



108132018003318



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Donna Encarnado - COS
Receiving Branch : SEC Head Office
Receipt Date and Time : August 13, 2018 03:33:04 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. CS201524712
Company Name WILCON DEPOT, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF WILCON DEPOT AND WILCON HOMES ESSENT
Industry Classification Const. Materials & Supplies Retaili
Company Type Stock Corporation

Document Information

Document ID 108132018003318
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered June 30, 2018
No. of Days Late 0
Department CFD
Remarks

The logo for WILCON, featuring the word "WILCON" in white, bold, uppercase letters on a green rectangular background.

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

13 August 2018

SECURITIES and EXCHANGE COMMISSION

Pasay City, Philippines

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

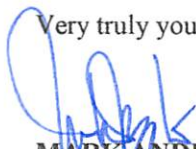
Mr. Mike Ferdinand Santos
SEC Examiner

Gentlemen:

For submission is the attached SEC Form 17-Q, results of the operations of the company for the quarterly period ending June 30, 2018.

Thank you.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Mark Andrew Y. Belo".

MARK ANDREW Y. BELO
Chief Financial Officer

COVER SHEET

C S 2 0 1 5 2 4 7 1 2

S.E.C Registration No.

W	I	L	C	O	N		D	E	P	O	T		I	N	C	.		D	O	I	N	G			
B	U	S	I	N	E	S	S		U	N	D	E	R		T	H	E		N	A	M	E			
A	N	D		S	T	Y	L	E		O	F		W	I	L	C	O	N		D	E	P	O	T	
A	N	D		W	I	L	C	O	N		H	O	M	E		E	S	S	E	N	T	I	A	L	S

(Company's Full name)

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

(Principal Office)

Atty. Sheila Pasicolan – Camerino

Contact Person

(02) 634-83-87

Tel. No.

1 7 - Q

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-Q

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

1. For the quarterly period ended June 30, 2018
2. Commission identification number CS201524712
3. BIR Tax Identification No 009-192-878

4. Exact name of issuer as specified in its charter

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

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

QUEZON CITY, PHILIPPINES

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

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

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
---------------------	--

COMMON SHARES	4,099,724,116
----------------------	----------------------

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

Yes [] No []

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

PHILIPPINES STOCK EXCHANGE

COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited interim condensed financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at June 30, 2018 and December 31, 2017 and for the six-month periods ended June 30, 2018 and 2017, are filed as part of this form 17-Q.

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

Results of Operations for the Six Month Ended June 30, 2018

Wilcon Depot, Inc. (WDI or the Company) recorded net income of ₱914 million for the first half of 2018, up by 19.9% from the ₱763 million reported during the same period in 2017 with net margins of 9.1% and 9.0%, respectively. The improvement was driven by comparable sales, which grew 9.3% year-on-year as a result of consistent marketing efforts, the roll out and ramp up of new stores, and margin enhancement due to effective product mix strategy.

Net Sales

WDI's net sales for the six-month period ended June 30, 2018 amounted to ₱10,001 million, 18.0% or ₱1,523 million higher than the ₱8,478 million generated during the same period in 2017. The increase was driven by a strong comparable sales performance of 9.3% for the period and a robust contribution from new stores, which accounted for the balance of the increase.

Net sales from the Company's depot-format stores including institutional or project sales totaled ₱9,697 million representing 97.0% of total net sales for the period. This is 18.2% or ₱1,491 million higher than the ₱8,206 million net sales in the first half of 2017 attributable mainly to the opening of new depots and the better than expected sales growth from old depots partly offset by a decline in institutional or project sales. Excluding project sales, depot-only sales grew by 19.3% or ₱1,545 million to total ₱9,552 million for the first half of 2018 with same store sales growth reaching 10.1%.

The remaining 3.0% of net sales was from the smaller format "Home Essentials", which likewise reported an upswing of 12.0% or ₱33 million to settle at ₱304 million by the end of the six-month period from the prior year's ₱272 million. There were two Home Essentials stores added during the first half, but the increase was still largely contributed by the old stores with same store sales growth for the format reaching 11.4%.

Gross Profit

Gross profit for the period reached ₱3,128 million, hiking by 22.3% or ₱571 million from the previous year's first half balance of ₱2,557 million, increasing blended gross profit margin to 31.3% from the 30.2% recorded in the same period the previous year. The improvement was brought about by the rising contribution of the higher margin in-house and exclusive products to total net sales, which accounted for 46.4% this period versus 43.8% in the same period in 2017. Further, the blended gross

profit margin was also enhanced by the improvement in the margins of the non-exclusive products due primarily to higher volume discounts and additional marketing and operational support from suppliers.

Operating Expenses

Operating expenses amounted to ₱2,039 million for the period, expanding by 21.9% or ₱366 million from the prior period's ₱1,673 million. The increase is attributed mainly to the expenses incurred for the newly opened stores, including expenses attributable to soon to be opened stores.

Interest Expense

Interest expense dropped to ₱2 million for the period from the prior year's first half level of ₱16 million due to repayment of bank loans.

Other Income (Charges)

The Company generated net other income of ₱182 million for the period, almost doubling the prior year's first half amount of ₱94 million, which is attributed mainly to the increase in interest income from ₱35 million to ₱90 million. Interest income was earned from placements of the balance of the initial public offering proceeds and cash generated from operations.

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

As a result, EBIT for the first half of 2018 amounted to ₱1,271 million at an EBIT margin of 12.7% while EBITDA totaled ₱1,335 million at a margin of 13.3%, improving from the prior year's first half levels of ₱978 million at 11.5% EBIT margin and ₱1,025 million at 12.1% EBITDA margin, respectively.

Income Tax Expense

Income tax expense for the first half ended June 30, 2018 amounted ₱354 million, 77.7% or ₱155 million higher than the ₱199 million incurred during the same period last year. A tax benefit, amounting to ₱80 million, was recognized in 2017 arising from stock transaction costs charged to additional paid-in capital, which is related to the increase in capital stock resulting from the public listing of the Company's common shares.

Financial Condition

June 30, 2018 versus December 31, 2017

Assets

Total assets of the Company grew by 4.8% or ₱767 million from ₱16,024 million balance as at December 31, 2017 to close at ₱16,791 million as at June 30, 2018 due to its favorable performance for the period.

Current assets. Aggregate cash and cash equivalents and short-term investments declined by 5.5% or ₱197 million to settle at ₱3,366 million as at the close of first half of 2018 from the 2017 first half-end of ₱3,563 million primarily due to repayment of bank loans and payment of dividends.

Trade and other receivables totaled ₱606 million as at June 30, 2018, 9.8% or ₱54 million more than the ₱552 million balance as at December 31, 2017. The increase is mainly due to the rise in non-trade receivables comprising mostly of down payments and advances to suppliers and contractors in relation to the construction of new stores. These advances will be applied against billings.

Merchandise inventories totaled ₱7,178 million as at the end of the period, increasing by 3.0% or ₱210 million from the end-2017 balance of ₱6,968 million due mainly to the continuing inventory requirements of the new stores.

Noncurrent assets. The Company's noncurrent assets totaled ₱5,074 million, 18.7% or ₱798 million higher than the ₱4,276 million level as at the end of 2017 in view of the continued construction of new company-owned store buildings.

Liabilities

Current liabilities. Current liabilities amounted to ₱4,318 million as at the close of the period, climbing 15.9% or ₱593 million from the ₱3,725 million balance as at December 31, 2017. The hike was due mainly to the increased trade and income tax payables partly offset by payment of bank loans.

Noncurrent liabilities. Noncurrent liabilities settled at ₱119 million, significantly lower by 68.7% or ₱262 million from the end-2017 level of ₱381 million mainly due to payment of bank loans.

Equity

Total equity amounted to ₱12,354 million, inching up by 3.7% or ₱436 million from the December 31, 2017 balance of ₱11,918 million attributed to the net income earned in the first half of 2018 and partly offset by the payment of dividends.

PART II--OTHER INFORMATION

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

SIGNATURES

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


August 13, 2018

WILCON DEPOT, INC.

By:



LORRAINE BELO-CINCOCHAN
President - CEO



MARK ANDREW BELO
Treasurer - CFO

WILCON DEPOT, INC.

**Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS**

(A Subsidiary of WILCON CORPORATION

*Doing Business under the Name and Style of
WILCON CITY CENTER)*

Unaudited Interim Condensed Financial Statements
As at June 30, 2018 and December 31, 2017 and
For the Six-Month Periods Ended June 30, 2018 and 2017

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

UNAUDITED INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2018 AND DECEMBER 31, 2017

	Note	2018 (Unaudited)	2017 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱3,365,781,975	₱3,016,815,150
Short-term investments	5	-	600,580,715
Trade and other receivables	6	606,290,242	552,025,050
Merchandise inventories	7	7,178,042,265	6,968,144,107
Other current assets		566,672,875	610,372,327
Total Current Assets		11,716,787,357	11,747,937,349
Noncurrent Assets			
Financial asset at fair value through other comprehensive income	5	2,973,249,511	2,996,946,620
Property and equipment	8	1,641,952,297	860,060,702
Deferred tax assets	16	115,018,342	115,781,341
Other noncurrent assets	9	344,269,772	303,726,631
Total Noncurrent Assets		5,074,489,922	4,276,515,294
		₱16,791,277,279	₱16,024,452,643
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	₱4,135,352,365	₱3,491,311,355
Income tax payable		182,580,584	78,888,675
Current portion of long-term debt	10	-	155,000,000
Total Current Liabilities		4,317,932,949	3,725,200,030
Noncurrent Liabilities			
Long-term debt - net of current portion	10	20,000	248,461,539
Retirement liability	12	119,281,776	132,535,711
Total Noncurrent Liabilities		119,301,776	380,997,250
Total Liabilities		4,437,234,725	4,106,197,280
Equity			
Capital stock	13	4,099,724,116	4,099,724,116
Additional paid-in capital	13	5,373,738,427	5,373,738,427
Other comprehensive income		145,528,022	173,130,917
Retained earnings		2,735,051,989	2,271,661,903
Total Equity		12,354,042,554	11,918,255,363
		₱16,791,277,279	₱16,024,452,643

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

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

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

UNAUDITED INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017
AND FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Note	(Unaudited)			
		For the Six-Month Periods		For the Three-Month Periods	
		Ended June 30		Ended June 30	
		2018	2017	2018	2017
NET SALES		₱10,001,157,072	₱8,477,861,082	₱5,295,936,556	₱4,295,773,660
COST OF SALES	7	(6,872,828,462)	(5,920,935,134)	(3,639,703,212)	(3,000,495,523)
GROSS INCOME		3,128,328,610	2,556,925,948	1,656,233,344	1,295,278,137
OPERATING EXPENSES	14	(2,039,461,958)	(1,672,975,809)	(1,048,711,677)	(821,794,689)
INTEREST EXPENSE	10	(2,344,844)	(15,560,970)	(707,158)	(5,738,180)
OTHER INCOME - Net	15	182,216,440	93,675,862	95,783,542	50,735,833
INCOME BEFORE INCOME TAX		1,268,738,248	962,065,031	702,598,051	518,481,101
INCOME TAX EXPENSE (BENEFIT)	16				
Current		351,941,603	199,463,465	194,158,286	152,505,818
Deferred		2,436,907	(68,864)	3,224,637	(5,946,510)
		354,378,510	199,394,601	197,382,923	146,559,308
NET INCOME		914,359,738	762,670,430	505,215,128	371,921,793
OTHER COMPREHENSIVE INCOME (LOSS)					
<i>Item to be reclassified to profit or loss -</i>					
Unrealized gain (loss) on fair value changes of financial asset at fair value through other comprehensive income	5	(23,697,109)	29,193,847	(31,831,740)	29,193,847
<i>Item not to be reclassified to profit or loss -</i>					
Remeasurement loss on retirement liability, net of deferred income tax	12	(3,905,786)	-	(2,041,083)	-
		(27,602,895)	29,193,847	(33,872,823)	29,193,847
TOTAL COMPREHENSIVE INCOME		₱886,756,843	₱791,864,277	₱471,342,305	₱401,115,640
BASIC AND DILUTIVE EARNINGS PER SHARE	19	₱0.22	₱0.22	₱0.12	₱0.11

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

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

UNAUDITED INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Note	2018 (Unaudited)	2017 (Unaudited)
CAPITAL STOCK			
	13		
Balance at beginning of period		₱4,099,724,116	₱2,705,817,916
Issuances		-	1,393,906,200
Balance at end of period		4,099,724,116	4,099,724,116
ADDITIONAL PAID-IN CAPITAL		5,373,738,427	5,373,738,427
OTHER COMPREHENSIVE INCOME			
Remeasurement Gain (Loss) on Retirement Liability			
	12		
Balance at beginning of period		176,184,297	(9,640,325)
Remeasurement loss		(3,905,786)	-
Balance at end of period		172,278,511	(9,640,325)
Fair Value Changes on Financial Asset at Fair Value through Other Comprehensive Income			
	5		
Balance at beginning of period		(3,053,380)	-
Remeasurement loss		(23,697,109)	29,193,847
Balance at end of period		(26,750,489)	29,193,847
		145,528,022	19,553,522
RETAINED EARNINGS			
Balance at beginning of period		2,271,661,903	886,247,051
Net income		914,359,738	762,670,430
Cash dividends	13	(450,969,652)	-
Balance at end of period		2,735,051,989	1,648,917,481
		₱12,354,042,554	₱11,141,933,546

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

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

UNAUDITED INTERIM CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

	Note	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,268,738,248	₱962,065,031
Adjustments for:			
Interest income	4	(89,821,388)	(35,497,934)
Depreciation and amortization	8	63,763,631	46,982,458
Retirement benefits	12	10,610,590	25,601,688
Net provision (reversal of allowance) for:			
Impairment losses on receivables	14	6,114,824	(2,391,169)
Inventory write down and losses	7	-	(24,182,067)
Interest expense	10	2,344,844	15,560,970
Write-off of accounts receivable		50,147	-
Offer expenses		-	18,316,120
Operating income before working capital changes		1,261,800,896	1,006,455,097
Decrease (increase) in:			
Merchandise inventories		(209,898,158)	(53,105,321)
Trade and other receivables		(32,994,708)	(208,312,166)
Other current assets		28,587,805	48,433,052
Increase (decrease) in trade and other payables		644,040,995	(558,442,309)
Net cash generated from operations		1,691,536,830	235,028,353
Income tax paid		(233,138,046)	(211,138,164)
Contributions to plan assets	12	(28,816,170)	-
Retirement benefits paid	12	(628,050)	-
Net cash provided by operating activities		1,428,954,564	23,890,189
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturity of short-term investments		600,580,715	-
Interest received		62,385,933	11,498,204
Additions to:			
Property and equipment	8	(842,900,453)	(159,345,733)
Computer software	9	(13,161,619)	(20,349,127)
Financial asset at fair value through other comprehensive income		-	(3,000,000,000)
Increase in other noncurrent assets		(30,136,295)	(25,299,248)
Net cash used in investing activities		(223,231,719)	(3,193,495,904)

(Forward)

	Note	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends		(P450,969,653)	P-
Long-term debt		(403,441,539)	(592,820,514)
Interest		(2,344,827)	(15,560,970)
Short-term debt		-	(245,000,000)
Availments of long-term borrowings		-	198,461,539
Proceeds from issuance of capital stock	13	-	6,749,328,507
Net cash provided by (used in) financing activities		(856,756,019)	6,094,408,562
NET INCREASE IN CASH AND CASH EQUIVALENTS		348,966,825	2,924,802,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		3,016,815,150	638,072,093
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	P3,365,781,975	P3,562,874,940

See accompanying Notes to Unaudited Interim Condensed Financial Statements.

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

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

The shares of stock of the Company are 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. Net proceeds from IPO amounted to ₱6,749.3 million (see Note 13).

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

The unaudited interim condensed financial statements have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The unaudited interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual audited financial statements as at and for the year ended December 31, 2017, which have been prepared in accordance with PFRS.

Measurement Bases

The unaudited interim condensed 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 unaudited interim condensed financial statements of the Company have been prepared on the historical cost basis of accounting, except for financial asset at fair value through other comprehensive income (financial asset at FVOCI) 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 unaudited interim condensed 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 unaudited interim condensed 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 above.

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

- Note 5, *Investments*
- Note 21, *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, 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 their classification by reference to the business model within which these are held and their 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 to have an 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.

The Company has performed an assessment of the impact of PFRS 9 on the unaudited financial statements. Based on the analysis of the Company's business model, financial assets and liabilities, and facts and circumstances that exist as at March 31, 2018, the Company has concluded that all financial assets and liabilities should continue to be measured on the same bases as under PAS 39.

- PFRS 15 replaces PAS 11, Construction Contracts, PAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers and Standard Interpretation Committee - 31, Revenue - Barter Transactions Involving Advertising Services. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.
- 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.

Under prevailing circumstances, the adoption of PFRS 15 did not have significant impact in the timing of the Company's revenue recognition.

New and Amended PFRS Issued but Not yet Effective

Relevant new and amended PFRS, which are not yet effective for the period ended March 31, 2018 and have not been applied in preparing the unaudited interim condensed financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2019

- PFRS 16, *Leases* – 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.
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes*, by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax

treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the unaudited interim condensed financial statements of the Company, except for PFRS 16. The adoption of 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. Additional disclosures will be included in the unaudited interim condensed financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the unaudited interim condensed 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, financial assets at amortized cost and financial assets through other comprehensive income (FVOCI). The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities at amortized cost.

The classification of financial instruments largely depends on the Company's business model.

The Company does not have financial instrument classified as financial asset or liabilities at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at amortized cost 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") and security, rental and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included in this category.

Financial Assets at FVOCI. For debt instruments, financial assets shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other equity reserves" account in the equity section of the unaudited interim condensed statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Company classifies its investments in retail treasury bond under this category.

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

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

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

Reclassification

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

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

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. The Company records an allowance for “expected credit loss”. Expected credit losses (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade and other receivables, the Company has established a provision matrix that is based on the industry’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Asset at FVOCI. For debt instruments classified as financial asset at FVOCI, 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 year, 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 unaudited interim condensed statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Merchandise Inventories

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

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

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

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

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

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

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

Container Deposits. Container deposits qualify as financial assets and are disclosed under financial instruments.

Property and Equipment

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

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

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

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

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

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (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, rental and electricity deposits, refundable cash bonds and computer software. These, except advance rental and computer software, qualify as financial assets and are disclosed under financial instruments.

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 property and equipment, computer software and advance rental.

Equity

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

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss.

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprise items of income and expenses (including items previously presented under the unaudited interim condensed statements 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 financial asset at FVOCI and cumulative remeasurement gain (loss) on retirement liability.

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 control of the goods is transferred 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 unaudited interim condensed 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

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

Employee Benefits

Short-term Employee Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the 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. Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

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

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

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

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, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting 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 are calculated by dividing the net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

The Company has no dilutive potential common shares.

Related Party Relationship and Transactions

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

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

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

Segment Reporting

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

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

Provisions

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

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

Contingencies

Contingent liabilities are not recognized in the unaudited interim condensed financial statements but are disclosed in the notes to unaudited interim condensed financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the unaudited interim condensed financial statements but are disclosed in the notes to unaudited interim condensed 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 unaudited interim condensed financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to unaudited interim condensed financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim condensed financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed 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 ₱425.1 million and ₱361.4 million for the six-month periods ended June 30, 2018 and 2017, respectively (see Note 17).

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 ₱9.4 million and ₱8.9 million for the six-month periods ended June 30, 2018 and 2017, respectively (see Note 17).

Estimates and Assumptions

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

Determining Fair Value of Financial Asset at FVOCI. 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 gain (loss) on fair value changes on financial asset at FVOCI recognized in other comprehensive income amounted to (₱23.7 million) and ₱29.2 million for the six-month periods June 30, 2018 and 2017, respectively (see Note 5). The carrying amount of financial asset at FVOCI amounted to ₱2,973.2 million and ₱2,996.9 million as at June 30, 2018 and December 31, 2017, respectively (see Note 5).

Assessing Impairment Losses on Financial Asset at FVOCI. The determination as to when an financial asset at FVOCI 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 financial asset at FVOCI, management concluded that financial asset at FVOCI is not impaired as at June 30, 2018. Future changes in those information and circumstances might significantly affect the carrying amount of financial asset at FVOCI.

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 amounted to ₱606.3 million and ₱552.0 million as at June 30, 2018 and December 31, 2017, respectively (see Note 6). Allowance for impairment losses on receivables amounted to ₱43.5 million and ₱37.4 million as at June 30, 2018 and December 31, 2017, respectively (see Note 6).

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 June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017 (see Note 9).

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 value of merchandise inventories amounted to ₱7,178 million and ₱6,968.1 million as at June 30, 2018 and December 31, 2017, respectively (see Note 7). Allowance for inventory write-down and losses amounted to ₱130.8 million as at June 30, 2018 and December 31, 2017 (see Note 7).

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 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.

There is no change in estimated useful lives of property and equipment and computer software as at June 30, 2018 and December 31, 2017. The carrying value of depreciable property and equipment and computer software follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Property and equipment*	8	₱1,147,053,297	₱626,480,766
Computer software	9	48,209,533	37,802,687
		₱1,195,262,830	₱664,283,453

* Excludes construction in progress amounting to ₱494.9 million and ₱233.6 million as at June 30, 2018 and December 31, 2017, respectively.

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

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

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

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2018 and 2017.

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

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Property and equipment	8	₱1,641,952,297	₱860,060,702
Computer software	9	48,209,533	37,802,687
		₱1,690,161,830	₱897,863,389

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 12 to unaudited interim condensed 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 ₱119.3 million and ₱132.5 million as at June 30, 2018 and December 31, 2017, respectively (see Note 12).

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

Deferred tax assets amounted to ₱145.3 million and ₱139.1 million as at June 30, 2018 and December 31, 2017, respectively (see Note 16).

4. Cash and Cash Equivalents

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	₱12,491,257	₱7,454,592
Cash in banks	575,090,718	879,360,558
Cash equivalents	2,778,200,000	2,130,000,000
	₱3,365,781,975	₱3,016,815,150

Cash in banks earn interest at prevailing deposit rates. Cash equivalents represent money market placements with interest ranging from 4.0% to 4.05% and have a maturity of 30 to 35 days.

Details of interest income are as follows:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2018	2017	2018	2017
Financial asset at FVOCI	5	₱48,166,667	₱22,383,333	₱25,500,000	₱22,383,333
Cash equivalents		37,011,077	12,089,544	19,450,924	12,089,544
Short term investments	5	3,758,333	-	-	-
Cash in banks		885,311	1,025,057	411,205	790,018
	15	₱89,821,388	₱35,497,934	₱45,362,129	₱35,262,895

5. Investments

Short-term investments

Short-term investments amounting to ₱600.6 million as at December 31, 2017 represent money market placements with maturity of four months and bear interest of 2.74% and 2.75%. Interest income earned from short-term investments amounted to ₱3.8 million for the six-month period ended June 30, 2018 (see Note 4).

Financial asset at FVOCI

Financial asset at FVOCI represents investment in retail treasury bond, which bears an annual interest of 4.25% and will mature on April 11, 2020. As at June 30, 2018 and December 31, 2017, financial asset at FVOCI amounted to ₱2,973.2 million and ₱2,996.9 million, respectively.

Interest income accrued from financial asset at FVOCI amounted to ₱48.2 million and ₱22.3 million for the six-month period ended June 30, 2018 and 2017, respectively (see Note 4).

Unrealized gain (loss) on fair value changes of financial asset at FVOCI amounted to (₱23.7 million) and ₱29.2 million for the six-month periods ended June 30, 2018 and 2017, respectively, and (₱31.8 million) and ₱29.2 million for the three-month periods ended June 30, 2018 and 2017, respectively. The fair value measurement for financial asset at FVOCI has been categorized as level 2.

6. Trade and Other Receivables

Details of this account are as follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:			
Third parties		₱279,598,881	₱288,596,531
Related parties		75,018,091	83,123,103
Advances to suppliers		207,659,932	156,825,715

(Forward)

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Accrued Interest		₱27,435,455	₱34,270,971
Advances to officers and employees		9,103,071	4,907,452
Rental	17	3,449,346	2,942,160
Others		47,522,416	18,741,244
		649,787,192	589,407,176
Allowance for impairment losses		(43,496,950)	(37,382,126)
		₱606,290,242	₱552,025,050

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 be refunded or applied against billings. Nontrade advances to suppliers amounted to ₱182.6 million and ₱137.9 million as at June 30, 2018 and December 31, 2017, respectively.

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

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

Aging of trade and other receivables are as follows:

<i>Amounts in Thousands</i>	<i>As at June 30, 2018 - Unaudited</i>						
	Total	Current	1 to 30	31 to 60	61 to 90	91 to 120	Over 120
Trade:							
Third parties	₱279,599	₱133,508	₱6,964	₱23,584	₱21,645	₱55,523	₱38,375
Related parties	75,018	54	1,737	127	13	73,087	-
	354,617	133,562	8,701	23,711	21,658	128,610	38,375
Advances to suppliers	207,660	207,660	-	-	-	-	-
Accrued interest	27,435	27,435	-	-	-	-	-
Advances to officers and employees	9,103	9,103	-	-	-	-	-
Rental	3,449	148	1,788	1,101	220	180	12
Others	47,523	12,260	2,952	12,834	3,434	10,933	5,110
	649,787	390,168	13,441	37,646	25,312	139,723	43,497
Allowance for impairment losses	(43,497)	-	-	-	-	-	(43,497)
	₱606,290	₱390,168	₱13,441	₱37,646	₱25,312	₱139,723	₱-

<i>Amounts in Thousands</i>	As at December 31, 2017 - Audited						
	Total	Current	1 to 30	31 to 60	61 to 90	91 to 120	Over 120
Trade:							
Third parties	₱288,597	₱32,772	₱60,145	₱43,341	₱36,604	₱78,528	₱37,207
Related parties	83,123	18	1,579	860	211	80,455	-
	371,720	32,790	61,724	44,201	36,815	158,983	37,207
Advances to suppliers	156,826	159,826	-	-	-	-	-
Accrued interest	34,271	34,271	-	-	-	-	-
Advances to officers and employees	4,907	4,907	-	-	-	-	-
Rental	2,942	119	1,821	713	250	39	-
Others	18,741	1,214	1,330	2,824	3,034	10,164	175
	589,407	230,127	64,875	47,738	40,099	169,186	37,382
Allowance for impairment losses	(37,382)	-	-	-	-	-	(37,382)
	₱552,025	₱230,127	₱64,875	₱47,738	₱40,099	₱169,186	₱-

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

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period		₱37,382,126	₱45,834,378
Provision	14	8,493,094	7,502,533
Reversal	14	(2,336,590)	(11,229,313)
Write-off		(41,680)	(4,725,472)
Balance at end of period		₱43,496,950	₱37,382,126

7. Merchandise Inventories

Details of this account are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
At cost	₱6,721,403,823	₱6,511,505,665
At net realizable value	456,638,442	456,638,442
	₱7,178,042,265	₱6,968,144,107

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

The cost of merchandise inventories stated at net realizable value amounted to ₱587.5 million as at June 30, 2018 and December 31, 2017, respectively.

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	₱130,826,546	₱101,651,425
Provisions	-	29,175,121
Balance at end of period	₱130,826,546	₱130,826,546

Inventories charged to cost of sales amounted to ₱6,872.8 million and ₱5,920.9 million for the six-month periods ended June 30, 2018 and 2017, respectively, including provision for inventory write down and losses.

8. Property and Equipment

Details and movements of this account are as follows:

As at June 30, 2018 (Unaudited)					
	Building and Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost					
Balance at beginning of period	₱312,665,405	₱460,333,451	₱16,873,492	₱233,579,936	₱1,023,452,284
Additions	506,651,769	60,545,045	14,384,575	261,319,064	842,900,453
Write off	(316,005)	(527,009)	-	-	(843,014)
Balance at end of period	819,001,169	520,351,487	31,258,067	494,899,000	1,865,509,723
Accumulated Depreciation and Amortization					
Balance at beginning of period	20,673,701	140,436,653	2,281,228	-	163,391,582
Depreciation and amortization	12,097,690	46,920,545	1,990,623	-	61,008,858
Write off	(316,005)	(527,009)	-	-	(843,014)
Balance at end of period	32,455,386	186,830,189	4,271,851	-	223,557,426
Net Book Value	₱786,545,783	₱333,521,298	₱26,986,216	₱494,899,000	₱1,641,952,297

As at December 31, 2017 (Audited)					
	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
Net Book Value	₱291,991,705	₱319,896,798	₱14,592,263	₱233,579,936	₱860,060,702

Construction in progress pertains to costs incurred for building new stores located in various strategic locations within the Philippines and is expected to be completed in 2018 and 2019.

Depreciation and amortization are summarized below:

		Unaudited			
		For the Six -Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	Note	2018	2017	2018	2017
Property and equipment		₱61,008,858	₱45,887,176	₱31,868,483	₱23,556,711
Computer software	9	2,754,773	1,095,282	1,447,894	627,192
	14	₱63,763,631	₱46,982,458	₱33,316,377	₱24,183,903

9. Other Noncurrent Assets

Details of this account are as follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Security deposits	17	₱104,331,503	₱112,191,181
Advance rental	17	101,255,846	77,749,502
Electricity deposits		49,987,933	36,938,404
Computer software		48,209,533	37,802,687
Noncurrent deferred input VAT		40,484,957	39,044,857
		₱344,269,772	₱303,726,631

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

Movements of computer software are as follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost			
Balance at beginning of period		₱41,451,017	₱10,985,329
Additions		13,161,619	30,465,688
Balance at end of period		54,612,636	41,451,017
Accumulated Amortization			
Balance at end of period		3,648,330	430,020
Amortization	8	2,754,773	3,218,310
Balance at end of period		6,403,103	3,648,330
Net book value		₱48,209,533	₱37,802,687

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at June 30, 2018 and December 30, 2017, the refund of cash bonds is still pending with the BOC.

10. Long-term Debt

Details of long-term debt are as follows:

Terms	Principal	Outstanding Balance	
		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Loan 1 Lump sum payment in August 2021	₱210,000,000	₱10,000	₱25,000,000
Loan 2 Lump sum payment in August 2021	170,000,000	10,000	25,000,000
Loan 3 Lump sum payment in June 2022	198,461,539	-	198,461,539
Loan 4 Quarterly installment payment until March 2020	320,000,000	-	100,000,000
Loan 5 Monthly installment payment until March 2018	100,000,000	-	55,000,000
	₱998,461,539	₱20,000	₱403,461,539
Current portion		-	(155,000,000)
Noncurrent portion		₱20,000	₱248,461,539

The loans bear interest ranging from 1.75% to 3.25% for the six-month periods ended June 30, 2018 and year-ended December 31, 2017.

Interest expense is summarized below:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2018	2017	2018	2017
Long-term	₱2,344,844	₱10,706,262	₱707,158	₱4,460,902
Short-term	-	4,854,708	-	1,277,278
	₱2,344,844	₱15,560,970	₱707,158	₱5,738,180

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Less than one year	₱-	₱155,000,000
Between one to two years	-	50,000,000
Between two to five years	20,000	198,461,539
	₱20,000	₱403,461,539

11. Trade and Other Payables

Details of this account are as follows:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:			
Third parties		₱2,778,788,276	₱2,482,513,704
Related parties	18	185,513,005	72,388,734
Accrued expenses:			
Outsourced services		310,071,590	213,029,431
Trucking services		59,281,113	43,147,511
Rent	17	37,959,484	49,418,543
Utilities		22,426,690	15,546,631
Others		100,360,115	25,029,804
Advances from customers		276,481,790	227,261,002
Nontrade:			
Third parties		203,873,552	179,041,748
Related parties	18	38,667,247	64,791,264
Due to Parent Company	18	22,084,182	22,084,182
Others		99,845,321	97,058,801
		₱4,135,352,365	₱3,491,311,355

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

Accrued expenses refer to accruals for utilities, rentals from related parties and third parties, trucking services, postage and telecommunications, outside services, salaries and wages, and other expenses incurred which are payable in the succeeding month.

Advances from customers pertain to refundable payments and deposits made 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.

12. Retirement Benefits

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

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

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

Details of retirement benefits are as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2018	2017	2018	2017
Current service cost	P5,732,812	P15,962,899	P2,719,213	P7,034,420
Interest expense	6,738,040	9,638,789	3,459,737	4,425,551
Interest income	(1,860,262)	-	(955,176)	-
	P10,610,590	P25,601,688	P5,223,774	P11,459,971

The cumulative amount of remeasurement gain (loss) on retirement liability recognized in other comprehensive income follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	P176,184,297	(P9,640,325)
Remeasurement gain (loss)	(3,905,786)	-
Balance at end of period	172,278,511	(P9,640,325)

Components of retirement liability:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Present value of defined benefit obligation	P194,924,302	P183,081,500
Fair value of plan asset	(75,642,526)	(50,545,789)
	P119,281,776	P132,535,711

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	P183,081,500	P414,571,587
Current service cost	5,732,812	15,913,503
Interest expense	6,738,040	19,277,579
Benefits paid	(628,050)	(105,420)
Remeasurement gain	-	(266,575,749)
Balance at end of period	P194,924,302	P183,081,500

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of year	P50,545,789	P-
Contributions	28,816,170	28,399,857
Interest income	1,860,262	1,173,754
Remeasurement loss	(5,579,695)	(1,112,004)
Transfer from Parent Company	-	22,084,182
Balance at end of year	P75,642,526	P50,545,789

The plan assets consist of the following:

Unit Investment Trust Fund	46.49%
Mutual Funds	33.99%
Others	19.52%
	<u>100.00%</u>

The principal actuarial assumptions used to determine the retirement liability as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Discount rate	7.36%	5.70%
Annual salary increase rate	4.00%	4.00%

Sensitivity analysis on retirement liability is as follows:

	Basis Points	Amount
Discount rate	+100	(P25,166,570)
	-100	31,137,938
Salary rate	+100	29,339,858
	-100	(24,244,286)
Turnover rate	0%	60,783,210

As at June 30, 2018, the expected future benefits payments are as follows:

Year	Amount
2018	P23,837,192
2019	1,840,550
2020	1,908,839
2021	6,016,098
2022 to 2026	52,895,040
	<u>P86,497,719</u>

13. Equity

Details of capital stock are as follow:

	June 30, 2018		December 31, 2017	
	(Unaudited)		(Audited)	
	Number of	Amount	Number of	Amount
	Shares		Shares	
Authorized - at P1 a share				
Balance at beginning and end of period	<u>5,000,000,000</u>	<u>P5,000,000,000</u>	<u>5,000,000,000</u>	<u>P5,000,000,000</u>
Issued and outstanding:				
Balance at beginning of period	<u>4,099,724,116</u>	<u>P4,099,724,116</u>	<u>2,705,817,916</u>	<u>P2,705,817,916</u>
Issuances	<u>-</u>	<u>-</u>	<u>1,393,906,200</u>	<u>1,393,906,200</u>
Balance at end of period	<u>4,099,724,116</u>	<u>P4,099,724,116</u>	<u>4,099,724,116</u>	<u>P4,099,724,116</u>

The shares of stock of the Company were 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. Net proceeds from the IPO amounted to ₱6,749.3 million. The Company incurred transaction costs incidental to the IPO amounting to ₱271.6 million which was subsequently charged against additional paid-in capital (see Note 1). Net additional paid-in capital amounted to ₱5,373.7 million.

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

14. Operating Expenses

Details of this account are as follows:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2018	2017	2018	2017
Rent	17	₱425,061,753	₱361,352,206	₱213,993,898	₱179,974,164
Outsourced services		352,979,310	331,868,276	181,938,539	154,717,612
Salaries, wages and employee benefits		356,039,664	300,794,793	203,372,254	152,421,493
Trucking services		234,216,498	118,644,505	93,731,323	59,141,599
Utilities		206,730,727	196,040,501	113,173,596	100,050,763
Taxes and licenses		88,040,318	93,758,497	35,670,253	35,711,080
Credit card charges		83,003,759	71,320,465	42,595,982	35,554,674
Supplies		66,128,832	22,825,920	40,071,898	12,733,947
Depreciation and amortization	8	63,763,631	46,982,458	33,316,377	24,183,903
Advertising and promotions		52,266,590	33,540,365	35,049,609	14,856,584
Repairs and maintenance		45,190,711	37,677,415	25,498,435	25,292,324
Communications		14,819,065	14,191,795	8,014,789	7,032,349
Transportation and travel		6,989,812	9,320,941	3,436,362	3,380,453
Donations and contributions		6,369,584	10,376,472	427,582	8,121,657
Net provision (reversal of allowance) for impairment losses on receivables	6	6,114,824	(2,391,169)	(838,136)	(46,503)
Professional fees		6,101,917	11,299,404	4,008,919	2,251,861
Fuel and oil		5,980,127	4,411,639	3,188,791	2,245,355
Others		19,664,836	10,961,326	12,061,206	4,171,374
		₱2,039,461,958	₱1,672,975,809	₱1,048,711,677	₱821,794,689

15. Other Income

Details of this account are as follow:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2018	2017	2018	2017
Interest	4	₱89,821,388	₱35,497,934	₱45,362,129	₱35,262,895
Rent	17	9,387,000	8,877,214	4,341,000	5,294,357
Others		83,008,052	49,300,714	46,080,413	10,178,581
		₱182,216,440	₱93,675,862	₱95,783,542	₱50,735,833

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.

16. Income Tax

The current income tax expense for the six-month periods ended June 30, 2018 and 2017 amounting to ₱351.9 million and ₱199.5 million, respectively, and for the three-month periods ended June 30, 2018 and 2017 amounting to ₱194.2 million and ₱152.2 million, respectively, 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 BIR on December 17, 2015.

The reconciliation between income tax expense at statutory tax rate and income tax expense presented in the unaudited interim condensed statement of comprehensive income is as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2018	2017	2018	2017
Income tax expense at statutory rate	₱380,621,474	₱288,619,509	₱210,779,415	₱155,544,330
Income tax effects of:				
Nontaxable interest income	(26,680,823)	(6,715,000)	(13,485,277)	(6,715,000)
Nondeductible expenses	703,453	1,622,932	212,146	1,593,846
Interest income already subjected to final tax	(265,594)	(3,934,380)	(123,361)	(3,863,868)
Stock transaction costs	-	(80,198,460)	-	-
	₱354,378,510	₱199,394,601	₱197,382,923	₱146,559,308

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Deferred tax assets:		
Allowance for inventory write down and losses	₱39,247,964	₱39,247,964
Retirement liability	35,784,534	39,760,713
Allowance for impairment of refundable cash bonds	25,022,980	25,022,980
Accrued rent on straight-line basis	16,875,756	12,043,496
Unearned revenue from loyalty program	15,322,848	11,817,498
Allowance for impairment losses on receivables	13,049,086	11,214,638
	145,303,168	139,107,289

(Forward)

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Deferred tax liabilities:		
Advance rentals	(P25,814,355)	(P23,324,851)
Prepaid taxes	(4,460,864)	-
Unrealized foreign exchange gain	(9,607)	(1,097)
	<u>(30,284,826)</u>	<u>(23,325,948)</u>
	<u>P115,018,342</u>	<u>P115,781,341</u>

The presentation of net deferred tax assets are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Through profit or loss	P188,851,988	P191,288,896
Through other comprehensive income	(73,833,646)	(75,507,555)
	<u>P115,018,342</u>	<u>P115,781,341</u>

17. Leases

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

Security and rental deposits, which pertain to refundable deposit and advance rentals, amounted to P205.6 million and P189.9 million as at June 30, 2018 and December 31, 2017, respectively (see Note 9). The refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively. Accrued rent as at June 30, 2018 and December 31, 2017 amounted to P38.0 million and P49.4 million, respectively (see Note 11).

Rent expense amounted to P425.1 million and P361.4 million for the six-month periods ended June 30, 2018 and 2017, respectively, and P214.0 million and P180.0 million for the three-month periods ended June 30, 2018 and 2017, respectively (see Note 14).

Future minimum rental payments under operating lease as at June 30, 2018 are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Within one year	P718,332,454	P774,251,249
After one year but not more than five years	784,896,364	759,035,536
More than five years	1,290,234,393	731,410,419
	<u>P2,793,463,211</u>	<u>P2,264,697,204</u>

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 ₱9.4 million and ₱8.9 million for the six-month periods ended June 30, 2018 and 2017, respectively, and ₱4.3 million and ₱5.3 million for the three-month periods ended June 30, 2018 and 2017, respectively, (see Note 15). Rental receivables amounted to ₱3.4 million and ₱2.9 million as at June 30, 2018 and December 31, 2017, respectively (see Note 6).

18. Related Party Transactions and Balances

The Company, in the normal course of business, has various transactions and balances with its related parties in 2018 and 2017, 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	2018	₱945,139	₱246,856,683	₱123,337,861	₱26,232,212
	2017	5,908,507	396,105,272	4,185,806	578,138,674
Entities under Common Control	2018	6,966,443	445,926,447	142,472,683	176,701,296
	2017	16,285,457	844,192,095	94,087,204	381,684,125
Stockholder	2018	128,324	7,581,908	1,000,709	52,960
	2017	905,065	7,173,763	1,033,990	-
	2018	₱8,039,906	₱700,365,038	₱266,811,253	₱202,986,468
	2017	23,099,029	1,247,471,130	99,307,000	959,822,799

Amounts owed by related parties consist mainly of trade and other receivables amounting ₱75.0 million and ₱83.1 million as at June 30, 2018 and December 31, 2017, respectively, (see Note 6) and security deposits and advance rental (included as part of "Other noncurrent assets" account) aggregating ₱149.4 million and ₱124.0 million as at June 30, 2018 and December 31, 2017, respectively, (see Note 9). No impairment loss was recognized on trade and other receivables and security deposits in 2018 and 2017.

Amounts owed to related parties consist mainly of trade and other payables aggregating ₱224.2 million and ₱137.2 million as at June 30, 2018 and December 31, 2017, respectively (see Note 11).

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 13). The Parent Company transferred retirement plan assets amounting to ₱22.1 million in 2017 (see Note 12).
- b. Purchases and sales of merchandise inventories with Parent Company and entities under common control.

Purchases of goods and services from related parties aggregated ₱341.8 million and ₱778.2 million for the six-month periods ended June 30, 2018 and 2017, respectively.

Sale of goods and services to related parties aggregated ₱8.0 million and ₱12.2 million for the six-month periods ended June 30, 2018 and 2017, 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 ₱57.0 million and ₱145.6 million for the six-month periods ended June 30, 2018 and 2017, 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 17). Rental expenses from related parties amounted to ₱354.7 million and ₱287.7 million for the six-month periods ended June 30, 2018 and 2017, respectively.
- e. Certain loans of the Company are collateralized by investment properties and property and equipment owned by the Parent Company aggregating ₱564.0 million and ₱1,149.3 million as at June 30, 2018 and December 31, 2017, respectively.

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

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	₱25,134,371	₱13,696,208	₱14,553,276	₱4,041,754
Retirement benefits	876,012	3,257,924	437,725	1,934,234
	₱26,010,383	₱16,954,132	₱14,991,001	₱5,975,988

19. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income	₱914,359,738	₱762,670,430	₱505,215,128	₱371,921,793
Divided by the weighted average number of outstanding shares	4,099,724,116	3,402,771,016	4,099,724,116	3,402,771,016
	₱0.22	₱0.22	₱0.12	₱0.11

20. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk. Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations. Receivables are monitored on an on-going basis with the result that the Company's exposure to possible losses is not significant.

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

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.

Capital Management

The Company monitors its debt-to-equity ratio.

The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The debt-to-equity ratio is as follows:

	June 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Total debt	₱4,437,234,725	₱4,106,197,280
Total equity	12,354,042,554	11,918,255,363
Debt-to-equity	0.36:1	0.34:1

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

21. Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Trade and Other Receivables, Container and Rental 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 their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposit 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 the expected future cash flows. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

Financial Asset at FVOCI. The fair value of the Company's Financial Asset at Fair Value through Other Comprehensive Income (Financial Asset at FVOCI) 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 2018 and 2017, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

Retained earnings at beginning of period as shown in the unaudited interim condensed financial statements	₱2,271,661,903
Net income during the period closed to retained earnings	914,359,738
Dividends declared during the period	(450,969,652)
Deferred tax assets related to temporary differences that flow through profit or loss	(188,851,989)

Retained earnings as at end of period available for dividend declaration **₱2,546,200,000**

Reconciliation

Retained earnings at end of period as shown in the unaudited interim condensed financial statements	₱2,735,051,989
Deferred tax assets related to temporary differences that flow through profit or loss	(188,851,989)

Retained earnings as at end of period available for dividend declaration **₱2,546,200,000**

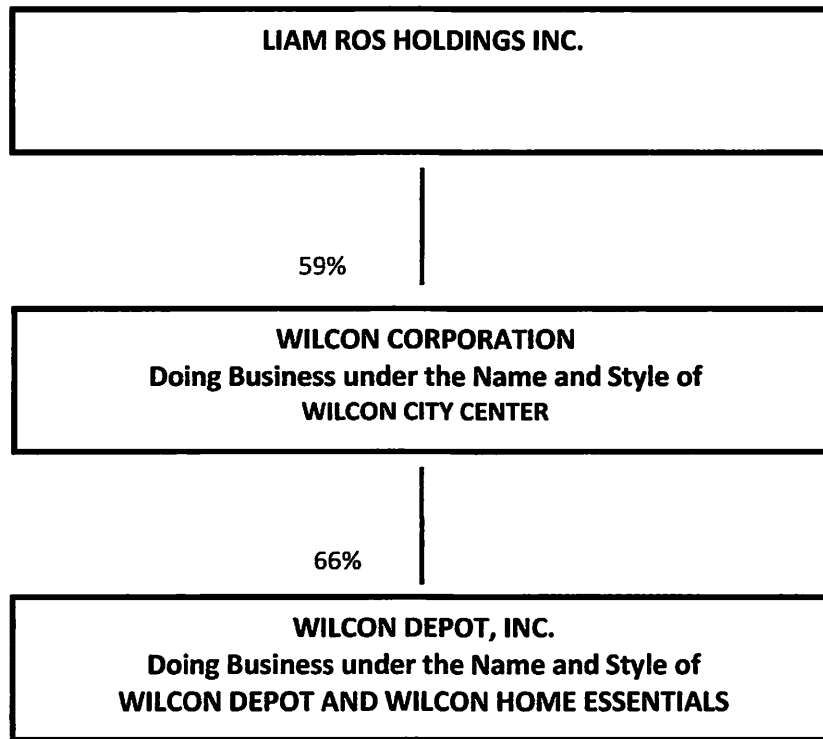
WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT AND WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018 AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
Liquidity Ratio		
Current ratio	2.71:1	3.15:1
Quick ratio	0.92:1	1.12:1
Solvency Ratio		
Debt to equity ratio	0.36:1	0.34:1
Profitability Ratio		
Return on assets	5.45%	8.65%
Return on equity	7.40%	11.62%
Book value per share	3.01	2.91
Gross margin	31.28%	29.67%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	12.45%	10.39%
Net income margin	9.14%	7.81%

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)

CORPORATE STRUCTURE
AS AT JUNE 30, 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)

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS
AS AT JUNE 30, 2018

	Estimated	Actual	Balance
Gross Proceeds	₱7,039,226,310	₱7,039,226,310	₱-
Offering Expenses	(299,376,310)	(289,897,803)	9,478,507
Net Proceeds	₱6,739,850,000	₱6,749,328,507	₱9,478,507

The actual offer expenses are less than the estimated amount. 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	Balance
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)	(1,470,473,464)	(4,651,520,845)
	(6,750,094,309)	(2,098,573,464)	(4,651,520,845)
Offer Expenses	(289,132,001)	(289,897,803)	765,802
Unapplied Proceeds	₱-	₱4,650,755,043	(₱4,650,755,043)

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
JUNE 30, 2018

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 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers	✓		

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			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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	✓		
	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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	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	Title	Adopted	Not Adopted	Not Applicable
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			✓
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			✓