CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 AND
FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015*

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

See accompanying Notes to Financial Statements.

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

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

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

(Forward)

APR 16 2018

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

See accompanying Notes to Financial Statements.

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

APR 16 2018

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

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

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

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

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock were approved by the SEC on November 15, 2016 (see Notes 4 and 16).

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

The shares of stock of the Company were officially listed in the PSE on March 31, 2017. The Company listed 1,393,906,200 common shares at an offer price of ₱5.05 a share. The proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 16).

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

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

APR 16 2018

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

Measurement Bases

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

The financial statements of the Company have been prepared on the historical cost basis of accounting, except for available-for-sale (AFS) financial asset that is measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in the foregoing.

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

- Note 3, *Significant Accounting Judgments, Estimates and Assumptions*
- Note 6, *Investments*
- Note 24, *Fair Value of Financial Instruments*

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

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

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

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

Effective for annual periods beginning on or after January 1, 2018:

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

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

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

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

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

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

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*; PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

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

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

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

Financial Assets and Liabilities

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

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

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

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

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

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

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

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" in profit or loss on an accrual basis.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization, included as part of "Interest income," is recognized in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash and cash equivalents, short-term investments, trade and other receivables (except advances to suppliers), container deposits (presented as part of "Other current assets") security and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included in this category.

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

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

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

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

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

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

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

Payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established.

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

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

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

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

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

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

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

- the rights to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

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

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Merchandise Inventories

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

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

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

Other Current Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.
The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

Other Noncurrent Assets
Other noncurrent assets comprise of security deposits, advance rental, electricity deposits, refundable cash bonds and computer software.

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

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

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

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

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

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. An asset's (or group of assets') recoverable amount is the higher of an asset's fair value less cost to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and impairment loss is recognized immediately in profit or loss.

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

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

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value of shares is credited to additional paid-in capital.

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

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

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

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

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

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

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

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

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

Employee Benefits

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

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

Retirement Benefits. The Company has funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method that reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and net interest expense or income in profit or loss.

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

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

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

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

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

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

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;

b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. There is substantial change to the asset.

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

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

Income Taxes

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

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

The Company has no dilutive potential common shares.

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires the Company to exercise judgments, make estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates are based on management's evaluation of relevant facts and circumstances as of the date of the comparative financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

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

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

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

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

Rent expense amounted to ₱780.7 million and ₱502.1 million in 2017 and 2016, respectively (see Note 21).

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

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

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

Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

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

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

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

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

** Excluding construction in progress amounting to ₱233.6 million as at December 31, 2017.*

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

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

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

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

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

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

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

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

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

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

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

Transfer of the Trading Business

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

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

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

** Net of allowance for impairment losses of receivables amounting to ₱56.7 million.*
*** Net of allowance for inventory write down and losses amounting to ₱50.1 million.*

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

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

Initial Public Offering (IPO)

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

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

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

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

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

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

5. Cash and Cash Equivalents

This account consists of:

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

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

Details of interest income are as follows:

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

6. Investments

Short-term Investments

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

AFS Financial Asset

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

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

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

7. Trade and Other Receivables

Details of this account are as follows:

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

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

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

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

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

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

8. Merchandise Inventories

Details of this account are as follows:

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

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

The cost of merchandise inventories stated at net realizable value amounted to ₱587.5 million and ₱218.2 million as at December 31, 2017 and 2016, respectively.

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

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

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

9. Other Current Assets

Details of this account are as follows:

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

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

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

Others mainly pertain to container deposits and supplies.

10. Property and Equipment

Details and movements of this account are as follows:

	2017				
	Building and Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost					
Balance at beginning of year	₱143,583,260	₱255,022,262	₱5,576,964	₱–	₱404,182,486
Additions	4,208,328	205,311,189	11,296,528	398,453,753	619,269,798
Reclassification	164,873,817	–	–	(164,873,817)	–
Balance at end of year	312,665,405	460,333,451	16,873,492	233,579,936	1,023,452,284
Accumulated Depreciation and Amortization					
Balance at beginning of year	9,430,748	52,463,387	390,452	–	62,284,587
Depreciation and amortization	11,242,952	87,973,266	1,890,777	–	101,106,995
Balance at end of year	20,673,700	140,436,653	2,281,229	–	163,391,582
Carrying Amount	₱291,991,705	₱319,896,798	₱14,592,263	₱233,579,936	₱860,060,702

	2016				
	Building and Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost					
Transferred from Parent Company	₱31,211,210	₱198,805,682	₱–	₱109,369,015	₱339,385,907
Additions	3,003,035	56,216,580	5,576,964	–	64,796,579
Reclassification	109,369,015	–	–	(109,369,015)	–
Balance at end of year	143,583,260	255,022,262	5,576,964	–	404,182,486
Depreciation and amortization for the period and balance at end of year	9,430,748	52,463,387	390,452	–	62,284,587
Carrying Amount	₱134,152,512	₱202,558,875	₱5,186,512	₱–	₱341,897,899

Depreciation and amortization are summarized below:

	Note	2017	2016
Property and equipment		**₱101,106,995**	₱62,284,587
Computer software	11	**3,218,310**	430,020
	17	**₱104,325,305**	₱62,714,607

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

As at December 31, 2017, the amount of contractual commitment for the acquisition of property and equipment amounted to ₱175.0 million.

11. Other Noncurrent Assets

Details of this account are as follows:

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

Movements of computer software follow:

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

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

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2017 and 2016, the refund of cash bonds is still pending with the BOC.

12. Short-term Debt

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

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

13. Long-term Debt

Details of long-term debt are as follows:

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

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

Interest expense is summarized below:

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

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

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

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

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

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

There are no noncash transactions arising from these liabilities.

14. Trade and Other Payables

Details of this account are as follows:

	Note	2017	2016
Trade:			
Third parties		**₱2,482,513,704**	₱2,307,558,266
Related parties	20	**72,388,734**	901,164,379
Accrued expenses:			
Outsourced services		**213,029,431**	21,223,468
Rent	21	**49,418,543**	42,680,810
Trucking services		**43,147,511**	16,237,760
Utilities		**15,546,631**	62,536,306
Others		**25,029,804**	16,960,549
Advances from customers		**227,261,002**	151,970,218
Nontrade:			
Third parties		**179,041,748**	39,524,714
Related parties	20	**64,791,264**	–
Due to Parent Company	15	**22,084,182**	–
Others		**97,058,801**	59,823,030
		₱3,491,311,355	₱3,619,679,500

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

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

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

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

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

15. Retirement Benefits

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

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

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

Details of retirement benefits are as follows:

	2017	2016
Current service cost	**₱15,913,503**	₱29,745,363
Interest expense	**19,277,579**	–
Interest income	**(1,173,754)**	–
	₱34,017,328	₱29,745,363

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

	2017		
	Cumulative Remeasurement Gain (Loss)	**Deferred Tax (see Note 19)**	**Net**
Balance at beginning of year	**(₱13,771,893)**	**₱4,131,568**	**(₱9,640,325)**
Remeasurement gain	**265,463,745**	**(79,639,123)**	**185,824,622**
Balance at end of year	**₱251,691,852**	**(₱75,507,555)**	**₱176,184,297**

	2016		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Remeasurement loss for the year and balance at end of year	(₱13,771,893)	₱4,131,568	(₱9,640,325)

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

	2017	2016
Present value of the obligation	**₱183,081,500**	₱414,571,587
Fair value of plan assets	**50,545,789**	–
	₱132,535,711	₱414,571,587

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

	Note	2017	2016
Balance at beginning of year		**₱414,571,587**	₱–
Remeasurement loss (gain)		**(266,575,749)**	13,771,893
Retirement benefits		**35,191,082**	29,745,363
Benefits paid		**(105,420)**	–
Transferred from Parent Company	4	**–**	371,054,331
Balance at end of year		**₱183,081,500**	₱414,571,587

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

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

Details of plan assets are as follows:

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

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

	2017	2016
Discount rate	5.70%	4.65%
Annual salary increase rate	4.00%	8.00%

Sensitivity analysis on retirement liability is as follows:

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

As at December 31, 2017, the expected future benefits payments are as follows:

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

16. Equity

	2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - at ₱1 a share				
Balance at beginning of year	**5,000,000,000**	**₱5,000,000,000**	200,000,000	₱200,000,000
Increase	**-**	**-**	4,800,000,000	4,800,000,000
Balance at end of year	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued and outstanding:				
Balance at beginning of year	**2,705,817,916**	**₱2,705,817,916**	50,000,000	₱50,000,000
Issuances	**1,393,906,200**	**1,393,906,200**	2,655,817,916	2,655,817,916
Balance at end of year	**4,099,724,116**	**₱4,099,724,116**	2,705,817,916	₱2,705,817,916

Details of capital stock are as follow:

On April 12, 2016, the Company's BOD and stockholders approved the increase in authorized capital stock of the Company from ₱200.0 million, consisting of 200,000,000 shares of common stock at ₱1.00 par value a share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock at ₱1.00 par value a share.

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

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

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

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

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

17. Operating Expenses

Details of this account are as follows:

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

18. Other Income

Details of this account are as follow:

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

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

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

19. Income Tax

The current income tax expense in 2017 and 2016 represents regular corporate income tax. The Company will be subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the Bureau of Internal Revenue (BIR) on December 17, 2015.

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

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

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

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

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

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

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

20. Related Party Transactions and Balances

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

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

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

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

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

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

b. Purchases and sales of merchandise inventories and trucking services with Parent Company and entities under common control. Purchases from entities under common control are subject to rebates based on certain percentage of sales from goods purchased from entities under common control (see Note 21).

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

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

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

d. Lease agreements with the Parent Company and related parties for the use of land, buildings, transportation equipment and computer software for a period of one to 15 years (see Note 21). Rental expenses from related parties amounted to ₱637.8 million and ₱389.2 million in 2017 and 2016, respectively.

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

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

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

21. Commitments and Contingencies

Lease Agreements

The Company as a Lessee

The Company has various lease agreements with the related parties and third parties for the use of land, buildings, transportation equipment and computer software for a period of one to 15 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

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

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

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

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

The Company as a Lessor

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

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

Agreement with Importing Suppliers

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

Contingencies

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

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

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

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

23. Financial Risk Management Objectives and Policies

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

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

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

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

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

	2017	2016
Cash in banks and cash equivalents	**₱3,009,360,558**	₱631,742,244
Short-term investments	**600,580,715**	–
Trade and other receivables*	**432,581,462**	454,631,646
Container deposits	**8,037,715**	9,034,191
AFS financial asset	**2,996,946,620**	–
Security deposits	**112,191,181**	96,570,786
Electricity deposits	**36,938,404**	16,802,346
Refundable cash bonds	**83,409,934**	83,409,934
	₱7,280,046,589	₱1,292,191,147

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

The Company does not have major concentration of credit risk.

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

	2017				
	Neither Past Due Nor Impaired	**Past Due but not Impaired**			
		Less than One Year	**One Year and Over**	**Past Due and Impaired**	**Total**
Cash in banks and cash equivalents	**₱3,009,360,558**	**₱–**	**₱–**	**₱–**	**₱3,009,360,558**
Short-term investments	**600,580,715**	**–**	**–**	**–**	**600,580,715**
Trade and other receivables*	**184,264,615**	**103,964,270**	**106,970,451**	**37,382,126**	**432,581,462**
Container deposits	**8,037,715**	**–**	**–**	**–**	**8,037,715**
AFS financial asset	**2,996,946,620**	**–**	**–**	**–**	**2,996,946,620**
Security deposits	**112,191,181**	**–**	**–**	**–**	**112,191,181**
Electricity deposits	**36,938,404**	**–**	**–**	**–**	**36,938,404**
Refundable cash bonds	**–**	**–**	**–**	**83,409,934**	**83,409,934**
	₱6,948,319,808	**₱103,964,270**	**₱106,970,451**	**₱120,792,060**	**₱7,280,046,589**

Excluding advances to suppliers amounting to ₱156.8 million.

	2016				
	Neither Past Due Nor Impaired	Past Due but not Impaired			
		Less than One Year	One Year and Over	Past Due and Impaired	Total
Cash in banks	₱631,742,244	₱–	₱–	₱–	₱631,742,244
Trade and other receivables*	113,825,823	191,623,004	103,348,441	45,834,378	454,631,646
Container deposits	9,034,191	–	–	–	9,034,191
Security deposits	96,570,786	–	–	–	96,570,786
Electricity deposits	16,802,346	–	–	–	16,802,346
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱867,975,390	₱191,623,004	₱103,348,441	₱129,244,312	₱1,292,191,147

**** Excluding advances to suppliers amounting to ₱13.8 million.***

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

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

	2017			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks and cash equivalents	₱3,009,360,558	₱–	₱–	₱3,009,360,558
Short-term investments	600,580,715	–	–	600,580,715
Trade and other receivables*	–	184,264,615	–	184,264,615
Container deposits	–	–	8,037,715	8,037,715
AFS financial asset	2,996,946,620	–	–	2,996,946,620
Security deposits	–	112,191,181	–	112,191,181
Electricity deposits	–	36,938,404	–	36,938,404
	₱6,606,887,893	₱333,394,200	₱8,037,715	₱6,948,319,808

**Excluding advances to suppliers amounting to ₱156.8 million.*

	2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱631,742,244	₱–	₱–	₱631,742,244
Trade and other receivables	–	113,825,823	–	113,825,823
Container deposits	–	–	9,034,191	9,034,191
Security deposits*	–	96,570,786	–	96,570,786
Electricity deposits	–	16,802,346	–	16,802,346
	₱631,742,244	₱227,198,955	₱9,034,191	₱867,975,390

** Excluding advances to suppliers amounting to ₱13.8 million.*

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

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

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

	2017				
	On Demand	**Within Three Months**	**More than Three Months to One Year**	**More than One Year but less than Five Years**	**Total**
Long-term debt	₱–	₱55,000,000	₱100,000,000	₱248,461,539	₱403,461,539
Trade and other payables*	–	3,221,247,380	180,915,694	–	3,402,163,074
	₱–	₱3,276,247,380	₱280,915,694	₱248,461,539	₱3,805,624,613

** Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱89.1 million.*

	2016				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱445,000,000	₱–	₱–	₱445,000,000
Long-term debt	20,000,000	64,615,385	193,846,154	649,358,974	927,820,513
Trade and other payables*	–	3,531,315,097	28,541,373	–	3,559,856,470
	₱20,000,000	₱4,040,930,482	₱222,387,527	₱649,358,974	₱4,932,676,983

** Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱59.8 million.*

As at December 31, 2017 and 2016, Company's cash and cash equivalents aggregate ₱3,016.8 million and ₱638.1 million, respectively. The Company's cash and cash equivalents resulting from the net cash flows from operating and financing activities are sufficient to cover payments due on its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
2017	**0.13%**	**(₱11,917)**
	(0.13%)	**11,917**
2016	0.30%	(106,519)
	(0.30%)	106,519

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:

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

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

24. Fair Value of Financial Instruments

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

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

* *Excluding advances to suppliers amounting to ₱156.8 million and ₱13.8 million as at December 31, 2017 and 2016, respectively.*
** *Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱89.1 million and ₱59.8 million as at December 31, 2017 and, 2016, respectively.*

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

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

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

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

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

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

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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

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

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

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

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

April 11, 2018
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE

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

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

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

April 11, 2018
Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Retained earnings at beginning of year as shown in the financial statements	₱886,247,051
Net income during the year closed to retained earnings	1,385,414,852
Deferred tax assets related to temporary differences that flow through profit or loss	(191,288,896)
Retained earnings as at end of year available for dividend declaration	₱2,080,373,007

Reconciliation

Retained earnings at end of year as shown in the financial statements	₱2,271,661,903
Deferred tax assets related to temporary differences that flow through profit or loss	(191,288,896)
Retained earnings as at end of year available for dividend declaration	₱2,080,373,007

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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

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

REYES TACANDONG & CO.

HaydeeM. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-6-2017
Valid until January 13, 2020
PTR No. 6607959
Issued January 3, 2018, Makati City

April 11, 2018
Makati City, Metro Manila

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

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

Table of Contents

N/A - Not applicable

SCHEDULE A

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

FINANCIAL ASSETS
DECEMBER 31, 2017
Amounts in Thousands

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

SCHEDULE B

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

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PFINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2017
Amounts in Thousands

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Non-current	Balance at End of Year
Advances to officers and employees	₱1,716	₱9,019	(₱5,828)	₱–	₱4,907	₱–	₱4,907

SCHEDULE D

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

INTANGIBLE ASSETS - OTHER NONCURRENT ASSETS

DECEMBER 31, 2017
Amounts in Thousands

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

SCHEDULE E

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

LONG-TERM DEBT
DECEMBER 31, 2017
Amounts in Thousands

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related Statement of Financial Position	Amount shown under Caption of "Long-term debt - net of current portion" in related Statement of Financial Position
Secured promisory notes:			
Metropolitan Bank and Trust Companies	₱198,462	₱–	₱198,461
Bank of the Philippine Islands	500,000	-	-
Rizal Commercial Banking Corporation	320,000	100,000	-
Banco de Oro Unibank, Inc.	210,000	-	25,000
Banco de Oro Unibank, Inc.	170,000	-	25,000
Allied Banking Corporation	100,000	55,000	-
	₱1,498,462	₱155,000	₱248,461

SCHEDULE H

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

CAPITAL STOCK
DECEMBER 31, 2017

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

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

CORPORATE STRUCTURE
DECEMBER 31, 2017

LIAM ROS HOLDINGS INC.

59%

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

65%

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

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

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

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

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

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

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

WILCON DEPOT, INC.
Doing Business under the Name and Style of
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FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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

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

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
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Makati City, Metro Manila

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

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

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

Philippine Financial Reporting Standards (PFRS)

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

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

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

Philippine Accounting Standards (PAS)

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

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓

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

Philippine Interpretations

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

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

PHILIPPINE INTERPRETATIONS - SIC

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