



111092018001446



SECURITIES AND EXCHANGE COMMISSION

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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

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Period Covered September 30, 2018

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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

November 8, 2018

SECURITIES and EXCHANGE COMMISSION
Pasay City, Philippines

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

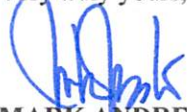
Mr. Mike Ferdinand Santos
SEC Examiner

Gentlemen:

For submission is the attached SEC Form 17-Q, results of the operations of the company for the quarterly period ending September 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

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 September 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 September 30, 2018 and December 31, 2017 and for the nine-month periods ended September 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 Nine-Month Ended September 30, 2018

Wilcon Depot, Inc. (WDI or the Company) recorded net income of ₱1,390 million for the nine months ended September 30, 2018, up by 24.3% or ₱272 million from the ₱1,118 million reported during the same period in 2017 with net margins likewise improving from 8.6% in 2017 to 9.0% in 2018. The improvement was driven by quicker-than-expected average turnaround of new stores, margin-enhancing product mix strategy and effective marketing efforts.

Net Sales

WDI's net sales for the nine-month period ended September 30, 2018 tallied ₱15,359 million, 17.9% or ₱2,332 million higher than the ₱13,027 million generated during the same period in 2017. The growth was driven by a solid comparable sales performance of 8.2% for the period and a healthy contribution from new stores opened in 2018 and 2017. The Company opened seven new branches, five depot-format and two smaller-format "Home Essentials" stores, in the first three quarters of 2018.

Net sales from the Company's depot-format stores amounted to ₱14,682 million, representing the bulk of net sales accounting for 95.6% of the total. The format grew by 19.8% or ₱2,423 million year-on-year, driven by same store sales growth of 9.6% and continuous roll out and ramp up of new depots. Project sales or sales to major property developers, on the other hand, accounting for 1.4% of total net sales, declined year-on-year to ₱215 million for the period.

The smaller format "Home Essentials", meanwhile, recorded total net sales of ₱462 million. The format accounted for 3.0% of the total and improved by 12.9% or ₱53 million year-on-year largely driven by same store sales growth of 11.1% and a modest contribution from the two new home essentials opened during the period.

Gross Profit

Gross profit for the period reached ₱4,808 million, improving by 22.5% or ₱882 million from the previous year's nine-month balance of ₱3,926 million resulting in an increase in the blended gross profit margin to 31.3% from the 30.1% recorded in the same period the previous year. The jump was brought about by the expanding contribution of the higher margin in-house and exclusive products to total net sales, which accounted for 46.6% this period versus 44.2% in the same period in 2017. Additionally, the non-exclusive products' gross margins also improved in view of higher volume discounts and better negotiated terms.

Operating Expenses

Operating expenses increased to ₱3,145 million for the nine-month period in 2018, up 20.5% or ₱534 million from the prior year's ₱2,611 million. The upsurge is traced mainly to the increased volume of business both from new and existing stores compounded by inflation effects on expense accounts notably on trucking and salaries.

Interest Expense

The Company repaid its bank loans resulting in an 88.0% or ₱17 million drop in interest expense to ₱2 million for the period from the prior year's nine-month level of ₱20 million.

Other Income (Charges)

Other income for the nine months ended September 30, 2018 totaled ₱266 million, up 63.2% or ₱103 million from the ₱163 million generated for the same period in 2017. The jump is traced mainly to higher interest income earned from placements of the balance of the proceeds from the initial public offering and cash generated from operations. Other income or revenues consisting of share of suppliers for various operational and promotional/marketing costs also contributed to the increase netting at ₱113 million for the period from the prior year's ₱77 million.

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

EBIT as a result reached ₱1,929 million for an EBIT margin of 12.6% while EBITDA amounted to ₱2,036 million for a margin of 13.3%, increasing from the prior year's ₱1,479 million with 11.4% margin and ₱1,553 million with 11.9% margin, respectively.

Income Tax

The Company's income tax increased from the nine-month 2017 total of ₱341 million to ₱537 million for the same period this year. The increase is mainly due to the higher taxable income in 2018 and the Company in 2017 enjoyed a tax benefit arising from the increase in capital stock resulting from the public listing of the Company's common shares.

Financial Condition

September 30, 2018 versus December 31, 2017

Assets

Total assets as of September 30, 2018 totaled ₱16,700 million, increasing by 4.2% or ₱675 million from the balance as of December 31, 2017 of ₱16,024 million in view mainly of the income generated partly offset by the repayment of bank loans and distribution of dividends during the period.

Current assets. Current assets declined by 5.0% or ₱583 million traced mainly to the utilization of cash and maturing short-term investments to fund the construction of new stores. Meanwhile, merchandise inventories which account for 43.7% of total assets, inched up by 4.7% or ₱330 million to close at ₱7,298 million as at the end of the third quarter period to support the requirements of new store openings.

Noncurrent assets. The Company-funded new store buildings accounted mainly for the 29.4% or ₱1,258 million upsurge in noncurrent assets. Property and equipment totaled ₱2,230 million by the end of the third quarter from ₱860 million at the end of 2017.

Liabilities

Total liabilities for the period dropped to ₱3,928 million as at September 30, 2018 traced mainly to the repayment of bank debts partly offset by the increase in current liabilities.

Current liabilities. Current liabilities totaled ₱3,803 million as at the end of the third quarter 2018, up by 2.1% or ₱78 million from the end-2017 balance of ₱3,725 million. The modest increase is traced mainly to the increase in trade, other and income tax payables partly offset by the repayment of bank loans.

Noncurrent liabilities. Noncurrent liabilities totaled ₱125 million, down by 67.3% or ₱256 million from the end-2017 level of ₱381 million due to repayment of bank loans.

Equity

Total equity reached ₱12,772 million as at September 30, 2018, rising by 7.2% or ₱854 million from the ₱11,918 million balance as at December 31, 2017 accounted for by 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.

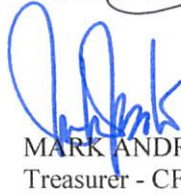
November 8, 2018

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 Financial Statements

As at September 30, 2018 and December 31, 2017 and

For the Nine-Month Periods and Three-Month Periods Ended

September 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)

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

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

	Note	2018 (Unaudited)	2017 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	4	P2,777,035,038	P3,016,815,150
Short-term investment	5	-	600,580,715
Trade and other receivables	6	480,379,462	552,025,050
Merchandise inventories	7	7,298,034,850	6,968,144,107
Other current assets	8	609,749,078	610,372,327
Total Current Assets		11,165,198,428	11,747,937,349
Noncurrent Assets			
Financial asset at fair value through other comprehensive income	5	2,916,862,277	2,996,946,620
Property and equipment	9	2,230,537,492	860,060,702
Deferred tax assets	17	111,520,472	115,781,341
Other noncurrent assets	10	275,825,790	303,726,631
Total Noncurrent Assets		5,534,746,031	4,276,515,294
		P16,699,944,459	P16,024,452,643
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of long-term debt	11	P-	P155,000,000
Trade and other payables	12	3,637,028,137	3,491,311,355
Income tax payable		165,889,799	78,888,675
Total Current Liabilities		3,802,917,936	3,725,200,030
Noncurrent Liabilities			
Long-term debt - net of current portion	11	20,000	248,461,539
Retirement liability	13	124,685,822	132,535,711
Total Noncurrent Liabilities		124,705,822	380,997,250
Total Liabilities		3,927,623,758	4,106,197,280
Equity			
Capital stock	14	4,099,724,116	4,099,724,116
Additional paid-in capital		5,373,738,427	5,373,738,427
Other comprehensive income		88,360,174	173,130,917
Retained earnings		3,210,497,984	2,271,661,903
Total Equity		12,772,320,701	11,918,255,363
		P16,699,944,459	P16,024,452,643

See accompanying Notes to Unaudited Interim Financial Statements.

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

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

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
AND FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

	Note	(Unaudited)			
		For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2018	2017	2018	2017
NET SALES		₱15,359,255,945	₱13,027,002,108	₱5,358,098,873	₱4,549,141,026
COST OF SALES	7	(10,551,471,907)	(9,100,847,130)	(3,678,643,445)	(3,179,911,996)
GROSS INCOME		4,807,784,038	3,926,154,978	1,679,455,428	1,369,229,030
OPERATING EXPENSES	15	(3,144,942,114)	(2,610,704,281)	(1,105,480,156)	(937,728,472)
INTEREST EXPENSE	11	(2,345,045)	(19,503,758)	(201)	(3,942,788)
OTHER INCOME - Net	16	266,543,684	163,295,965	84,327,244	69,620,103
INCOME BEFORE INCOME TAX		1,927,040,563	1,459,242,904	658,302,315	497,177,873
INCOME TAX EXPENSE (BENEFIT)	17				
Current		530,965,506	356,170,011	179,023,903	156,706,546
Deferred		6,269,324	(14,880,971)	3,832,417	(14,812,107)
		537,234,830	341,289,040	182,856,320	141,894,439
NET INCOME		1,389,805,733	1,117,953,864	475,445,995	355,283,434
OTHER COMPREHENSIVE INCOME (LOSS)					
<i>Item to be reclassified to profit or loss - Unrealized gain (loss) on fair value changes of financial asset at fair value through other comprehensive income</i>	5	(80,084,343)	41,735,464	(56,387,234)	12,541,617
<i>Item not to be reclassified to profit or loss - Remeasurement loss on retirement liability, net of deferred income tax</i>	13	(4,686,400)	-	(780,612)	-
		(84,770,743)	41,735,464	(57,167,846)	12,541,617
TOTAL COMPREHENSIVE INCOME		₱1,305,034,990	₱1,159,689,328	₱418,278,149	₱367,825,051
BASIC AND DILUTIVE EARNINGS PER SHARE	20	₱0.34	₱0.31	₱0.12	₱0.10

See accompanying Notes to Unaudited Interim Financial Statements.

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

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

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

	Note	2018 (Unaudited)	2017 (Unaudited)
CAPITAL STOCK			
	14		
Balance at beginning of period		P4,099,724,116	P2,705,817,916
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			
	13		
Balance at beginning of period		176,184,297	(9,640,325)
Remeasurement loss		(4,686,400)	-
Balance at end of period		171,497,897	(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 gain (loss)		(80,084,343)	41,735,464
Balance at end of period		(83,137,723)	41,735,464
		88,360,174	32,095,139
RETAINED EARNINGS			
Balance at beginning of period		2,271,661,903	886,247,051
Net income		1,389,805,733	1,117,953,864
Cash dividends	14	(450,969,652)	-
Balance at end of period		3,210,497,984	2,004,200,915
		P12,772,320,701	P11,509,758,597

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

	Note	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,927,040,563	₱1,459,242,904
Adjustments for:			
Interest income	4	(138,602,840)	(73,788,328)
Depreciation and amortization	9	106,834,065	74,082,621
Retirement benefits	13	14,909,491	38,131,998
Net provision (reversal of allowance) for:			
Impairment losses on receivables	15	8,632,996	(3,107,775)
Inventory write down and losses	7	–	29,175,121
Interest expense	11	2,345,045	19,503,758
Write-off of receivable		50,147	–
Offer expenses		–	–
Operating income before working capital changes		1,921,209,467	1,543,240,299
Decrease (increase) in:			
Merchandise inventories		(329,890,743)	(401,696,464)
Trade and other receivables		54,847,090	(146,687,485)
Other current assets		623,248	93,738,856
Increase (decrease) in trade and other payables		145,945,650	(18,359,268)
Net cash generated from operations		1,792,734,712	1,070,235,938
Income tax paid		(443,964,384)	(356,711,543)
Contributions to retirement plan	13	(28,816,170)	(14,952,135)
Retirement benefits paid	13	(638,065)	–
Net cash provided by operating activities		1,319,316,093	698,572,260
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	(1,472,848,590)	(347,821,211)
Computer software	10	(13,202,244)	(23,767,184)
Financial asset at fair value through other comprehensive income		–	(3,000,000,000)
Short-term investment		–	(500,000,000)
Proceeds from maturity of short-term investment		600,580,715	–
Interest received		146,718,195	47,831,911
Increase (decrease) in other noncurrent assets		36,640,822	(47,006,350)
Net cash used in investing activities		(702,111,102)	(3,870,762,834)

(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)	(697,820,513)
Interest		(2,573,911)	(19,503,758)
Short-term debt		-	(245,000,000)
Availments of long-term borrowings		-	198,461,539
Proceeds from issuance of capital stock	14	-	6,767,644,627
Net cash provided (used in) by financing activities		(856,985,103)	6,003,781,895
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(239,780,112)	2,831,591,321
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
		3,016,815,150	638,072,093
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	P2,777,035,038	P3,469,663,414

See accompanying Notes to Unaudited Interim Financial Statements.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Corporate Information

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

The Company is a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (the Parent Company), a holding company incorporated in the Philippines. The Parent Company is primarily engaged in acquiring and investing stock or securities of government agencies or public or private corporation, and in personal property of all kinds. The ultimate parent company is LIAM ROS HOLDINGS INC., 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 of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock of the Company were approved by the SEC on November 15, 2016.

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 approved the Company's application for initial public offering (IPO), respectively.

The 1,393,906,200 common shares of the Company are listed in the PSE on March 31, 2017 at an offer price of ₱5.05 per share. Net proceeds from IPO amounted to ₱6,749.3 million (see Note 14).

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

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

The unaudited interim financial statements have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The unaudited interim 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 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 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 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 financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

- Note 5, *Investments*
- Note 22, *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 a preliminary assessment of the impact of PFRS 9 on the unaudited interim financial statements based on facts and circumstances that exist as at September 30, 2018. Based on the analysis of the Company’s business model, the Company has concluded that all financial assets and liabilities should continue to be measured on the same bases as under PAS 39. Concerning impairment, the Company is currently assessing the extent of the impact of expected credit loss. It is anticipated that the application of the expected credit loss model of PFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed.

- **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 (SIC) - 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 and related amendments 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 September 30, 2018 and have not been applied in preparing the unaudited interim 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 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 financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the unaudited interim 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 at 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 should be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are

included under current assets if realizability or collectability is within 12 months after the reporting period. 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 as "Other comprehensive income" presented in the equity section of the unaudited interim statement of financial position. The fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Company classifies its investment 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 should be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

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 is reported in the unaudited interim 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 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>
Buildings 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 and electricity deposits, refundable cash bonds, computer software and advance rental. Other noncurrent assets, except advance rental and computer software, qualify as financial assets and are disclosed under financial instruments.

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

Computer Software. Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally generated computer software, excluding 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.

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

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

Impairment of Nonfinancial Assets

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

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

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 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 revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The 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, 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 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 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 financial statements but are disclosed in the notes to unaudited interim financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the unaudited interim financial statements but are disclosed in the notes to unaudited interim 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 financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to unaudited interim financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the unaudited interim 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 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 financial statements.

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

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

Determining the Classification of Financial Instruments. The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the unaudited interim statement of financial position.

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

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, computer software and transportation equipment. 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 ₱655.5 million and ₱551.1 million for the nine-month periods ended September 30, 2018 and 2017, respectively (see Note 18).

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 ₱14.5 million and ₱12.2 million for the nine-month periods ended September 30, 2018 and 2017, respectively (see Note 18).

Estimates and Assumptions

The key estimates and assumptions used in the unaudited interim financial statements are based upon management's evaluation of relevant facts and circumstances of the unaudited interim financial statements. Actual results could differ from those estimates. Presented below is the relevant estimate performed by management on its unaudited interim 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 loss and gain on fair value changes on financial asset at FVOCI recognized in other comprehensive income amounted to ₱80.1 million and ₱41.7 million for the nine-month periods ended September 30, 2018 and 2017, respectively (see Note 5). The carrying amount of financial asset at FVOCI amounted to ₱2,916.9 million and ₱2,996.9 million as at September 30, 2018 and December 31, 2017, respectively (see Note 5).

Assessing Impairment Losses on Financial Asset at FVOCI. The determination as to when a 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 September 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 ₱480.4 million and ₱552.0 million as at September 30, 2018 and December 31, 2017, respectively (see Note 6). Allowance for impairment losses on receivables amounted to ₱ 46.0 million and ₱ 37.4 million as at September 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 September 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 September 30, 2018 and December 31, 2017 (see Note 10).

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 ₱7,298.0 million and ₱6,968.1 million as at September 30, 2018 and December 31, 2017, respectively (see Note 7). Allowance for inventory write-down and losses amounted to ₱130.8 million as at September 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 September 30, 2018 and December 31, 2017. The carrying value of depreciable property and equipment and computer software follows:

		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Property and equipment*	9	P1,658,513,397	P626,480,766
Computer software	10	46,542,666	37,802,687
		P1,705,056,063	P664,283,453

* Excludes construction in progress amounting to P572.0 million and P233.6 million as at September 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.

		September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Property and equipment	9	P2,230,537,492	P860,060,702
Computer software	10	46,542,666	37,802,687
		P2,277,080,158	P897,863,389

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 13 to unaudited interim financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Retirement liability amounted to ₱124.7 million and ₱132.5 million as at September 30, 2018 and December 31, 2017, respectively (see Note 13).

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 ₱151.5 million and ₱139.1 million as at September 30, 2018 and December 31, 2017, respectively (see Note 17).

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	₱9,242,392	₱7,454,592
Cash in banks	502,057,729	879,360,558
Cash equivalents	2,265,734,917	2,130,000,000
	₱2,777,035,038	₱3,016,815,150

Cash in banks earn interest at prevailing deposit rates. Cash equivalents represent money market placements with interest ranging from 4.50% to 4.70% and have a maturity of 30 to 35 days.

Details of interest income are as follows:

	Note	Unaudited			
		For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2018	2017	2018	2017
Financial asset at FVOCI	5	₱73,666,667	₱48,733,333	₱25,500,000	₱26,350,000
Cash equivalents		60,012,440	22,758,557	23,001,363	10,669,012
Short-term investment	5	3,758,333	444,444	-	444,444
Cash in banks		1,165,400	1,851,994	280,089	826,937
	16	₱138,602,840	₱73,788,328	₱48,781,452	₱38,290,393

5. Investments

Short-term investment

Short-term investment 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 investment amounted to ₱3.8 million and ₱0.4 million for the nine-month periods ended September 30, 2018 and 2017 (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 September 30, 2018 and December 31, 2017, financial asset at FVOCI amounted to ₱2,916.9 million and ₱2,996.9 million, respectively.

Interest income from financial asset at FVOCI amounted to ₱73.7 million and ₱48.7 million for the nine-month periods ended September 30, 2018 and 2017, respectively, and ₱25.5 million and ₱26.4 million for the three-month periods ended September 30, 2018 and 2017, respectively (see Note 4).

Unrealized gain (loss) on fair value changes of financial asset at FVOCI amounted to (₱80.1 million) and ₱41.7 million for the nine-month periods ended September 30, 2018 and 2017, respectively, and ₱56.4 million and ₱12.5 million for the three-month periods ended September 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	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:			
Third parties		₱260,784,944	₱288,596,531
Related parties	19	1,248,080	83,123,103
Advances to suppliers		177,105,788	156,825,715
Accrued Interest		26,155,616	34,270,971
Advances to officers and employees		8,921,001	4,907,452
Rental	18	4,422,891	2,942,160
Others		47,712,407	18,741,244
		526,350,727	589,407,176
Allowance for impairment losses		(45,971,265)	(37,382,126)
		₱480,379,462	₱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 ₱160.6 million and ₱137.9 million as at September 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:

Amounts in Millions	As at September 30, 2018 (Unaudited)						
	Total	Current	1 to 30	31 to 60	61 to 90	91 to 120	Over 120
Trade:							
Third parties	P260.8	P75.5	P64.9	P22.9	P7.2	P50.3	P40.0
Related parties	1.2	0.4	0.3	0.1	0.3	0.1	-
	262.0	75.9	65.2	23.0	7.5	50.4	40.0
Advances to suppliers	177.1	177.1	-	-	-	-	-
Accrued interest	26.2	26.2	-	-	-	-	-
Advances to officers and employees	8.9	8.9	-	-	-	-	-
Rental	4.4	0.3	1.6	2.2	0.1	0.1	0.1
Others	47.7	3.5	7.5	8.9	0.7	21.2	5.9
Total Trade and Nontrade Receivables	526.3	291.9	74.3	34.1	8.3	71.7	46.0
Less: Allowance for impairment losses	(46.0)	-	-	-	-	-	(46.0)
Net Receivables	P480.3	P291.9	P74.3	P34.1	P8.3	P71.7	P-

Amounts in Millions	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	P288.6	P32.9	P60.1	P43.3	P36.6	P78.5	P37.2
Related parties	83.2	-	1.6	0.9	0.2	80.5	-
	371.8	32.9	61.7	44.2	36.8	159.0	37.2
Advances to suppliers	156.8	156.8	-	-	-	-	-
Accrued interest	34.3	34.3	-	-	-	-	-
Advances to officers and employees	4.9	4.9	-	-	-	-	-
Rental	2.9	0.1	1.8	0.7	0.2	0.1	-
Others	18.7	1.2	1.3	2.8	3.0	10.2	0.2
Total Trade and Nontrade Receivables	589.4	230.2	64.8	47.7	40.0	169.3	37.4
Less: Allowance for impairment losses	(37.4)	-	-	-	-	-	(37.4)
Net Receivables	P552.0	P230.2	P64.8	P47.7	P40.0	P169.3	P-

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

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period		P37,382,126	P45,834,378
Provision	15	11,779,448	7,502,533
Reversal	15	(3,146,452)	(11,229,313)
Write-off		(43,857)	(4,725,472)
Balance at end of period		P45,971,265	P37,382,126

7. Merchandise Inventories

Details of this account are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
At cost	P6,841,396,408	P6,511,505,665
At net realizable value	456,638,442	456,638,442
	P7,298,034,850	P6,968,144,107

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 September 30, 2018 and December 31, 2017, respectively.

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

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

Inventories charged to cost of sales amounted to ₱10,551.5 million and ₱9,100.8 million for the nine-month periods ended September 30, 2018 and 2017, respectively, and ₱3,678.6 million and ₱3,179.9 million for the three-month periods ended September 30, 2018 and 2017, respectively, including provision for inventory write down and losses.

8. Other Current Assets

Details of this account are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Input VAT	₱269,586,223	₱402,056,029
Current deferred input VAT	211,500,096	186,590,797
Prepaid expenses	113,386,139	10,962,386
Others	15,276,620	10,763,115
	₱609,749,078	₱610,372,327

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

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

Others mainly pertain to container deposits and supplies.

9. Property and Equipment

Details and movements of this account are as follows:

	As at September 30, 2018 (Unaudited)							Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction In Progress			
Cost								
Balance at beginning of period	P290,356,213	P460,333,451	P22,309,192	P16,873,492	P233,579,936	P1,023,452,284		P1,023,452,284
Additions	-	129,959,523	23,460,494	16,448,847	1,302,979,726	1,472,848,590		1,472,848,590
Disposal	(843,016)	-	-	-	-	-		(843,016)
Reclassification	964,535,567	-	-	-	-	(964,535,567)		-
Balance at end of period	1,254,048,764	590,292,974	45,769,686	33,322,339	572,024,095	2,495,457,858		
Accumulated Depreciation and Amortization								
Balance at beginning of period	10,031,862	140,436,653	10,641,838	2,281,229	-	-		163,391,582
Depreciation and amortization	23,415,718	71,827,730	3,540,422	3,587,930	-	-		102,371,800
Disposal	(843,016)	-	-	-	-	-		(843,016)
Balance at end of period	32,604,564	212,264,383	14,182,260	5,869,159	-	-		264,920,366
Net Book Value	P1,221,444,200	P378,028,591	P31,587,426	P27,453,180	P572,024,095	P2,230,537,492		
	As at December 31, 2017 (Audited)							
	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction In Progress			Total
Cost								
Balance at beginning of year	P125,482,396	P255,022,262	P18,100,864	P5,576,964	P-	P404,182,486		
Additions	-	205,311,189	4,208,328	11,296,528	398,453,753	619,269,798		
Reclassification	164,873,817	-	-	-	(164,873,817)	-		
Balance at end of year	290,356,213	460,333,451	22,309,192	16,873,492	233,579,936	1,023,452,284		
Accumulated Depreciation and Amortization								
Balance at beginning of year	3,757,744	52,463,387	5,673,004	390,452	-	62,284,587		
Depreciation and amortization	6,274,118	87,973,266	4,968,834	1,890,777	-	101,106,995		
Balance at end of year	10,031,862	140,436,653	10,641,838	2,281,229	-	163,391,582		
Net Book Value	P280,324,351	P319,896,798	P11,667,354	P14,592,263	P233,579,936	P860,060,702		

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:

	Note	Unaudited			
		For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2018	2017	2018	2017
Property and equipment		₱102,371,800	₱71,985,325	₱41,362,942	₱26,098,149
Computer software	10	4,462,265	2,097,296	1,707,492	1,002,014
	15	₱106,834,065	₱74,082,621	₱43,070,434	₱27,100,163

10. Other Noncurrent Assets

Details of this account are as follows:

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Security deposits	18	₱96,532,403	₱112,191,181
Noncurrent deferred input VAT		47,484,117	39,044,857
Computer software		46,542,666	37,802,687
Electricity deposits		44,756,398	36,938,404
Advance Rental		40,510,206	77,749,502
		₱275,825,790	₱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	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cost			
Balance at beginning of period		₱41,451,017	₱10,985,329
Additions		13,202,244	30,465,688
Balance at end of period		54,653,261	41,451,017
Accumulated Amortization			
Balance at end of period		3,648,330	430,020
Amortization	9	4,462,265	3,218,310
Balance at end of period		8,110,595	3,648,330
Net book value		₱46,542,666	₱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 September 30, 2018 and December 30, 2017, the refund of cash bonds is still pending with the BOC.

11. Long-term Debt

Details of long-term debt are as follows:

Terms	Principal	Outstanding Balance	
		September 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 nine-month periods ended September 30, 2018 and year-ended December 31, 2017.

As at December 31, 2017, certain loans are collateralized by property and equipment and investment properties of the Parent Company with a carrying value ₱1,149.3 million.

Interest expense is summarized below:

	Unaudited			
	For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2018	2017	2018	2017
Long-term	₱2,345,045	₱13,754,605	₱201	₱3,048,344
Short-term	–	5,749,153	–	894,444
	₱2,345,045	₱19,503,758	₱201	₱3,942,788

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

	September 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

12. Trade and Other Payables

Details of this account are as follows:

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:			
Third parties		₱2,378,523,112	₱2,482,513,704
Related parties	19	86,287,752	72,388,734
Accrued expenses:			
Rent	18	90,720,342	49,418,543
Salaries and wages		86,403,695	3,787,165
Trucking services		84,818,720	213,029,431
Outside services		74,350,527	43,147,511
Utilities		17,653,422	15,546,631
Others		34,290,793	21,242,639
Nontrade:			
Third parties		302,261,658	179,041,748
Related parties	19	45,700,322	64,791,264
Advances from customers		293,767,530	227,261,002
Due to Parent Company	19	22,260,802	22,084,182
Others		119,989,462	97,058,801
		₱3,637,028,137	₱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.

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

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

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

13. 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 Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2018	2017	2018	2017
Interest expense	₱11,392,567	₱14,458,184	₱4,654,527	₱4,819,395
Current service cost	6,662,224	23,673,814	929,412	7,710,915
Interest income	(3,145,300)	-	(1,285,038)	-
	₱14,909,491	₱38,131,998	₱4,298,901	₱12,530,310

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

	September 30, 2018 (Unaudited)		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 17)	Net
	Balance at beginning of period	₱251,691,852	(₱75,507,555)
Remeasurement loss	(6,694,855)	2,008,455	(4,686,400)
Balance at end of period	₱244,996,997	(₱73,499,100)	₱171,497,897

	December 31, 2017 (Audited)		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 17)	Net
	Balance at beginning of year	(₱13,771,893)	₱4,131,568
Remeasurement gain	265,463,745	(79,639,123)	185,824,622
Balance at end of year	₱251,691,852	(₱75,507,555)	₱176,184,297

Components of retirement liability follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Present value of defined benefit obligation	₱200,498,226	₱183,081,500
Fair value of plan asset	(75,812,404)	(50,545,789)
	₱124,685,822	₱132,535,711

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

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Balance at beginning of period	₱183,081,500	₱414,571,587
Interest expense	11,392,567	19,277,579
Current service cost	6,662,224	15,913,503
Benefits paid	(638,065)	(105,420)
Remeasurement gain	-	(266,575,749)
Balance at end of period	₱200,498,226	₱183,081,500

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

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Balance at beginning of year	₱50,545,789	₱-
Contributions	28,816,170	28,399,857
Interest income	3,145,300	1,173,754
Remeasurement loss	(6,694,855)	(1,112,004)
Transfer from Parent Company	-	22,084,182
Balance at end of year	₱75,812,404	₱50,545,789

The plan assets consist of the following:

Unit investment trust fund	46.49%
Mutual funds	33.99%
Others	19.52%
	100.00%

The principal actuarial assumptions used to determine the retirement liability as at September 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	(₱25,166,570)
	-100	31,137,938
Salary rate	+100	29,339,858
	-100	(24,244,286)
Turnover rate	0%	60,783,210

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

Year	Amount
2018	₱23,837,192
2019	1,840,550
2020	1,908,839
2021	6,016,098
2022 to 2026	52,895,040
	₱86,497,719

14. Equity

Details of capital stock are as follow:

	September 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - at ₱1 a share				
Balance at beginning and end of period	5,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000
Issued and outstanding:				
Balance at beginning of period	4,099,724,116	₱4,099,724,116	2,705,817,916	₱2,705,817,916
Issuances	-	-	1,393,906,200	1,393,906,200
Balance at end of period	4,099,724,116	₱4,099,724,116	4,099,724,116	₱4,099,724,116

The 1,393,906,200 common shares of the Company were listed in the PSE on March 31, 2017 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 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 amounting to ₱451.0 million on record date of May 24, 2018 and payment date of June 8, 2018.

15. Operating Expenses

Details of this account are as follows:

	Note	Unaudited			
		For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2018	2017	2018	2017
Rent	18	₱655,539,606	₱551,086,820	₱230,477,853	₱189,734,615
Salaries, wages and employee benefits		567,633,474	456,126,915	211,593,810	155,332,121
Outsourced services		553,511,895	523,005,418	200,532,585	191,137,141
Trucking services		351,965,578	247,110,710	117,749,080	123,487,986
Utilities		319,516,424	283,469,305	112,785,697	87,428,805
Taxes and licenses		137,364,010	127,769,196	49,323,692	34,010,698
Credit card charges		126,829,280	109,358,045	43,825,521	38,037,580
Depreciation and amortization	9	106,834,065	74,082,621	43,070,434	27,100,163
Supplies		88,854,529	40,339,439	22,725,697	17,140,990
Advertising and promotions		76,306,948	62,518,870	24,040,358	29,351,033
Repairs and maintenance		64,237,008	44,131,178	19,046,296	11,431,982
Communications		22,264,291	21,105,106	7,445,226	6,913,311
Transportation and travel		11,595,408	13,706,628	4,605,596	4,385,687
Fuel and oil		9,790,786	6,773,641	3,810,659	2,362,002
Professional fees		8,898,888	15,155,350	2,796,971	3,855,946
Net provision (reversal of allowance) for impairment losses on receivables	6	8,632,996	(3,107,775)	2,518,171	(716,606)
Donations and contributions		7,205,815	20,176,928	836,231	9,800,457
Others		27,961,113	17,895,886	8,296,279	6,934,561
		₱3,144,942,114	₱2,610,704,281	₱1,105,480,156	₱937,728,472

16. Other Income

Details of this account are as follow:

	Note	Unaudited			
		For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2018	2017	2018	2017
Interest	4	₱138,602,840	₱73,788,328	₱48,781,452	₱38,290,394
Rent	18	14,522,018	12,209,107	5,135,018	3,331,893
Others		113,418,826	77,298,530	30,410,774	27,997,816
		₱266,543,684	₱163,295,965	₱84,327,244	₱69,620,103

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.

17. Income Tax

The current income tax expense for the nine-month periods ended September 30, 2018 and 2017 amounting to ₱531.0 million and ₱356.2 million, respectively, and for the three-month periods ended September 30, 2018 and 2017 amounting to ₱179.0 million and ₱156.7 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 statement of comprehensive income is as follows:

	Unaudited			
	For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2018	2017	2018	2017
Income tax expense at statutory rate	₱578,112,169	₱437,772,871	₱197,490,695	₱149,153,362
Income tax effects of:				
Nontaxable interest income	(41,231,232)	(21,581,022)	(14,550,409)	(11,309,548)
Nondeductible expenses	703,513	5,851,127	60	4,298,706
Interest income already subjected to final tax	(349,620)	(555,476)	(84,026)	(248,081)
Stock transaction costs	-	(80,198,460)	-	-
	₱537,234,830	₱341,289,040	₱182,856,320	₱141,894,439

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

	September 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	37,405,748	39,760,713
Allowance for impairment of refundable cash		
Bonds	25,022,980	25,022,980
Accrued rent on straight-line basis	19,563,933	12,043,496
Unearned revenue from loyalty program	16,436,612	11,817,498
Allowance for impairment losses on receivables	13,791,380	11,214,638
	151,468,617	139,107,289
Deferred tax liabilities:		
Advance rentals	(35,475,374)	(23,324,851)
Prepaid taxes	(4,460,864)	-
Unrealized foreign exchange gain	(11,907)	(1,097)
	(39,948,145)	(23,325,948)
	₱111,520,472	₱115,781,341

The presentation of net deferred tax assets are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Through profit or loss	₱185,019,570	₱191,288,896
Through other comprehensive income	(73,499,098)	(75,507,555)
	₱111,520,472	₱115,781,341

18. 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 deposits amounted to ₱96.5 million and ₱112.2 million as at September 30, 2018 and December 31, 2017, respectively (see Note 10). Advance rentals amounted to ₱118.2 million and ₱77.7 million as at September 30, 2018 and December 31, 2017, respectively. Accrued rent as at September 30, 2018 and December 31, 2017 amounted to ₱90.7 million and ₱49.4 million, respectively (see Note 12).

Rent expense amounted to ₱655.5 million and ₱551.1 million for the nine-month periods ended September 30, 2018 and 2017, respectively, and ₱230.4 million and ₱189.7 million for the three-month periods ended September 30, 2018 and 2017, respectively (see Note 15).

Future minimum rental payments under operating lease are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Within one year	P679,072,085	P774,251,249
After one year but not more than five years	1,152,960,363	759,035,536
More than five years	2,380,430,603	731,410,419
	P4,212,463,051	P2,264,697,204

The Company as a Lessor

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

Rent income amounted to P14.5 million and P12.2 million for the nine-month periods ended September 30, 2018 and 2017, respectively, and P5.1 million and P3.3 million for the three-month periods ended September 30, 2018 and 2017, respectively, (see Note 16). Rental receivables amounted to P4.4 million and P2.9 million as at September 30, 2018 and December 31, 2017, respectively (see Note 6).

19. Related Party Transactions and Balances

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

Related Party	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2018	P1,386,730	P541,053,235	P19,301,999	P34,758,530
	2017	8,868,363	717,483,215	967,840	492,704,341
Entities under Common Control	2018	22,636,640	767,036,618	79,365,040	176,578,963
	2017	14,478,115	1,034,321,663	88,261,215	183,162,486
Stockholder	2018	1,478,881	10,059,594	1,299,455	564,000
	2017	1,712,536	10,760,644	1,067,475	-
	2018	P25,502,251	P1,318,149,447	P99,966,494	P211,901,493
	2017	25,059,014	1,762,565,522	90,296,530	675,866,827

Amounts owed by related parties consist mainly of trade and other receivables amounting to P 23.0 million and P 93.3 million as at September 30, 2018 and December 31, 2017, respectively, (see Note 6) and security deposits and advance rental (included as part of "Other noncurrent assets) aggregating P77.0 million and P124.0 million as at September 30, 2018 and December 31, 2017, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2018 and 2017.

Amounts owed to related parties consist of trade and other payables aggregating P211.9 million and P169.1 million as at September 30, 2018 and December 31, 2017, respectively (see Note 12).

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

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

Purchases of goods and services from related parties aggregated ₱ 558.4 million and ₱1,218.5 million for the nine-month periods ended September 30, 2018 and 2017, respectively.

Sale of goods and services to related parties aggregated ₱25.5 million and ₱25.1 million for the nine-month periods ended September 30, 2018 and 2017, respectively.
- c. Cash advances for working capital requirement and reimbursable certain expenses mainly pertaining to power and electricity, water, postage, telephone and telegraph. Reimbursable of certain expenses from related parties amounted to ₱129.8 million and ₱187.6 million for the nine-month periods ended September 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 ₱630.0 million and ₱356.4 million for the nine-month periods ended September 30, 2018 and 2017, respectively.
- e. Certain loans of the Company as at December 31, 2017 are collateralized by investment properties and property and equipment owned by the Parent Company aggregating ₱1,149.3 million.

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

	Unaudited			
	For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	₱39,842,193	₱32,332,898	₱14,707,822	₱11,047,523
Retirement benefits	1,219,741	4,852,460	343,729	1,112,427
	₱41,061,934	₱37,185,358	₱15,051,551	₱20,231,226

20. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	Unaudited			
	For the Nine-Month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2018	2017	2018	2017
Net income	₱1,389,805,733	₱1,117,953,864	₱475,445,995	₱355,283,424
Divided by the weighted average number of outstanding shares	4,099,724,116	3,635,088,716	4,099,724,116	3,635,088,716
	₱0.34	₱0.31	₱0.12	₱0.10

21. 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:

	September 30, 2018	December 31, 2017
	(Unaudited)	(Audited)
Total debt	₱3,927,623,758	₱4,106,197,280
Total equity	12,772,320,701	11,918,255,363
Debt-to-equity	0.31:1	0.34:1

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

22. Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, 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 deposits are under Level 2 of the fair value measurements hierarchy for financial instruments.

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

Security Deposits. Fair values of security deposits are based on the present value of 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 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

Retained earnings at beginning of period as shown in the unaudited interim financial statements	P2,271,661,903
Net income during the period closed to retained earnings	1,389,805,733
Dividends declared during the period	(450,969,652)
Deferred tax assets related to temporary differences that flow through profit or loss	(185,019,570)
<hr/>	
Retained earnings as at end of period available for dividend declaration	<u><u>P3,025,478,414</u></u>

Reconciliation

Retained earnings at end of period as shown in the unaudited interim financial statements	P3,210,497,984
Deferred tax assets related to temporary differences that flow through profit or loss	(185,019,570)
<hr/>	
Retained earnings as at end of period available for dividend declaration	<u><u>P3,025,478,414</u></u>

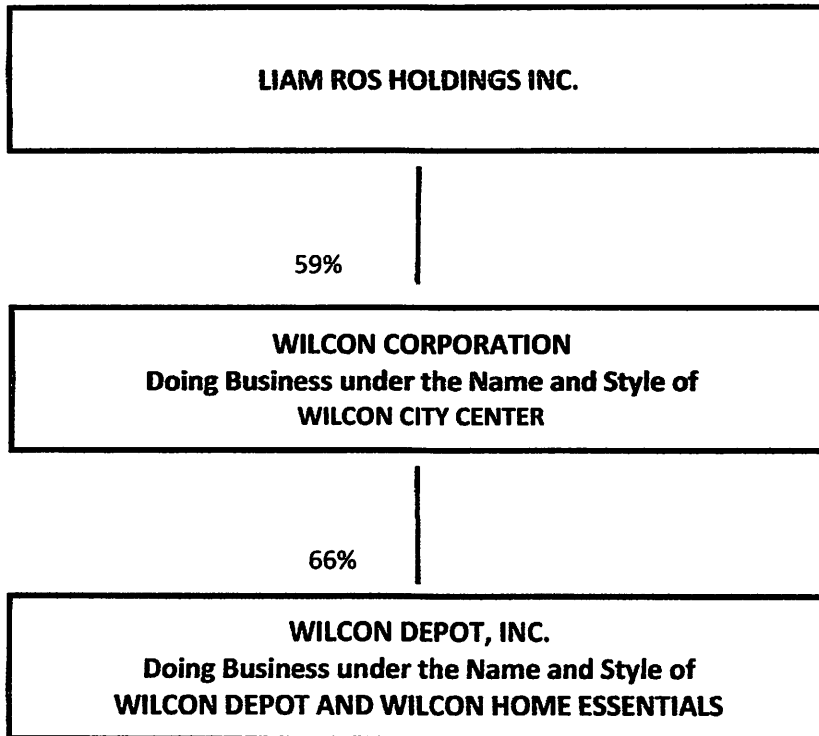
WILCON DEPOT, INC.
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FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
Liquidity Ratio		
Current ratio	2.94:1	3.15:1
Quick ratio	0.86:1	1.12:1
Solvency Ratio		
Debt to equity ratio	0.31:1	0.34:1
Profitability Ratio		
Return on assets	8.32%	8.65%
Return on equity	10.88%	11.62%
Book value per share	3.12	2.91
Gross margin	31.30%	29.67%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	12.35%	10.39%
Net income margin	9.05%	7.81%

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CORPORATE STRUCTURE
AS AT SEPTEMBER 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 SEPTEMBER 30, 2018

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)	(1,913,002,811)	(4,208,991,498)
	(6,750,094,309)	(2,541,102,811)	(4,208,991,498)
Offer Expenses	(289,132,001)	(289,897,803)	765,802
Unapplied Proceeds	₱-	₱4,208,225,696	(₱4,208,225,696)

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SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
SEPTEMBER 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			✓

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

PAS	Title	Adopted	Not Adopted	Not Applicable
	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 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

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

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

PHILIPPINE INTERPRETATIONS - SIC

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